

# Belize: Technical Assistance Report-Transition to Accrual Accounting



# BELIZE

## TECHNICAL ASSISTANCE REPORT—TRANSITION TO ACCRUAL ACCOUNTING

June 2023

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## BELIZE

### Transition to Accrual Accounting

**June 2023**

**Prepared By**

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**Fiscal Affairs Department**

## **Belize**

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# **Transition to Accrual Accounting**

Lesley Fisher, Joe Cavanagh, Anand Heeraman and Sophia Whyte-Givans



**Technical Assistance Report**

**June 2023**

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# ACRONYMS AND ABBREVIATIONS

|         |  |
|---------|--|
| APSSS   | Automated Payment Security Settlements System            |
| ASYCUDA | Automated System for Customs Data                        |
| BELAPS  | Belize Electronic Licensing & Permits System             |
| BTL     | Below The Line   |
| BTS     | Belize Tax Service                                       |
| CARTAC  | Caribbean Regional Technical Assistance Centre           |
| CBB     | Central Bank of Belize                                   |
| CITO    | Central Information Technology Office                    |
| CMU     | Cash Management Unit                                     |
| CoA     | Chart of Accounts  |
| D-EPM   | Dynamic Enterprise Performance Management System         |
| e-PICS  | Electronic Passport Issuance Control System              |
| FAD     | Fiscal Affairs Department                                |
| FMIS    | Financial Management Information System                  |
| GFS     | Government Finance Statistics (2014 edition)             |
| GoB     | Government of Belize                                     |
| GICS    | Government Integrated Cashiering System                  |
| IDB     | Inter-American Development Bank                          |
| IPSAS   | International Public Sector Accounting Standards         |
| IRIS    | Integrated Revenue Information System                    |
| MED     | Ministry of Economic Development                         |
| MOF     | Ministry of Finance                                      |
| PFM     | Public Financial Management                              |
| PIMA    | Public Investment Management Assessment                  |
| PSIP    | Public Sector Investment Program                         |
| RMS     | Revenue Management System                                |
| SIGTAS  | Standard Integrated Government Tax Administration System |
| SS      | SmartStream (Accounting system and FMIS)                 |
| TA      | Technical Assistance                                     |
| TSA     | Treasury Single Account                                  |
| UDAK    | User Defined Accounting Key                              |



## PREFACE

At the request of the Minister of Finance (MOF) of Belize, a team from the IMF's Fiscal Affairs Department (FAD) and the Caribbean Regional Technical Assistance Centre (CARTAC) visited Belmopan and Belize City during the period March 7-20, 2023 to undertake an assessment of the Treasury's capacity to implement accrual accounting and develop a roadmap. The mission team was led by Lesley Fisher (FAD) and comprised, Sophia Whyte-Givans (CARTAC), Joe Cavanagh and Anand Heeraman (FAD short-term experts).

The mission had an opening meeting with Mr. Joseph Waight, Financial Secretary and senior management of the Treasury, including the Accountant General Teresita Miranda and Assistant Accountant Generals Theresa Bradley and Carlos Contreras, and Business Analyst in the Ministry of Finance, Alberto Tzib. The authorities set out the latest economic performance and updates, reflecting the recent Article IV consultation.

The mission met with several government ministries, agencies and departments: the Auditor General's Department, the Belize Tax Service (BTS), the Central Bank of Belize (CBB), Central Information Technology Office (CITO), e-Governance and Digitalization Unit, the Department of Local Government within the Ministry of Labour and Local Government, Ministry of Economic Development, Ministry of Public Service, Chair of the Joint Public Accounts Committee (JPAC) and the Statistical Institute of Belize. Meetings were also held with the Budget Director Ms. Zita Magana and staff of the Budget Unit within the MOF, which has responsibility for both budget and debt management.

A meeting was held with Ms. Monica Calijuri and Mr. Broderick Watson and colleagues from the Inter-American Development Bank to better understand the impetus behind the project, "Strengthening Public Expenditure Management in Belize (BL-L1038)".

At the end of the mission, a closing meeting was held with the Financial Secretary, Joseph Waight, Accountant General Ms. Teresita Miranda and other key stakeholders at the MOF and the Treasury.

The mission would like to express its gratitude to the Belizean authorities for their cooperation and hospitality, for facilitating frank and constructive discussions, and for being solution-oriented. In particular, thanks to the Accountant General Teresita Miranda, and Assistant Accountant Generals Theresa Bradley and Carlos Contreras, for their excellent support in organizing the mission's work, scheduling meetings and facilitating access to information and data.

This mission was funded by the Caribbean Regional Assistance Center (CARTAC).

## EXECUTIVE SUMMARY

**Belize is planning to transition to accrual accounting over the medium term.** This reform is considered an advanced practice on the public financial management (PFM) spectrum and has been attempted by few regional comparators (Barbados, Bermuda, Cayman Islands and Curacao). There is a strong commitment and enthusiasm for reform from the Treasury's new leadership. The authorities want to improve transparency and accountability as well as shift their current focus on payments and reconciliations to include modern Treasury functions such as financial management, cash management and financial reporting. While full accrual practices may not be achieved in the short term, the reform presents opportunities for more efficient work procedures, greater cross-cutting collaboration, improved transparency, lower borrowing costs and the possibility to become a regional example.

**The transition to accruals is a complex, resource-intensive and advanced reform which requires various preconditions to be met.**

- **First the adoption and application of cash based International Public Sector Accounting Standards (IPSAS) should be completed.** Some progress has been made in developing IPSAS cash financial statements, but the disclosure notes have yet to be assembled.
- **Second, the Chart of Accounts (CoA) reform needs to be more comprehensive.** Work is underway to revamp the CoA, but further work is needed to ensure that it can support reporting to IPSAS and Government Finance Statistics Manual 2014 (GFSM 2014) standards.
- **Third, SmartStream (SS), the current Financial Management Information System (FMIS), needs to include accruals functionality.** The FMIS upgrade should be based on the CoA reform and include simple accruals and a fixed asset solution, with others following later. A comprehensive architecture should be developed to include planning for future system enhancements. The FMIS should include better integration or interchange with other systems, to assist data transfer and support reconciliations.
- **Fourth, the 10-year backlog in annual financial statements needs to be cleared.** Apart from the requirement to develop disclosure notes, there is a need to eradicate the backlog of revenue postings affecting recent years. Asset and liability balances in Below The Line (BTL) accounts need to be cleaned up to avoid contaminating the first Balance Sheet under accruals with unreliable balances.
- **Fifth, incomplete bank reconciliation should be prioritized.** Several unresolved errors and missing information from counterparts have accumulated and it is therefore not clear whether the financial statements reflect actual bank balances and the transactions which flow through them.
- **Sixth, a roadmap to transitioning to accruals should be prepared.** A draft cabinet paper prepared in 2021 recommended the transition to accruals, but the paper has not been adopted by Cabinet, nor has a plan been prepared with realistic timelines within available capacity constraints. A roadmap is needed to guide the various dimensions of reform (capacity, systems, reporting standards and formats, accounting policies and practices).

**The current organization and responsibilities of Treasury staff do not support the transition to accruals.** The Treasury structure has 155 positions, including staff from six district offices, largely responsible for revenue reconciliation. While there are 21 current vacancies, a number of important functions including cash management, CoA development, in-year reporting, financial management as well as recording of assets and liabilities are not performed. The Treasury is still operating under a traditional model focused on making payments and revenue reconciliations. There is no unit to prepare financial accounts, maintain the legal framework, exercise internal control, provide training, implement risk management, or oversee accounting standards; nor are there manuals and guidelines on how to perform these functions. Instead of tracking vacancies, the focus should be on functions which are lacking and the resources needed to acquit these wider responsibilities. Treasury should conduct a strategic review of its functions, identify the skills gaps, IT requirements and financial resources required to fulfil its revised mandate. Relevant manuals and operating procedures should be developed, along with a training plan to develop skills.

**The legal framework is fragmented and outdated.** The legal framework contains many modern elements but some orders and regulations date back to 1965 and refer to British Honduras. A draft PFM Bill 2021 contains many elements to strengthen and modernize the legal framework, but the law has not been tabled in Parliament. The proposed accounting reform provides an opportunity to review and update the draft PFM Bill, strengthen the role of the Treasury and repeal outdated provisions.

**Treasury processes are manual and can become more efficient by better use of IT.** Several systems are not fully integrated with SS and require manual journal entries and posting of transactions. Other processes in Treasury could be simplified and streamlined using IT solutions, thus freeing resources for other important tasks.

**Mechanisms for internal control, external scrutiny and legislative oversight are under-resourced.** An internal auditor has been appointed in the Ministry of Finance, but the function has yet to be devolved to other agencies. The External Audit institution is also understaffed and requires resources and training to audit the backlog in financial statements and be ready for the audit of accrual accounting. The Joint Public Accounts Committee (JPAC) needs staff to provide briefing and administrative support, to better enable Parliament to perform effective oversight.

**Accounting reforms will take time to implement and require change management processes if they are to succeed.** The Treasury does not currently have a change management culture to manage reforms and track performance. A new unit should be created to oversee change management, strategic planning, performance management, risk management as well as monitoring and evaluation. A PFM coordinating committee, chaired by the Financial Secretary, should be established to strengthen planning and internal collaboration.

The mission's recommendations are summarized below.

**Table 1: Table of Recommendations**

| <b>Recommendation</b>  | <b>Responsibility</b>  | <b>Timeline</b> |
|--|------------------------|-----------------|
| Consult on the proposed CoA, with Treasury and others, to meet fiscal and financial reporting needs                  | Budget Unit and others | ST              |
| Assume leadership and ownership of the CoA when capacity permits   | Treasury               | MT              |
| Elaborate a strategy for moving SS to accruals   | Treasury and CITO      | LT              |
| Resolve the issues which hold up closure and issue of past accounts  | Treasury               | ST              |
| Clean up balances on Below The Line (BTL) accounts   | Treasury               | MT              |
| Conduct a full internal controls assessment and act on the results.  | Treasury               | ST              |
| Review all outstanding reconciliations, conduct an age analysis, and determine what is recoverable                   | Treasury               | ST              |
| Develop a systematic approach to follow up on reconciliation issues  | Treasury               | ST              |
| Prepare an initial roadmap for a transition to accruals, recognizing capacity constraints                            | Treasury               | MT              |
| Undertake a legislative reform project to review and rationalize all PFM legislation and regulations                 | MOF & Att. General     | MT              |
| Repeal older laws and regulations and replace with modern PFM legislation  | MOF & Att. General     | LT              |
| Provide human, financial and technological resources to the Treasury so it can fulfill all its functions             | MOF & MPS              | MT → LT         |
| Develop a Government Accounting Manual informed by modern PFM legislation and policy frameworks                      | Treasury               | MT → LT         |
| Develop a CoA Manual   | MOF & Treasury         | MT              |
| Lead efforts to integrate SS with other systems, to ensure that the FMIS is fit-for-purpose                          | Treasury               | MT              |
| Develop the cash management function as recommended by earlier missions  | Treasury               | MT              |
| Explore options for extending the TSA to cover more of government's bank accounts                                    | Treasury, Central Bank | MT              |
| Capture all project bank balances within SS and the financial statements   | Treasury, MED          | MT              |
| Develop a comprehensive plan to capture, monitor, record, and report on all assets and liabilities                   | Treasury               | MT              |
| Allocate resources in the budget to enhance the efficacy of internal and external audits, and the JPAC.              | MOF                    | ST              |
| Create a unit to oversee change management, strategic planning, performance, risk management and M&E                 | Treasury, MOF          | MT              |
| Establish a PFM committee, chaired by the Financial Secretary, to plan, communicate and collaborate more effectively | MOF                    | ST              |

ST = 1-2 YEARS; MT 2-5 YEARS LT MORE THAN 5 YEARS

# I. INTRODUCTION

1. **A draft Cabinet Memorandum of March 2021 called for the adoption of accrual accounting by the Government of Belize (GoB).** The memorandum, submitted to Cabinet by MOF, argued for the adoption of accruals accounting, describing some of the characteristics of transition as well as the benefits of such a move. The memorandum suggested that preparatory work was needed to plan the transition and claimed that all preconditions for moving to accruals had been met and called on the Fund for support.

2. **There are several strengths which could support successful transition to accruals:**

- new Treasury leadership with energy, commitment and enthusiasm for reforms;
- an awareness of the key challenges in accounting, and proposals to address these;
- a desire to increase transparency and accountability; and
- an objective to enhance efficiency through automation and improved internal coordination

3. **While the transition to accruals will be resource-intensive and take time, the authorities recognize the benefits of improved transparency and accountability.** This report provides further information about what the transition involves (Part II), discusses government's readiness for transition (Part III) and identifies key reforms which need to be in place to support accrual accounting (Part IV).

# II. TRANSITION TO ACCRUALS

4. **A transition to accruals moves the focus from cash to the wider view of government's finances.** Accruals accounting seeks to capture all material assets and liabilities, as opposed to a sole focus on cash. This means that there are significant differences between the two accounting bases (see Table 2).

**Table 2: Key Differences between Cash and Accruals Accounting**

| <b>"PURE" CASH<sup>1</sup></b>                       | <b>"FULL" ACCRUALS<sup>1</sup></b>                                      |
|--|---|
| Cash is the only asset accounted for                 | All material assets and liabilities included                            |
| Receipts and payments included when received or paid | Revenue and expense included when earned or incurred                    |
| No balance sheet required                            | A balance sheet shows all assets and liabilities, and net worth         |
| Focus is on cash and how it is used                  | Focus on net worth and how it changes, in addition to the focus on cash |

Source: mission.

<sup>1</sup> Between "Pure Cash" and "Full Accruals" there is a variety of approaches, sometimes called "Modified Cash" or "Modified Accrual" which mix cash and accruals. These descriptors are not helpful since they are not defined, and nor do they appear anywhere in international standards. Instead, these intermediate approaches are best described as "Partial accruals" or "Transition to accruals".

**5. Transition involves the expansion of accounting in several ways.** Globally, the switch to accruals accounting has often been accompanied by the adoption (or adaptation<sup>2</sup>) of International Public Sector Accounting Standards (IPSAS)<sup>3</sup>. Those standards set out the requirements and expectations for accruals adopters. Countries moving to accruals must expand their accounting horizons and efforts in several dimensions: adding new financial statements; disclosing additional information in the notes to the accounts; including more assets and liabilities; using additional valuation methods; and consolidating all controlled entities (see Table 3).

**Table 3: Additional Requirements Under Accruals**

|                               | <b>CASH</b>  | <b>ACCRUALS</b>  |
|-------------------------------|--|--|
| <b>Financial Statements</b>   | Two statements <sup>4</sup> plus disclosure notes              | Five statements <sup>5</sup> plus disclosure notes                           |
| <b>Disclosures</b>            | The single Cash IPSAS requires and encourages disclosure notes | The 44 accruals IPSAS standards require and encourage additional disclosures |
| <b>Assets and Liabilities</b> | Only cash  | All material assets and liabilities should be included                       |
| <b>Valuation methods</b>      | Only measurement/valuation basis is cash (face value)          | A variety of methods – cash plus other measures of economic value            |
| <b>Entities included</b>      | Accounts preparers can decide on the accounting boundary       | All entities that are owned and controlled by the reporting entity           |

Source: mission.

**6. The transition from cash to accruals takes time and is usually made in stages.** Since countries began to adopt accruals in the 1990s, very few have adopted a “big bang” approach to transition, in which full accruals is deployed in a single step (albeit after years of preparation). Most countries have instead approached transition in stages, starting with simple accruals (such as accrued revenues and expenses, payables and receivables) before moving on to the more difficult and advanced accruals stages. Indeed, many countries are still in the midst of transition, and few advanced countries can claim to be applying the full requirements of the international standards. This gradualist approach to transition is set out in the Fund’s 2016 guidance<sup>6</sup>. Governments embarking on transition should be ready for the long haul – even in advanced countries, these reforms take 5-10 years and longer in countries without a tradition of accruals and without a cadre of qualified accountants in the public service.

<sup>2</sup> “Adoption” means 100 percent application of all IPSAS standards without amendment; no national standards are required. In contrast, “Adaptation” means that the government converts IPSAS into national standards which reflect selected parts of the IPSAS canon; typically, the more demanding IPSAS standards are not converted, or are set aside for later inclusion in national standards. Adaptation is therefore best suited to gradualist transition.

<sup>3</sup> A few countries, those that embarked on accruals before IPSAS was created in the late 1990s, base their standards on the International Financial Reporting Standards (IFRS) or similar standards for commercial enterprises, adapted for the public sector. In practice there is limited difference between this approach and IPSAS.

<sup>4</sup> Statement of Cash Receipts and Payments; and Statement of Budget and Actuals.

<sup>5</sup> An accruals-based Statements of Financial Performance (“Operating Statement”) and Financial Position (“Balance Sheet”); Statement of Changes in Net Assets; Statement of Cash Flows; and Statement of Budget and Actuals.

<sup>6</sup> IMF Technical Note 6 of 2016, “Implementing Accrual Accounting”, J. Cavanagh, S. Flynn, and D. Moretti.

**7. Transition, and the use of accruals, brings benefits but requires significant effort and cost.** The adoption or adaptation of accruals accounting can bring many benefits to both government and to other stakeholders (see Box 1), but such reforms are neither simple nor cheap. Accounting reforms require new IT systems, new procedures, additional accounting expertise, and considerable efforts and commitment by those involved in implementing the reform. Estimating the costs of reform is not straightforward, and although the upfront costs may be significant, they need to be compared against the benefits over a longer timeframe<sup>7</sup>.

### **Box 1: The Benefits of Accruals**

#### **A comprehensive view of what government earns, spends, owns and owes**

- A full accruals account provides information on all revenues, expenditures, assets and liabilities of the reporting entity – that is a comprehensive picture of the government’s financial performance and position. All this information is brought together in one place, and further levels of detail can be found in schedules and disclosure notes.

#### **A truer picture of government’s financial performance and position**

- A cash account only includes cash receipts and payments, and the annual surplus/deficit can be distorted by accidents of timing (if a large capital item falls in one year but not the next). In contrast, accruals are less affected by the timing of receipts and payments, giving a truer picture of annual surplus/deficit; and the “net worth” (assets less liabilities) provides a truer picture of a government’s financial health than reliance on cash balances alone.

#### **Better information for management of assets, liabilities and service costs**

- Accruals provide monetized information on assets and liabilities, some of which may not have been recognized or valued under the cash basis. Likewise, revenue and income are better measures of financial performance and the true cost of services: this is especially important for cost-recovery services.

#### **Greater financial discipline and lower fiscal risk**

- A move to accruals requires governments to set up or revive systems for tracking assets and liabilities. Under cash, such systems (such as manual asset registers) can fall into disuse or become out of date over time. Similarly, accruals also provide better information on payables (including arrears) and receivables (including revenue arrears), as well as significant liabilities such as unfunded pensions, which may not have been monitored or managed under cash—and which can present large fiscal risks.

#### **Greater transparency for Parliament, public and other stakeholders**

- Accruals allow much new information on government finances to be made available through published annual financial statements. The use of international standards also means that these accounts can be understood by non-specialists, whereas older cash accounts may have been in a format which was intended for accounts preparers and not for public accessibility. Reporting to a standard format also allows inter-governmental comparisons which can incentivize governments to improve performance.

#### **Better reputation with donors, lenders and rating agencies, and lower financing costs**

- Donors, lenders and rating agencies are much more likely to take a positive view of a government that is in full control and has the tools to manage its finances. The use of international standards and the production of accruals accounts can help improve a government’s standing and can lead to lower borrowing costs. A small reduction in interest rates on public debt can reap large gains for governments with a large debt portfolio.

Source: mission.

<sup>7</sup> See Part 6 of “Benefits of Accruals Accounting in the Public Sector”, by the PULSAR program of the World Bank, 2022.

**8. There are some key prerequisites to transition.** Even a transition to the simplest form of accruals is not just a question of turning a key. Certain elements must be in place, and other key aspects should be tackled before transition begins. Table 4 provides more detail of these prerequisites to transition. GoB’s readiness vis-à-vis the prerequisites is assessed in the remainder of the report and recommendations specific to each element are made.

**Table 4: Prerequisites to Accruals Transition**

| <b>ELEMENT</b>   | <b>EXPLANATION</b>  |
|--|---|
| <b>ESSENTIAL PREPARATIONS</b>                                    |   |
| <b>IT system and accompanying manual procedures</b>              | The accounting system must be capable of handling accruals. In GoB, SS is an accruals-ready system but has been configured for cash accounting. In addition to activating accruals in SS, new procedures will be needed to capture accruals transactions.   |
| <b>Chart of Accounts (CoA)</b>                                   | The CoA must be accruals-ready, ideally to support IPSAS and Government Finance Statistics (GFS)  |
| <b>RECOMMENDED ADDITIONAL PREPARATIONS</b>                       |   |
| <b>Compliance with the Cash IPSAS</b>                            | Switching traditional government accounts to a format and presentation which meets the Cash Basis IPSAS provides a solid foundation for transition.   |
| <b>No backlog of accounts</b>                                    | Prior years’ accounts, under the cash basis, should be finalized to establish the opening balances for the first accruals-based account.  |
| <b>A clean-up of accounting data</b>                             | Cash accounting systems are usually better at reliably recording receipts and payments than they are for maintaining asset and liability data. In GoB, SS uses Below The Line (BTL) accounts to record assets and liabilities. It is important to clean up any accumulated problems in these BTL accounts so that they record only true assets and liabilities, with reliable values. |
| <b>Internal control systems, especially bank reconciliations</b> | There is little point in advancing to accruals if systems of internal control cannot assure the reliability and integrity of accounting data. A set of accrual accounts can still be produced, but the “Garbage In, Garbage Out” dictum applies – the accounts will have less value if the data are unreliable.   |
| <b>A roadmap and detailed plans</b>                              | Such reforms are complex. They need careful planning to ensure that the many interacting elements work together on a shared timescale. Such “roadmaps” should be on a rolling basis, to allow for inevitable challenges and delays along the way and adjust according to capacity. A roadmap also acts as a vehicle for informing and engaging with all stakeholders.                 |
| <b>Commitment and capacity</b>                                   | Transitions do not happen without political and management commitment to the reform, and the availability of suitable capacity to undertake the reforms. This usually means a dedicated and specialist team, preferably within the Treasury, to steer the reform.   |

Source: mission.



### III. READINESS FOR TRANSITION

#### A. An accruals-ready Chart of Accounts

**9. The current CoA has many flaws and is not well suited to accruals accounting.** The current CoA was introduced in 2000, when SS was first implemented. Previous Fund missions, in 2015 and 2016<sup>8</sup>, reviewed the CoA, looking both at the main classification schemas (“segments”) and the use of these segments. Those missions found that the current segments do not match good practice for CoAs. Additionally, usage of the CoA over time has led to a deterioration in its integrity, with segments being used for mixed classifications (ideally, each segment should be for one classification schema). Moreover, the CoA was designed for cash accounting purposes. Whilst it differentiates capital receipts and payments, the CoA does not allow for the full range of assets and liabilities – only those financial assets related to cash movements (public debt, advances and deposits, mostly).

**10. A team in the Budget Unit has been working on a new CoA.** The mission team was given a brief presentation of the draft CoA. From this brief discussion<sup>9</sup>, it appears that the new CoA is much better structured and contains most of the expected elements or segments. The economic segment, which is the “account code” or “object code” (“line item” in Belize), is an important segment for budgeting and accounting<sup>10</sup>. The new CoA economic segment follows very closely the code structure used in the latest (2014) manual for Government Finance Statistics<sup>11</sup> (GFSM 2014) – a 7-digit economic code uses the first 3 digits that mimic GFS, with the other 4 digits being for local use. This is a sensible start, and follows earlier IMF guidance, but as those missions recommended, any new CoA needs to be assessed to be sure that it supports accruals accounting under IPSAS as well as the needs of GFS. Many countries use economic segments based on accounting classifications and map these to the GFS.

**11. Treasury and other stakeholders should be consulted on the design of the new CoA before it is finalized.** The Budget Unit has had some consultation over the new CoA and is cognizant of the earlier advice from the Fund. However, in discussions it was apparent that Treasury and other key players, such as the Statistical Institute of Belize (SIB) and the Ministry of Economic Development (MED), have not been consulted directly over their needs. Moreover, the mission heard that sub-national governments use a variety of CoAs, and it will be important to include the Department of Local Government in the Ministry of Labor and Local Government and Rural Development (MLLGRD) in any discussions, to explore the scope for a common core CoA which cities and towns can use, and which is consistent with the central government CoA. A common CoA will considerably aid any subsequent moves towards consolidation of national and local government to produce an account of “General Government” or the “Whole of

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<sup>8</sup> Chart of Accounts Reform in Belize, August 2015, Celeste Kubasta and Mark Silins. Chart of Accounts Reform in Belize, January 2016, Mark Silins.

<sup>9</sup> The mission team was not provided with a copy of the proposed CoA.

<sup>10</sup> Budget and accounting classifiers are aligned in Belize – this is good, as in other countries budgeting and accounting may use different coding structures, which causes significant problems of reconciliation.

<sup>11</sup> GFS is the statistical method used by IMF and countries worldwide to report on government finances. It is part of the United Nations’ System of National Accounts which is the internationally agreed standard set of recommendations on how to compile measures of economic activity.

Government<sup>12</sup>. The CoA reform could also consider capturing spending on gender and climate change, *inter alia*. Key questions to ask about a CoA's suitability for accruals is provided in Box 2. The mission provided separate material to support these key questions.

### Box 2: Key Questions to Ask About a CoA

#### Key questions to ask about a CoA, especially the economic segment, in terms of its readiness for accruals transition and accounting

- Can the CoA support budgetary reporting on a cash basis (if the budgetary basis is cash)?
- Can the CoA distinguish easily between budgetary receipts and payments, and non-budgetary cash flows (for example, those flows affecting BTL accounts)?
- Can the CoA readily provide data to support IPSAS style reporting formats (Cash Flow Statement using IPSAS 2 format; Operating Statement; Statement of Changes in Net Assets; and Balance Sheet)?
- Can the CoA readily provide data to populate an IPSAS-style Balance Sheet?
- Does the CoA accommodate the use of accounting provisions?
- Does the CoA include codes or code sections which support non-cash transactions, distinguishing those which go to the IPSAS Operating Statement and those which go to the IPSAS Statement of Changes in Net Assets?
- Does the CoA include features which will support or facilitate the eventual consolidation of other entities, including elimination adjustments?
- Will the CoA work with your accounting system?

Source: mission.

## B. An accruals-ready FMIS

**12. GoB uses SS as its main financial system, with links to other financial systems in government.** Figure 1 shows the government's financial system architecture. SS sits at the center, responsible for payment, budget execution, accounting and financial reports. There are some systems which link directly to SS:

- Some systems (budget formulation, the Treasury's cashing system-GICS, the Belize Tax Service (BTS) revenue management system) input data to SS.
- Others take data from SS (Central Bank of Belize (CBB) system for payments<sup>13</sup>, and a few systems for generating analytics and reports).

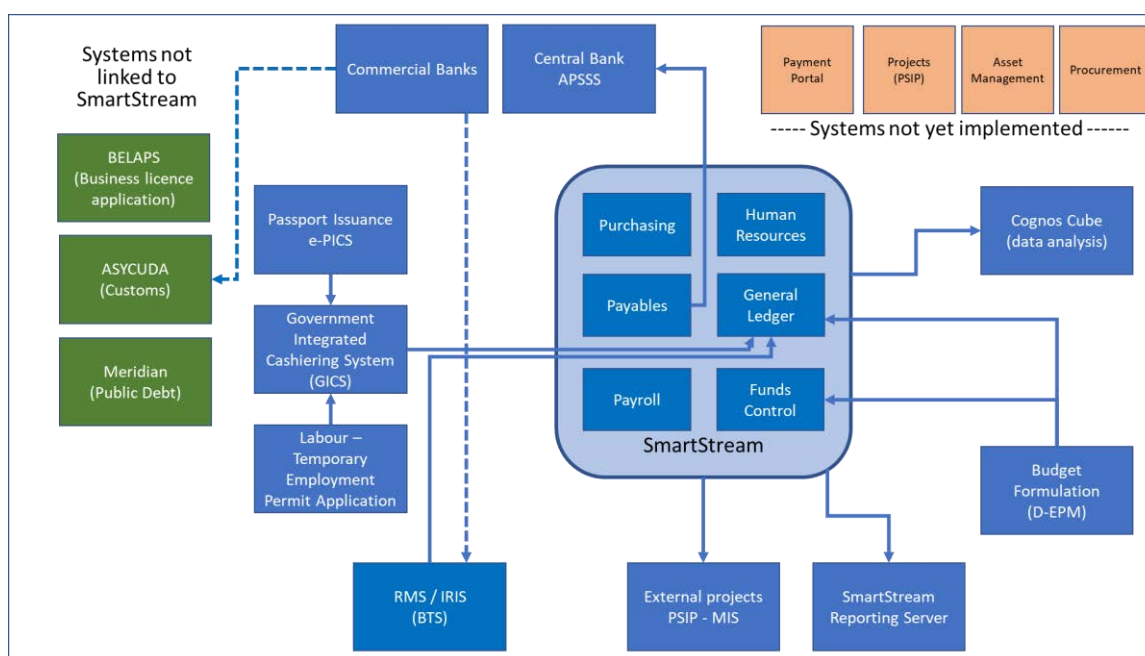
In comparison with Financial Management Information Systems (FMIS) in other countries, and especially those adopting accruals, SS is insufficiently integrated with other systems. Countries moving to accruals usually move towards an FMIS which has more functionalities and better integration, to minimize errors and reduce the need for manual processes.

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<sup>12</sup> "General Government" is a GFS term for the non-commercial public sector, usually encompassing national and local government and (usually) the social security institutions. "Whole of Government" means the entire public sector – i.e. General Government and commercial Public Corporations.

<sup>13</sup> Automated Payment and Securities Settlement System (APSSS) which provides for electronic funds transfer, a central clearing house for banks in the country, and a securities register.

**Figure 1: GoB's Financial Systems Architecture**



Source: mission.

**13. SS is currently configured for cash accounting.** The current CoA and system functions within SS are set up to support cash accounting. Receipts and payments are classified in the CoA, to differentiate current and capital items, but capital payments and receipts do not create capital items on the balance sheet. Instead, SS uses BTL accounts to record some financial assets and liabilities – essentially advances, deposits and public debt. There is no integration between the receipts/payments data and the financial assets and liabilities (except for bank balances).

**14. A switch to accruals would require that the suppliers of SS reconfigure the system, using a new accruals-ready CoA** (see next section), to:

- Capture revenue and expense data by generating the requisite postings at the correct point in the business processes for payments and receipts. This would normally be done through the Accounts Payable and Accounts Receivable functions in SS, and would provide simple accruals (revenue and expense, payables and receivables).
- Include fixed asset functionality if required. A fixed assets module would create fixed asset data and generate depreciation data for adjusting asset values over their lifetime. More importantly, all previous fixed asset data from previous years would be needed to create the correct opening balances. The Inter-American Development Bank (IDB) is providing support for the implementation of this SS module, although this project is only at its initial stages.
- Continue to incorporate budget execution controls, which operate on a cash basis, after the switch to accruals. This has caused problems in some transitioning countries using commercial accounting software, but can be dealt with if planned from the start.

**15. Changes to SS would need to be accompanied by new procedures.** It will not be enough to change the internal workings of SS. In addition, user procedures and instructions would need to change, to complement the new functionalities (e.g. invoices recorded when

received; periodic inspections of fixed asset for the updating of SS ledgers to record losses and impairment of fixed assets).

**16. In the longer term, SS will need more modules and integration, to support the later stages of transition.** A transition to full accruals will require progressive expansion of the FMIS capabilities, to accommodate the more advanced aspects of accrual accounting. Whilst initial stages of transition may involve only accounts payable, accounts receivable and fixed assets, in due course other functionalities will need to be automated:

- A module to support inventory accounting (confirm during planning for transition).
- Closer integration with banking systems, revenue management systems, public debt systems, HR systems, and systems which support project accounting – to capture and validate transactions which originate in these other systems.
- A module or facility to allow the consolidation of other entities' accounts – this is an essential future feature of transition.

More generally, a transition to accruals is usually associated with an expansion of the FMIS to include other business functionalities and processes, some of which generate accounting information. IDB is supporting an initiative to use the Projects module in SS to provide support for MED and to provide banking and reporting arrangements which meet the needs of donors/lenders for externally-funded projects under the Public Sector Investment Program (PSIP). Treasury needs to be involved in all developments.

**17. GoB needs to elaborate a strategy for financial IT systems.** GoB does not have a formal strategy for IT systems, or a strategy specifically for financial IT systems. The program of support by IDB includes some financial system developments based on additional modules in SS, and the e-Governance and Digitalization Unit (EGDU) has begun to look at the potential for new systems in the digital economy, but these initiatives do not provide a strategic view of how IT systems should develop and interact. Such a strategy would deal with two key matters:

- Which financial systems should be developed and implemented centrally, with priorities and indicative timescales?
- The rules which should govern the development of financial systems in the various Ministries and sectors, or government-wide through the e-Governance program, and how these should interact and integrate with central systems. The aim is to avoid duplication or ensure integration with central systems.

A strategy along these lines would be one of the principal concerns of any PFM co-ordination committee, which is discussed later in this report.

## **C. Complying with the Cash IPSAS**

**18. Treasury is working on a new IPSAS-compliant format of financial statements, based on Fund advice.** The Fiscal Transparency and Responsibility Regulations (FTRR) requires that government accounts should comply with the Cash Basis IPSAS by 2015. However, no accounts have been submitted since that date. Treasury is still working on accounts from 2015-16

onwards. A Fund mission in January 2023<sup>14</sup> focused on the design of new financial statements to meet the requirements of the Cash Basis IPSAS, and Treasury has been working to apply the new IPSAS-compliant format to the backlog of accounts.

**19. There is still work to do on developing disclosure notes consistent with IPSAS requirements.** Attention has focused on the main financial statements and the additional schedules required by Section 15 of the Finance and Audit (Reform) Act 2011 (FAA). However, Treasury still has work to do to develop a template set of disclosure notes in line with IPSAS, and to see how these can be populated for the backlog of accounts. Annex 1 provides some additional guidance on IPSAS disclosure requirements under cash accounting.

**20. Treasury could usefully do a more systematic check against the Cash Basis IPSAS.** Although much work has been done to move towards IPSAS-compliant financial statements, Treasury has not yet carried out a systematic gap analysis of compliance with IPSAS. The mission prepared a simple gap analysis tool (at Annex 2) that Treasury can use to carry out such an exercise.

#### D. Clearing the Backlog of Accounts

**21. Treasury has devoted resources to dealing with the backlog.** The lack of staff with capacity and responsibility for financial reporting contributed to the backlog of accounts. Delays were already evident in the early 2010s but by 2015 work on the financial statements had more or less stopped. In more recent times, Treasury has assigned responsibility for financial reporting to an Assistant Accountant General and began to put more resources to the task. Work has begun, with the help of CARTAC, to develop and adopt an IPSAS-style format for the main financial statements, and to generate the main statements and supporting schedules from trial balances for some of the missing years. Table 5 shows the latest status of the past years' accounts.

**Table 5: Status of Missing Years' Accounts**

| Year               | Statements ready? | All journals posted? | Fully reconciled to bank? | Disclosure notes ready? |
|--------------------|-------------------|----------------------|---------------------------|-------------------------|
| 2015-16 to 2018-19 | Y                 | Y                    | N                         | N                       |
| 2019-20 to 2021-22 | N                 | N                    |                           |                         |

Source: mission.

**22. A backlog of revenue journals<sup>15</sup> has accumulated, but Treasury plans to eliminate the backlog and close the accounts for these years during 2023.** Treasury has had problems with a backlog of revenue journals – these are needed to properly classify receipts, reconciled to bank records. The backlog of journals affects the years 2019-20 onwards (there are very few outstanding journals which predate this), and these journals need to be processed before the trial

<sup>14</sup> Improving Treasury Reporting Function, Arnold Ainsley and Sophia Whyte-Givans, February 2023.

<sup>15</sup> A "journal" is the term used for accounting transactions which are prepared and input directly to the General or other Ledgers, usually based on external information; in contrast, other accounting entries ("postings") are generated automatically as a by-product of business processes handled within the FMIS.

balance can be finalized and the accounts issued. Treasury has now assembled a team to make a concerted effort to clear this backlog of revenue journals.

**23. Accounts have been prepared without the benefit of 100 percent bank reconciliations, although the impact of this problem cannot be gauged without further study.** Ideally, any set of financial statements should be based on reconciliation of all bank accounts – this vital internal control provides assurance that the statements are reliable. Treasury has had problems in carrying out bank reconciliations – specifically, reconciling accounts at the CBB – and the mission heard of challenges in the Ministries and other institutions responsible for reconciling their own accounts in commercial banks. It is not possible at this stage to estimate the significance of this problem – this analysis would require a more systematic study of the unvouched sums or the size of reconciliation errors. More detail is provided in section G below.

**24. A final requirement is to produce disclosure notes to accompany the main statements.** The previous section described the work needed to develop a set of IPSAS-compliant disclosure notes for the missing years. The backlog of accounts cannot be cleared until the data for those notes is assembled and put into a template – which is yet to be developed. Although the accounts could be issued without these notes, it would be better to at least include those that can be developed from existing data sources.

**25. Notwithstanding the challenges in resolving the problems and assembling data for the missing years' accounts, publication should be prioritized.** Some of the problems affecting the backlog are longstanding, and it is quite possible that Treasury will not be able to resolve all these problems – there may not be time or resources. Moreover, it might not be possible to obtain all the evidence needed to verify past accounting practices or postings. Similarly, it might not be possible to assemble all the data needed to populate the notes to the financial statements. In these circumstances, Treasury should be prepared to issue (i.e. submit to the external auditor) rather than delay whilst seeking to get the accounts 100 percent correct and verifiable. The accounts may well be qualified by the external auditors, but the Treasury can minimize the risk and reputational damage by prefacing the account with a report or statement by the Accountant General which recognizes the weaknesses in the accounts and describes the efforts to improve matters for the future.

## **E. Cleaning up the Balance Sheet**

**26. The financial statements include a Statement of Assets and Liabilities, based on the BTL accounts within SS.** The FAA requires a Statement of Assets and Liabilities. In practice, this Statement is restricted to some financial assets and liabilities which are cash-based (i.e. their opening and closing balances result directly with cash flows within SS). This Statement therefore includes:

- Cash and bank balances
- Public debt
- Advances (to staff, institutions)
- Deposits (by institutions), including Savings Bank client moneys
- Special Funds (third party funds and project funds)

**27. These BTL accounts present a number of problems which undermine the reliability of the Statement of Assets and Liabilities.** BTL accounts are, in part, maintained through journal entries which may be generated from outside the system, and they use a separate part of the General Ledger which is not fully integrated with the receipts and payments section of the ledger. This poses a number of potential problems, described in Box 3.

### **Box 3: Problems with BTL Accounts**

**Contra and control accounts:** BTL accounts require a number of control or contra accounts to maintain balances within the General Ledger. However, if postings are made incorrectly, these accounts and contra-accounts can get out of balance, undermining integrity, leaving asset or liability balances which are accounting artefacts rather than reflecting real assets and liabilities. In the most recent available draft statements, for 2018-19, there is a balance for "To Track Debt Services" with a balance of BZD2.4 billion (38 percent of GDP<sup>1</sup>); and another for "Payroll Clearing Accounts" for BZD144 million (2 percent of GDP).

**Suspense and other transit accounts:** BTL accounts include those intended to be used as temporary stores for transactions pending clearance – such as suspense or transit/clearing accounts. These accounts should generally be cleared or minimized by year end. The 2018-19 draft statements show a suspense balance of BZD361 million (5.7 percent of GDP), a value that has hardly changed over the last five years.

**Unrealistic balances:** BTL accounts can include assets which, by virtue of age, are unlikely to be collectable, or liabilities which are unlikely ever to be called in. Prime examples are reported balances of BZD 60 million in banks which no longer exist; and a balance around BZD80 millions of advances to cities and towns that has not changed for five years and may never be called in.

**Internal reconciliation problems:** These asset and liability accounts can become out of sync with the receipts and payments which impact on their balances, meaning that the two halves of the ledger (above the line and BTL) cannot be reconciled. Quick analysis of the trial balances for recent years showed that it was not possible to reconcile movements in reported BTL balances with the cash receipts and payments recorded elsewhere in the General Ledger – other than for cash/bank balances.

**Items inconsistent with financial rules:** the 2018-19 BTL accounts include a balance of BZD41 million for "Accounts Payable" and another BZD60 million for "Accounts Payable Vendors". These appear to be payments that were authorized or requested but which had not been paid by the year-end. This suggests that Treasury is not following rules or the standard procedure to ensure that all valid payments are made by the year-end (and thus not charged against the following year's budget).

Note 1: Belize GDP in 2023 estimated at BZD6.3bn (IMF dataset). (BZD2 = USD1).

Source: mission based on trial balances 2013-14 to 2018-19.

**28. Treasury should clean up these BTL accounts as soon as possible, and certainly before moving to accruals.** These weaknesses in BTL accounts mean that the Statement of Assets and Liabilities is unreliable. Even under the cash basis, it is worth reviewing current BTL account balances to identify and correct those which can no longer be deemed real or reliable, leaving only true assets and liabilities on the Statement. This will also require write off or write down of such balances to eliminate them from the accounts. This clean-up becomes even more important under accruals: it will be important to start transition with an initial balance sheet that is correct. Finally, in reviewing BTL balances and their use, it will be key that Treasury understands the journal and posting practices which led to the current problems, and redesign procedures to avoid a repetition.

## F. System of Internal Control

**29. The Treasury's system of internal controls could be optimized.** Internal control refers to the policies, procedures, and systems to safeguard assets, ensure the accuracy of financial information, promote efficiency, mitigate fraud and comply with laws and regulations. The Committee of Sponsoring Organizations (COSO) Internal Control Framework is one of the most widely recognized and adopted frameworks for internal controls. It includes five components (See Table 6).

**Table 6: The Five Components of the COSO Framework**

|                               |   |
|-------------------------------|---|
| Control Environment           | An organization's culture and tone that influences its employees' control consciousness and behaviors.  |
| Risk assessment               | Identifying and analyzing risks that may affect the achievement of the organization's objectives.   |
| Control activities            | Policies and procedures that are designed to mitigate identified risks and achieve the organization's objectives. Control activities include segregation of duties, access controls, physical controls, reconciliations, and authorization and approval procedures. |
| Information and Communication | The process of identifying, capturing, and communicating relevant information about internal control, to support decision-making and achieve the organization's objectives  |
| Monitoring                    | Assessing the effectiveness of the internal control system over time and making improvements, as necessary.   |

Source: mission, based on the COSO Framework.

**30. Treasury is responsible for the maintenance of an adequate system of internal control.** It should be a core function of the Treasury to oversee and implement an effective internal control framework, both for Treasury's own processes and also in setting standards for the rest of government<sup>16</sup>.

**31. There are several areas for improvement in internal controls.** The mission carried out a high-level review of the internal control system – the results are shown in Table 7.

**32. Treasury needs to review the system of internal controls to address these weaknesses.** Weak controls increase the risk of fraudulent activities, corruption, and mismanagement of public funds. Such problems can worsen when financial management staff receive insufficient training, inadequate resources, and there are limited oversight and enforcement mechanisms. The effects of a weak financial management system are significant. They could contribute to budget deficits and reduced public services which erode public trust in government institutions and damage the reputation of the government.

<sup>16</sup> The Committee of Sponsoring Organization (COSO) of the Treadway Commission, published in 2013 provides a comprehensive and globally recognized approach to designing, implementing, and assessing internal control effectiveness. The COSO Internal Control-Integrated Framework is widely used by organizations of all sizes and industries to enhance their internal controls and mitigate risks.



**Table 7: Observed Weakness in Treasury Internal Controls**

| <b>Control Element</b>      | <b>Assessment</b>   |
|-----------------------------|---|
| Control Environment         | "Soft" controls such as a strong commitment or tone at the top is evident. However, further communication efforts are required to build these "soft" controls. Most of the units in MOF operate in silos. Annual budgets include measurable performance targets such as Key Performance Indicators (KPIs) but indicators need to be assessed at least semi-annually to revise performance in line with changes. The performance assessment process is not being done. |
| Risk Assessment             | Although informal risk assessment practices may exist, a formal risk register or documentation of managing the Treasury's risks are not evident.  |
| Control Activities          | Control activities include having formalized and integrated documentation of accounting procedures and guidance. It also includes having proper accounting controls to capture all revenues, expenditures, assets, and liabilities. Revenue arrears are not monitored, reported to the Treasury, or controlled. Assets are not safeguarded, as there is no centralized asset register to keep track of them; making theft and loss more probable.                     |
| Information & Communication | Information and Communication are other essential control components that require improvement. As an example, cross-functional communications meetings were not initiated between the Treasury and Belize Tax Service (BTS) to address challenges such as the accumulated incomplete bank reconciliations.  |
| Monitoring Activities       | Monitoring is an essential internal control. There needs to be formalized meetings between the Treasury and Sub-Treasuries to address challenges faced by the various Sub-Treasury Units or check on the progress. There are also no self-assessment mechanisms in place to support improvement.  |

Source: mission.

## **G. Incomplete Bank Reconciliations**

**33. A bank reconciliation compares an entity's bank account records with accounting records.** Bank reconciliations help identify errors or discrepancies in either the company's accounting records or the bank's records and help detect fraud or other financial irregularities. Bank reconciliations also help maintain accurate information on bank balances, which is crucial for cash management and the accuracy and integrity of a company's financial statements. Bank reconciliations are usually performed on a monthly basis but can be performed more frequently depending on the volume of transactions.

**34. There is a backlog of incomplete bank reconciliations.** Unreconciled amounts include:

- Dishonored cheques totaling an average of BZD5 million (0.39 percent of actual outturn for 2020-21) annually.
- A Payroll Clearing Account with an unreconciled amount of BZD 27.7 million.
- Unreconciled revenue bank reconciliations from BTS and banks that receive payments on behalf of government. Box 4 describes the revenue reconciliation process.

#### Box 4: Issues Affecting Bank Reconciliations

- BTS prepares a reconciliation of amounts received compared to the bank statement and submits a journal to Treasury. However, this data is still reviewed for accuracy and completeness by Treasury. If Treasury finds incorrect information, this is sent back to BTS for correction since the summary statement compared to the attached detailed statements does not match each other.
- In addition, some deposits made by taxpayers do not include a unique identifier code, making it difficult for Treasury to classify and post the correct amounts to the appropriate revenue codes. Bank statements do not show the breakdown by revenue type, preventing Treasury from matching the amounts with those provided by BTS.
- Another problem occurs when failed payments are returned to the Government's accounts at the CBB. For example, an amount may be sent to an account that does not exist, and the amount will revert to Government's accounts. A similar issue occurs with dishonored cheques received by government. The bank reconciliation does not agree with the data input to SS and it cannot be resolved because Treasury has already closed off the period to which the dishonored cheque or incorrect amount relates. In time Treasury could consider phasing out cheque payments.

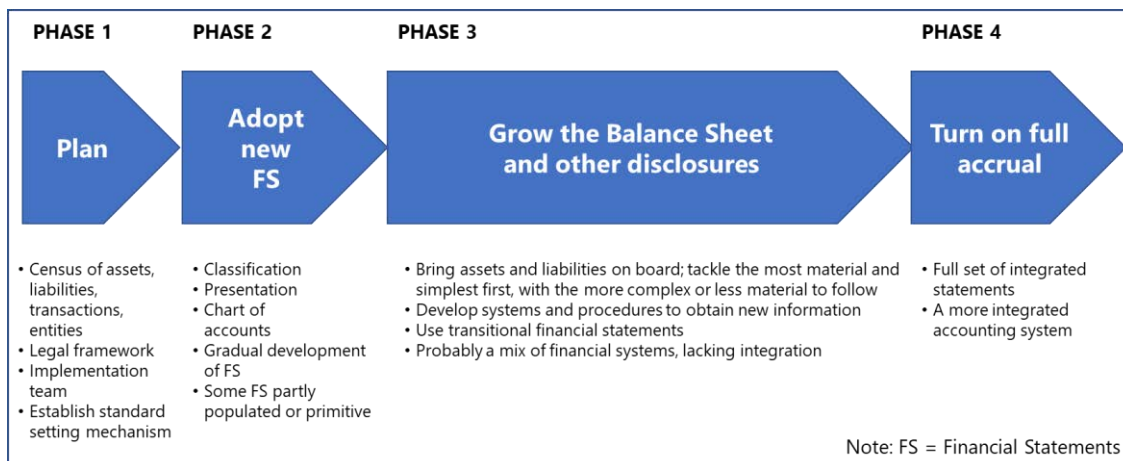
Source: mission.

**35. The Treasury should eliminate the key backlogs and develop a more systematic approach to dealing with reconciliation issues.** Treasury should review and analyze all outstanding reconciliations, conduct an age analysis, and determine what is recoverable and what is not. Unrecoverable amounts should be written off. Treasury should also develop a systematic way to follow up on reconciliation issues and escalate unresolved issues to the appropriate authorities for prompt response. There is a need for Standard Operating Procedures (SOPs) which include risk and controls assessment mechanisms, complete with flow charts or process mapping, to identify the types of information that are usually missing, the course of action for every kind of omission, the escalation path, and the time to resolution.

## H. A Roadmap and Detailed Plans

**36. Transition to accruals is a long and complex process; it needs careful planning.** The process of transition, within one organization or within one sector such as budgetary central government, will comprise a number of steps. Figure 2 provides an overview.

**Figure 2: Overview of Transition – Main Phases and Actions**



Source: mission.

**37. The Treasury will need to produce a roadmap to guide the transition project, probably with external help.** Initial planning in the first phase above will need to be converted into a roadmap which sets out what is to be achieved and how it is to be achieved. Accruals transition usually requires a small, dedicated team of specialists, often supported with external expertise. In the roadmap, choices will need to be made about the sequencing of the reform, and decisions about which standards will apply at each stage and how long it might take. One way to think about this sequencing is to consider the financial statements and how these will develop at each point in transition:

- At the end of phase 2, the financial statements will already be consistent with IPSAS accruals but will only contain a subset of assets and liabilities. At this stage too, there may not be a Statement of Changes in Net Equity.
- During phase 3, the Statement of Changes in Net Equity will be needed. During this phase, new classes of asset and liability will be brought into the account, and related additions will be made to the Operating Statement.
- By phase 4, the financial statements will be complete and include all material assets and liabilities.

In terms of timing, phases 1 and 2 can be relatively short – perhaps a year in total. But phase 3 is the most difficult to predict at the outset, since much will depend on what needs to be brought within the accounts, the sorts of accounting policies adopted by the government, and the capacity to undertake the reform. These questions will be a lot clearer at the end of phase 1 and even clearer at the end of phase 2.

**38. The roadmap also needs to address the various action areas that will be needed to support the transition process:**

- Building or acquiring technical capacity in Treasury and in Ministries
- Developing the accounting system and corresponding manual processes – this will need to involve the Treasury’s IT provider – the Central Information Technology Office (CITO)
- Deciding on a mechanism to create accounting standards
- Developing the legal framework
- Producing documentation (accounting and financial reporting manuals)
- Training and awareness raising for various types of users
- Instilling change management and other efforts to obtain “buy-in” from MOF and Ministries.
- Liaising with the external auditor.

**39. Subject to detailed planning, GoB should aim to start with simple payables and receivables, and fixed assets.** The full range of assets and liabilities which need to be brought within the new accounts vary in materiality and difficulty (i.e., technical or practical difficulty in obtaining the accounting data). A good rule is to focus on the most material and simplest first and leave the less material or more complex until later. The mission suggests that an initial aim should be to include simple payables and receivables together with fixed assets. This choice reflects the resources and capacity of Treasury and government more generally. Payable and

receivables usually require using the Accounts Payable and Accounts Receivable modules built into the SS. Fixed assets are material, and SS already has a module for fixed asset accounting, which the IDB is helping to activate, but a related challenge will be the effort needed to obtain data on legacy assets. However, the mission's suggested initial transition path needs to be tested during phase 1 of the transition, to ensure that there are no major obstacles to the inclusion of these items in the initial accruals account.

## I. Recommendations

### 3.1 Chart of accounts

- Consult on proposals for a revised CoA, with Treasury and others, to ensure it meets fiscal and financial reporting needs (Budget Unit and others, ST)
- Assume leadership and ownership of the CoA as soon as capacity permits (Treasury, MT)

### 3.2 Financial Management Information Systems

- Elaborate a strategy for moving SS to accruals (Treasury, CITO, LT)

### 3.3 Reconciliations and cleaning of accounts

- Resolve the issues which hold up closure and issue of past accounts (Treasury, ST)
- Clean up the balances on Below The Line (BTL) accounts (Treasury, MT)
- Conduct a full internal controls assessment and act on the results (Treasury, ST)
- Review all outstanding reconciliations, conduct an age analysis, and determine what is recoverable. (Treasury, ST)
- Develop a systematic approach to follow up on reconciliation issues. (Treasury, ST)

### 3.4 Strategy for transitioning to accruals

- Prepare an initial roadmap for a transition to accruals, recognizing capacity constraints (Treasury, MT)

## IV. MOVING TOWARDS A MODERN TREASURY

### A. PFM Legal Framework

**40. The PFM legal framework is incomplete and does not adequately reflect Treasury responsibilities.**<sup>17</sup> There is no comprehensive suite of legislation and regulations governing Treasury functions or operations. The current legal framework is outdated and inadequate. Legislation from the 1960s is still applicable. The British Honduras<sup>18</sup> Stores Orders of 1968, for example, still requires records to be written in ink and on prescribed paper and for the Accountant General to specify the type size and make of the binders that the paper is to be held

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<sup>17</sup> International Monetary Fund. 2021. Belize- Public Investment Management Assessment; p. 53.

<sup>18</sup> British Honduras no longer exists but the applicable law still refers to it.

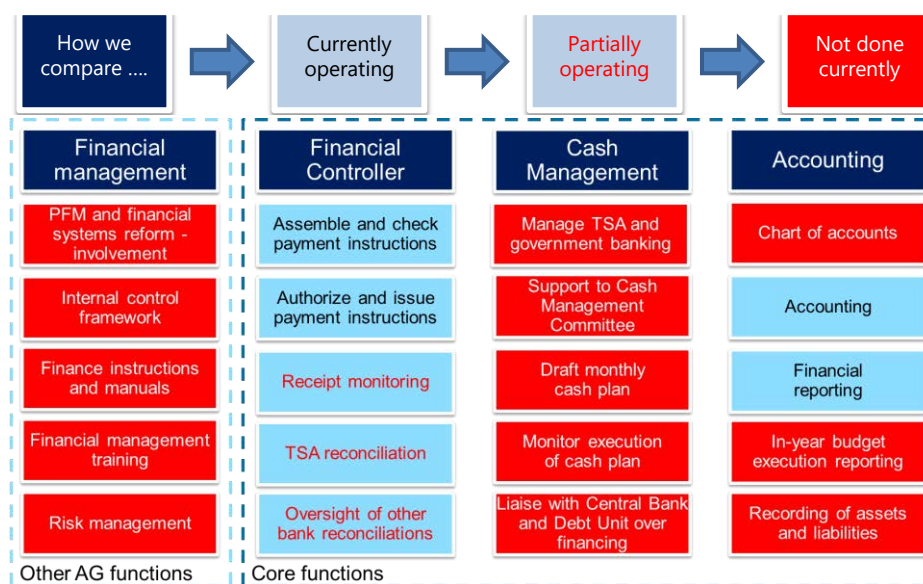
in<sup>19</sup>. These are very manual processes that reflect some of the legacy issues at the Treasury – performing tasks the way they had been done historically.

**41. The PFM Bill 2021 has been in draft stage for a number of years and needs finalization.** Even though it is the most recent framework, the legal draft needs to be updated to reflect the emerging roles of a modern treasury. There are provisions from five laws<sup>20</sup> and regulations that form the backbone of the PFM system which should be incorporated in a new PFM law. The enactment of new PFM legislation should be informed by a comprehensive review and rationalization of the fragmented PFM legislation and regulations. The process should be subject to public consultation, and sensitization.

**42. New PFM legislation should empower the Treasury to issue accounting standards and instructions.** Since 2010 the Treasury has had the authority to issue instructions—but this authority has not been exercised to date. The new law should be enabling, not detailed, and refer to international accounting standards in broad terms. However, the provisions should empower the Treasury to issue accounting standards for central government and, ideally, local government in line with international standards. Inconsistencies between the Fiscal Transparency and Responsibility Regulations, 2010, the Finance and Audit Reform Act 2011 and other applicable provisions should be eliminated. The PFM Bill should allow standards to be phased over time as capacity and practices develop. This will limit adverse opinions by the Auditor-General on non-compliance with international standards.

**43. The PFM Bill 2021 should capture all responsibilities of a modern Treasury proposed in Figure 3.** The typical functions expected of a modern Treasury and an assessment of the current Treasury functions is provided below. Annex 3 provides further resources.

**Figure 3: Comparing the GoB Treasury to functions of a Modern Treasury**



Source: mission.

<sup>19</sup> Government of Belize. 1965. British Honduras Stores Orders 1968, Section 12.

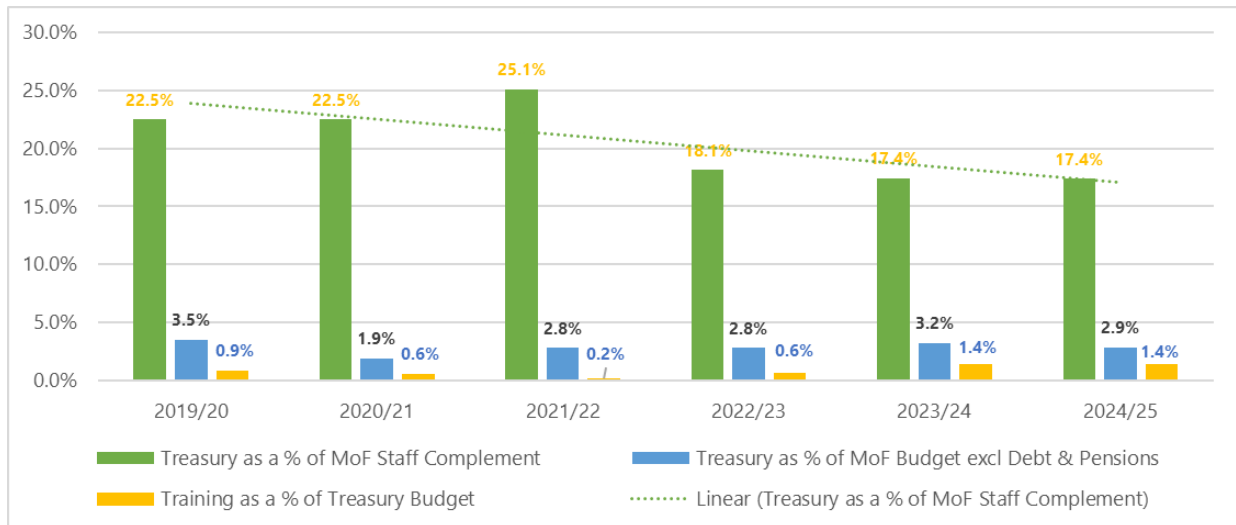
<sup>20</sup> British Honduras (Belize) Financial Order 1965; British Honduras Stores Orders 1968; Finance and Audit (Reform) Act 2010 (Revised in 2011); Finance and Audit (Reform) Amendment Act 2010; and Fiscal Transparency and Responsibility Regulations 2010.

## B. Capacity Constraints

### Budget, Staffing and Training

**44. The Treasury<sup>21</sup> appears underfunded.** For the past five years, budgetary allocations to the Treasury have declined relative to the total allocation to the MOF: Treasury’s budget has been, on average, approximately 2.9 percent of the MOF’s budget (excluding debt and pension payments) for the last five fiscal years and is projected to be the same in the FY 2024-25<sup>22</sup> (see Figure 4), despite having around 20 per cent of the MOF workforce. The trend has been a decline in the absolute value of spending and there may be room for reallocation from underutilized categories of spending to Treasury operations.

**Figure 4: Treasury’s Budget and Staffing, FYs 2019/20 – 2024/25**



Source: Government of Belize. Draft Estimates of Revenue and Expenditure for Fiscal Years 2022/23 & 2023-24.

**45. The annual budget allocates the number of staff that the Treasury should have in any given fiscal year.** Figure 4 also shows that the Treasury’s staff represents a declining percentage of the MOF workforce, although absolute staff numbers have actually shown some growth. The problem is that this staff complement carries out minimum core functions under the area of financial controller as shown in Figure 3. The Treasury needs to re-organize itself to undertake the tasks it is currently unable to perform. There is need to review the skill sets that will be required, considering in parallel the savings available through increased automation over time.

**46. The Treasury’s role in maintaining the CoA and cash management is limited due to capacity issues and understaffing.** The 2023-24 Budget and Estimates outline the key strategies and activities for the year. One key strategy is to develop and implement a new CoA for

<sup>21</sup> The Treasury was established in 1829. See Treasury of Belize. 2020. Instituting a Strategic Management Approach to the Operations of the Accountant General Department: Technical Proposal Framework.

<sup>22</sup> Government of Belize. Draft Estimates of Revenue and Expenditure for Fiscal Year 2023-2024; p.92. The Estimates emphasize the payments/expenditure focus of the Treasury: The program’s objective is “to process timely payments, record and report Government expenditure and revenue, and to ensure transparency and accountability in the management and use of public finances by preparing financial statements in a timely manner”.

implementation prior to the 2022-23 budget<sup>23</sup>. However, the objective does not reflect a strategic intent to implement additional core treasury functions over the medium-term even though it is a key strategy for the Fiscal Policy and Budget Management Program:<sup>24</sup> and two senior budget analysts and a business analyst at the MOF (not Treasury) are responsible for the CoA. Cash management has been non-operational until recently, despite training by stakeholders being listed as a program strategy for FY2023-24. The Treasury needs human, financial and technological resources to implement more of its core functions and those of the modern Treasury as shown in Figure 3.

**47. The Treasury is operating below its establishment of 155 staff.** At no time over the past five years has the Treasury operated at full capacity due to staff turnover, delays in following the Public Service Commissions' recruitment policies and insufficient skills. It currently operates with 21 vacancies from this target. This is a significant hurdle because it prevents staff from taking on non-routine, more strategic responsibilities. The functional areas which have the most staff deployed are Payroll (22) and the Paying-in Section (11) while accounts and Cash Management have just three and one respectively (See Annex 4). In addition to being understaffed, the Treasury lacks staff with requisite qualifications, for example qualified accountants who can prepare financial statements in compliance with international reporting standards. While online learning provides an opportunity to improve skills and gain new knowledge, the current deployment of staff and the demanding manual tasks could crowd out those opportunities.

**48. A cadre of accounting expertise and experience needs to be established across central government.** In the long run, the establishment of a Government Accounting Service could address the skills gap and staffing issues at the Treasury and elsewhere in government. A Government Accounting Service is a model whereby all accountants or finance officers in the central government are exposed to Treasury before moving on to other accounting and finance positions across the public service. Barbados is a good example for Belize and plans to implement this model. This approach focuses on continuity, uniform practices, understanding of accounting standards, and sustained capacity within the public service. There is a need for a strategy to recruit more qualified accountants and to build capacity in modern accounting standards and techniques through continuous training, including on-the-job training. Treasury should take the lead in providing this training to the rest of government once it has developed this capacity.

**49. The budget for training has been increasing but it is still inadequate to address learning and capacity gaps.** More training will be needed to introduce greater automation and digitalization. The training budget has accounted for, on average, less than one percent of the Treasury's total budget for the past five fiscal years (see Figure 4). Forward spending estimates for FY 2024-25 indicate that 1.4 percent of the total Treasury budget is allocated to training. The allocation masks the fact that most of the resources are allocated to "Miscellaneous" instead of

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<sup>23</sup> Government of Belize. Draft Estimates of Revenue and Expenditure for Fiscal Year 2023-2024; p.93.

<sup>24</sup> Government of Belize. Draft Estimates of Revenue and Expenditure for Fiscal Year 2023-2024; p.87.

Training Costs (see Table 8). A Training Program that is aimed at preparing staff to implement more treasury functions and greater use of technology is essential.

**Table 8: Training Budget (BZD)**

|                          | <b>FY 19-20</b> | <b>FY 20-21</b> | <b>FY 21-22</b> | <b>FY 22-23</b> | <b>FY 23-24</b> | <b>FY 24-25</b> |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Training Budget</b>   | 48,428          | 28,358          | 8,225           | 31,191          | 89,373          | 89,373          |
| <b>1 - Course Costs</b>  |                 | 2,000           |                 | 5,044           | 38,230          | 38,230          |
| <b>5 - Miscellaneous</b> | 48,428          | 26,358          | 8,225           | 26,147          | 51,143          | 51,143          |

Source: Government of Belize. Draft Estimates of Revenue and Expenditure for Fiscal Years 2022-23 & 2023-24.

**50. A move towards a modern treasury requires financial, human and technological resources.** Without adequate financial resources, more staff with the requisite expertise cannot be hired. Commitment to treasury reform needs to be demonstrated through budgetary allocations. The transition to accruals usually requires a small, dedicated team of specialists, assisted by the occasional outside expertise. The Financial Management wing of the Treasury, as shown in Figure 3, should also include a function for business analysis and performance monitoring. This is important because there will be need to review the efficiency and effectiveness of Treasury and other financial systems with a view to streamlining the use of IT, as well as monitoring and evaluation (M&E) on the Treasury itself and government financial systems.

### **Knowledge Management**

**51. SOPs, manuals and guidelines reflect the governance framework of an organization.** Traditionally, organizations have, at a minimum, a Human Resources or Administration Manual and manuals or guidelines for the key functions or processes. These documents provide some measure of internal control. Documentation of treasury functions needs to be streamlined and centralized as part of overall knowledge management. Box 5 shows the various manuals and instructions which Treasury has developed.

**52. The Treasury needs both operational and strategic documentation.** The majority of current documentation is operational, focusing on day-to-day transactional tasks with limited linkage to the policy or legislative framework. The Treasury needs a comprehensive Finance and Accounting Manual to cover all the processes that staff are involved in, the scenarios that could occur and the means of resolution. The preparation of such a manual is a high priority for the Treasury. The manual must be updated periodically to reflect the evolution of processes, practices and systems as the Treasury transforms from its traditional *modus operandi* to a more modern Treasury. Ideally it should be online so it is easier to update and enforce, both for Treasury and finance staff across government. A further objective should be to prepare a CoA manual to accompany the new CoA once it is ready to be deployed. The development of both manuals should be informed by the legislative framework.



### Box 5: Documentation for Treasury Processes

- Various documents on cash management and Excel spreadsheet and guidance on cash forecasting
- Debt Management Desk Manual
- Check Printing Desk Instructions
- GICS Reversal of Receipts Manual 2019
- Guidelines for the Preparation of Personnel files before submission to the Treasury Department 2021
- Payables Manual
- Pay Advance Process
- Payroll Computation Process
- Pension Payment Procedures
- Policy on Dishonored Cheques 2017
- Process for Incoming Correspondence for Maintenance Scheduling
- Procedures for BDF Volunteer, Hiring of Pensioners, Re-Hiring of Employee and Overtime
- Purchasing Operations Manual 2002
- Procedures for Pensions Wire Transfers (Embassies), Treasury Staff & Teachers' Maintenance, New Hires and Termination
- Reconciliations Manual
- Step-By-Step Instructions for the Printing of Cheques for Transaction in Smart Stream Payables.
- Steps for Creating a Purchasing Order in SmartStream
- Teachers' Maintenance – Payroll Process
- User Manual for Cheque Processing 2016
- Users' Manual for Payment Processing: SmartStream to APSS (Oct 2018 version)
- Vendor Accounts User Manual 2014: Step-By-Steps Instructions for the Creation

Source: The Treasury.

## C. Efficiency of Treasury Processes

**53. Processes in the Treasury are heavily manual.** The Treasury relies on other departments, such as BTS, to provide them with the necessary information to perform reconciliations, such as transaction data or account balances. BTS submits a summary sheet and supporting documentation in large bundles to the Treasury Department for reconciling. Officers take these stacks of documents and review them in detail, checking back each summary sheet to ensure that the documentation supports the amount quoted on the summary sheet. If there are errors, this can create a few challenges, such as delays in obtaining the required supporting information, and difficulties coordinating and communicating with other departments.

**54. Better use of SS functionalities would bring benefits.** SS is a financial software solution with functionalities that can support financial processes such as cash management, bank reconciliation, and financial planning. Automating these financial processes facilitates timely decision-making, helps identify discrepancies, reduces the scope for errors, and frees up time for

other financial management functions. Automation will increase productivity and allow staff to use their time more efficiently.

**55. Greater integration with other systems would reduce workload and errors.** SS integration can provide real-time access to information from other systems, which can help streamline workflows and reduce delays in processing. For example, SS General Ledger could be integrated with RMS, GICS, or CBB's APSSS. There can be real-time automated data transfers, such that differences between the cash account and bank balances are minimal and manual journal entries are significantly reduced. When integrated with SS, data is automatically validated and reconciled, reducing the likelihood of errors and discrepancies. By ensuring that data is consistent across multiple systems, integration can help prevent costly errors and delays in processing. Treasury should lead the process for systems integration.

## **D. Cash Management**

**56. A 2020 Fund mission<sup>25</sup> found that cash management was weak, leading to reliance on expensive short-term borrowings.** That mission found that there was no cash forecasting, no commitment ceilings, and no procedures or structure for managing cash flows. It highlighted that the Treasury Single Account (TSA) was limited to some accounts at the CBB (for the Consolidated Fund and special project funds), and that there were many project accounts in commercial banks that were outside Treasury's scrutiny or control. The mission made recommendations for a cash management framework and system, and for greater scrutiny of project accounts in commercial banks. The Treasury has since made some efforts towards cash forecasting, but these were not continued, and the team is still not operational.

**57. There has been little progress in building cash management capacity since the 2020 report.** Although there is one individual in the Treasury assigned to cash management, the function has not progressed or become active. There is no functioning Cash Management Committee. There has been no survey of banking or accounts outside the TSA (and indeed it was not clear whether there is an active TSA – but instead a set of around 60 accounts that Treasury monitors). Treasury and MOF could not provide any data or estimates of the number of bank accounts. The previous mission had also identified the scope to use SS modules to assist the cash management function, but there has been no progress in this direction.

**58. There is still a need for an effective cash management system and a functioning TSA.** These two functions are a critical part of government's financial management, with direct impacts on government's liquidity and need to borrow. A well-functioning TSA and cash management system, by pooling liquidity and managing cash flows, can reduce the need for borrowing generally and recourse to short term financing. More detail on these two functions can be found at Annex 5. The recommendations from the 2020 mission remain relevant.

**59. Establishment of a Cash Management Committee is essential.** There will be little point in the Treasury generating cash forecasts and monitoring cash flows if there is no high-level forum in which these matters are considered. MOF needs to institute such a committee, meeting at least monthly, to receive Treasury's cash forecasts and decide how to respond to cash

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<sup>25</sup> Belize: Technical assistance report— Public Investment Management Assessment – March 2020.

shortages or surpluses: in most cases this will be about the need for short- or longer-term finance to fill expected cash shortages. Such committees are usually chaired by the Financial Secretary, with representatives from Treasury, Budget, Revenue Departments, MED and CBB.

**60. The cash balances reported in the government's annual financial statements exclude an unknown number of project accounts in commercial banks.** In discussion with MED, three types of banking and accounting arrangements for external projects were identified:

- Mode 1: the project uses a bank account linked to SS and processes its transactions through SS. This option is preferred, as it brings the project finances entirely within the government's own systems, thus facilitating accounting.
- Mode 2: the project uses its own account in a commercial bank and provides a monthly accounting return which summarizes information on expenditures; and records a matching amount of revenue. No information on account balances is shared with SS, despite the fact that these are government accounts.
- Mode 3: the project uses a bank account entirely outside government's control (more than likely in the donor's own jurisdiction), and SS is supplied only with summary information on expenditures (and matching revenues).

Modes 2 and 3 obviously provide challenges to Treasury in terms of reconciliation and also being able to capture the detailed information needed to provide an analysis of expenditures by type. However, Mode 2 also poses a problem in that these account balances are not captured in SS and in the government's financial statements (as required by the Cash Basis IPSAS).

## **E. Reporting on Assets and Liabilities**

**61. The Treasury submits a statement of the assets and liabilities at the end of the financial year for audit, but the information is incomplete<sup>26</sup>.** The Treasury does report some assets and liabilities, but only those which are linked to their cash accounting approach, i.e., the BTL accounts. This implies that important assets and liabilities are not recorded and monitored, especially fixed assets, payables, receivables including revenue arrears, and public pension liabilities. Despite the significant challenges faced by the Treasury, there is an opportunity to improve financial reporting by preparing and submitting a statement of assets and liabilities for audit.

**62. There is no government-wide or centralized process to identify, record, and safeguard government's assets.** The lack of a fixed asset register limits government oversight of its fixed assets, including equipment, buildings, and other long-term assets which could lead to inefficient usage, theft or loss. An absence of a centralized fixed asset system increases the risk that assets may be disposed of without being recorded or at less than their true value.

**63. Government's unfunded pension liability is not included in the statement of assets and liabilities.** According to the concluding statement of the 2023 Article IV Consultation with Belize the net present value of the deficits for the Pension Plan for Public Officials (PPPO) is estimated at 77.1 percent of GDP. IPSAS requires that public entities recognize the accrued

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<sup>26</sup> Section 15(3)(b) of the Finance and Audit (Reform) Act, Revised (2011).

liabilities from unfunded staff benefits such as defined contribution schemes. Other standards require disclosure of the actuarial valuation in the notes to the financial statements. Such liabilities are often large, and failure to track them can cause significant problems. For example, in 2011 Argentina had a significant and increasing unfunded pension liability. The government did not allocate enough funds to fulfil its pension commitments, resulting in the inability to meet pension obligations, contributing to the overall financial crisis in the country.

**64. There needs to be proper recording of the government's arrears of revenue.** Section 89 of the Financial Orders (1965) requires that Accounting Officers furnish to the Treasury a return of revenue arrears every six months. Unless revenue is monitored, this can result in leakages and balloon into large sums owing to the government; this loss of resources will impact service delivery. The most recent available Auditor General's report of 2014-15 indicated that departments had not presented returns of revenue arrears. The report further stated that visits were conducted at several departments and found that departments had over BZD320 million in arrears, while others did not submit any returns.

**65. Underreporting of assets, unfunded pension liabilities, and revenue arrears can present fiscal risks to government.** Treasury should prioritize the development of procedures and systems to record all assets and liabilities. This will enable Treasury to identify any discrepancies, resolve them promptly, and ensure accurate financial reporting. Additionally, having reliable financial management reporting will help to ensure compliance with laws and regulations and mitigate against fiscal risks.

## **F. Support for Accountability and Oversight**

**66. Support for internal audit, external audit and legislative oversight should be prioritized.** Audit (internal and external) and Parliamentary scrutiny are important elements of the control environment and need strengthening:

- Only one person was recently appointed to the Internal Audit Department to support the whole of government.
- External audits are infrequent due to capacity constraints of the Supreme Audit institutions, reducing audit coverage and increasing the risk of waste, errors, omissions, financial irregularities, and corruption.
- The Joint Public Accounts Committee (JPAC) is not fully functional. It does not have sufficient technical support to probe the audited financial statements and other reports (value for money audits, compliance, and internal controls audits) and hold public officers accountable for any legislative or regulatory breaches.

Internal Audit, Auditor General, and JPAC require resources and training.

## **G. Change Management and Institutional Coordination**

### **Change Management**

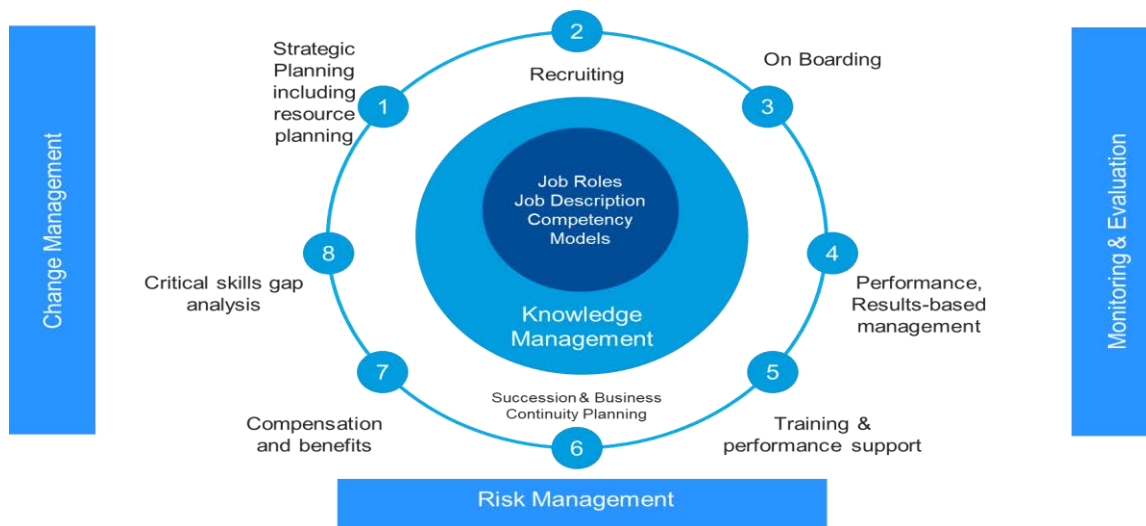
**67. The Treasury has some imperatives that it will need to address over the short to medium-term.** The first is to introduce, and eventually institutionalize, a culture of change management, risk management and monitoring and evaluation. The second is to implement

strategic planning with a view to developing a vision and mission that can motivate staff to improve their individual performance and the Treasury's overall performance. This is an exercise that will require the Treasury to determine how to phase its transition to a more modern treasury where it takes on more and more of the core functions to prepare it for the wider treasury functions. It will require more staff, or more staff working more efficiently, to take on additional functions.

**68. The existing organizational structure is not prepared for the transformation of the Treasury into a modern organization.** The Treasury plans to request 11 new positions<sup>27</sup> from the Ministry of the Public Service's Job Classification and Compensation Unit. This does not include strategic and emerging functions or responsibility for core functions that the MOF is administering. The revised staff establishment should consider key vacancies and skills gaps. There is need for a comprehensive organizational review to identify the kinds of functions and skill sets that a modern treasury requires and to transform the present organizational structure into one that is function-based or aligned with the strategic objectives of the Treasury as opposed to the routine and operational activities.

**69. An organizational review or institutional assessment will provide data and information that the Treasury can use to plan and prepare.** The outputs of the assessment should be captured in a talent management framework. A talent management framework covers the entire employee life cycle from recruitment to separation, termination or retirement. A talent management framework can be used to not only recruit but also to improve retention rates for new and existing staff. Human capital development will be essential to the Treasury's transformation and the gradual expansion of its core functions. Figure 5 illustrates the talent management framework.

**Figure 5: Talent Management Framework for the Treasury of Belize**



Source: mission.

**70. Change management is the overarching framework for the Treasury to reform and evolve.** The Treasury needs to create a change management responsibility within its structure by

<sup>27</sup> The new positions range from strategic to operational in nature including two IT officers, a Business Analyst, Database Administrator, three Accountants, Training Coordinator, Assistant post and a Legal Officer.

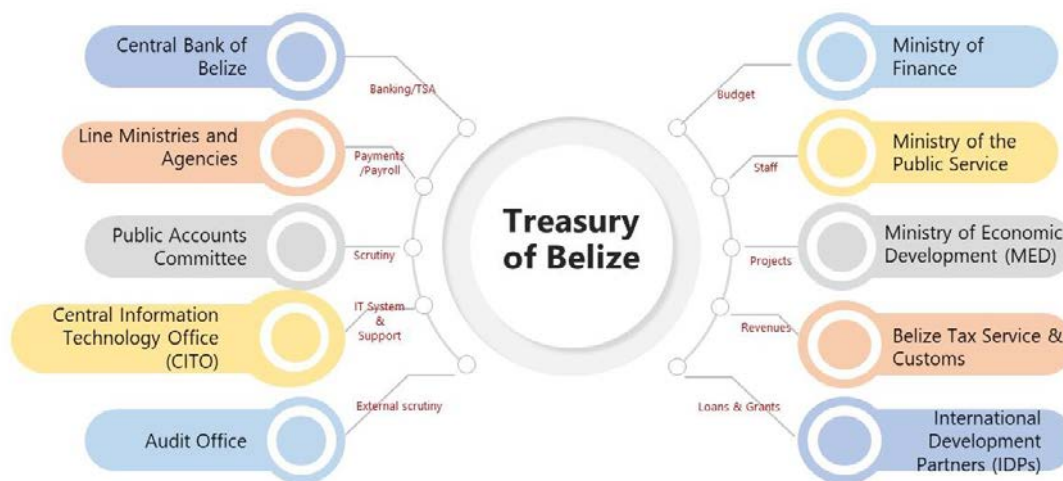
identifying existing staff who are reform minded, innovative and solution-oriented, recruiting new staff or bringing a mixture of existing and new staff together to form a new unit dedicated to implementing a treasury transformation strategy or plan. This new unit can be small and should be dedicated not only to reform but also strategic planning, performance and risk management and monitoring and evaluation. Knowledge management is a key element of reform so the Unit should also contribute to the development of a Training Plan.

### Institutional Coordination

**71. The Treasury has many stakeholders that it interacts with because of its central role in government operations.** There are informal mechanisms for coordination between the Treasury and other counterparts such as BTS or the CBB. However, there is a need to strengthen communication between the Treasury and its main counterparts to resolve long-standing issues. The inability to solve problems as they arise perpetuates the challenges and results in efficiency loss. Informal coordination mechanisms need to be institutionalized through regular meetings. There is still a need to document procedures so staff know what to escalate, when to escalate and to whom they should escalate and within what period.

**72. Treasury’s main institutional relationships can be defined in three main ways: operational, transactional and accountable (see Figure 6).** The operational relationships relate to staffing and information technology. The transactional relationships relate mainly to account management and the processing of expenditure, including payroll and payments, revenue and debt management. The accountability roles relate to its relationship with the Ministry of Finance, the external Auditor and the Assembly, but also to the international development partners (IDPs).

**Figure 6: Main Institutional Relationships of the Treasury**



Source: mission.

**73. Institutional coordination will become even more important as the Treasury embarks on reform.** Change must not only be communicated within the Treasury but also to its main institutional counterparts. The changes that are to be implemented may impact other stakeholders including pensioners and public sector workers. To minimize changes in IT processes, there is a need to identify the change management requirements and sensitize staff. There is need to establish a PFM Reform Committee at the senior levels of government, chaired

by the Financial Secretary, to plan, communicate, collaborate, and implement PFM reform more effectively.

### Technical Assistance

**74. The Treasury is receiving technical assistance or benefiting from projects financed by a number of IDPs.** The main area where the Treasury will benefit is in information technology, through proposed cash management software and a proposed fixed asset management module in SS. However, there are other fundamental areas in which the Treasury needs support. With so many stakeholders and so many priority treasury reforms, there is a need for effective donor coordination. A gap analysis should be the starting point, and IDPs working in the PFM sphere should collaborate and share information so there is no duplication of effort that could overwhelm the Treasury. CARTAC can provide technical assistance in a number of areas where the Treasury needs capacity building (see Box 6).

#### Box 6: Proposed Tailored Support that CARTAC can Provide

- Gap analysis of the Treasury needs
- Development of manuals, Standard Operating Procedures (SOPs) and/or guidelines
- Development of a Training Plan
- Support for the establishment of a unit to include change management, risk management, M&E, strategic planning
- Strategic planning, risk management and performance management
- Cash-basis IPSAS Training

Source: mission.

## H. Recommendations:

### 4.1 Legislative Reform

- Undertake a comprehensive legislative reform project to review and rationalize all PFM legislation and regulations (MOF & Attorney General's Ministry, MT)
- Repeal older laws and regulations and replace with modern PFM legislation (MOF & Attorney General's Ministry, LT)

### 4.2 Capacity Development

- Develop a Government Accounting Manual informed by modern PFM legislation and policy frameworks (Treasury, MT)
- Develop a CoA Manual (MOF and the Treasury MT)
- Develop the cash management function, following recommendations from earlier missions (Treasury, MT)
- Explore options for extending the TSA to cover more of government's bank accounts, (Treasury and CBB, MT)
- Capture all project bank balances within SS and the financial statements (Treasury, MED, MT)

- Develop a comprehensive plan to capture, monitor, record, and report on all assets and liabilities (Treasury, MT)

### **4.3 Change/Reform Management**

- Provide human, financial and technological resources to the Treasury so it can fulfill all its functions (MOF & Ministry of Public Service, MT → LT)
- Allocate resources for staff and training in the budget to enhance the efficacy of internal and external audits, and the JPAC (MOF, ST)
- Lead efforts to integrate SS with other systems, to ensure that the FMIS is fit-for-purpose (Treasury, MT)
- Create a unit to oversee change management, strategic planning, performance, risk management and M&E (Treasury, Ministry of the Public Service and MOF, MT)
- Establish a PFM committee, chaired by the FS, to plan, communicate and collaborate more effectively internally and coordinate donor support (MOF, ST)



## Annex 1: Disclosure Notes under IPSAS Cash Accounting

1. The general format and content of disclosure notes is set out in IPSAS 1. The Cash Basis IPSAS also includes required and encouraged disclosures for cash accounting regimes.

### General sequence and content

2. Disclosure notes usually follow a standard sequence:

|   |   |
|---|---|
| Note on accounting policies                   | Note 1 which provides a narrative describing the accounting entity, main accounting policies and other essential information  |
| Notes linked to the main financial statements | Notes 2-n provide more details on individual line items in the main financial statements  |
| Other disclosures                             | Notes (n+1) – (n+x) provide additional disclosures about the entity's finances – a mix of quantitative and qualitative disclosures, some required and some recommended, and any others which the accountant feels useful to the user of the accounts. |

### Entity context and accounting policies – required

3. Note 1 usually includes essential information about the entity and its accounting policies. These include:

- The domicile, legal form, and jurisdiction in which the entity operates
- A brief description of the nature of the entity's main functions and activities
- The legal framework governing the entity's activities
- (if the entity is a group), the entities and sectors within the parent entity (you can reference a more detailed note)
- The basis of consolidation – or not – with links to schedules of entities consolidated and those which are not consolidated.
- Any exclusion of a controlled entity, and the reasons for it
- The functional and presentation currency, and the presentation unit (Thousands, Millions etc.)
- The treatment of foreign exchange balances and transactions
- The year/period of the account, and any use of periods that are not years, and why
- The date of authorization and issue of the accounts, and who authorized
- If someone else has the power to amend the accounts subsequently

4. On accounting policies, the following are required:

- The measurement basis (or bases) used in preparing the financial statements
- The accounting policies applied in the accounts
- Any policy changes since the previous year

- Any change in classifications or presentations of results, with re-presentation in another explanatory note using the old classification (where practicable)
- Any error affecting opening balances, and the cause/nature of the error

In this section, the notes should consider IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors; and IPSAS 14 - Events after the Reporting Date.

### **Disclosure notes linked to the main financial statements**

#### ***Supporting information for items presented on the face of the statement - general***

These should:

- Be cross-referenced to the statements and follow a logical sequence linked to the statements
- Reconcile directly or be reconcilable to items in the statements
- Provide disaggregation of account items, typically by economic classification, and then by other classifications
- Provide other relevant information where this is necessary to an understanding of the accounts or of interest to the user
- (possibly) provide links to other documents/accounts, such as detailed budget analyses or other sets of accounts

#### ***Supporting information for items presented on the face of the statement – required disclosures***

- Major components of cash balances
- Any gain or loss on foreign cash balances due to exchange rate variations
- Controlled cash balances no longer available to the entity (e.g. from third parties) or subject to restrictions (e.g. donor funds)
- More information on major sources of revenue and resource use, including changes in non-financial assets and public debt
- External assistance received, and the use/application of it
- Undisbursed loans, and restrictions on the availability or use of these funds

#### ***Supporting information for items presented on the face of the statement – required, in support of budget performance data***

- Budget base, period and institutional scope
- Explanations of main budgetary variations
- Explanations of main budget reallocations
- Reconciliation of budget totals with cash flow totals

### **Other disclosures**

### ***Other key disclosures***

- An assessment of the entity's ability to continue in a sustainable way (in terms of finances) – the “going concern” assessment
- Cash flows and cash balances resulting from transactions managed by the entity as an agent on behalf of a third party, when these amounts are beyond the entity's control
- Recommended (but not mandatory) disclosures about assets and liabilities of the entity, where not already included in the main financial statements

### ***Other key disclosures – recommended or suggested if this is a consolidated account***

- A list of significant controlled entities (or classes of entity) including their name (class), jurisdiction and principal functions
- the reasons for not consolidating a controlled entity (or class)
- The proportion of ownership interest in controlled entities and a description of how this ownership interest was determined
- Any material changes in the list of entities, compared to the previous year
- Aggregate cash flows arising from acquisitions and disposals of controlled entities or other operating units

## Annex 2: A Gap Analysis Tool for the 2017 Cash Basis IPSAS

| Area   | Standard Reference          | Conclusion on compliance with Cash Basis IPSAS of 2017  |
|--|-----------------------------|---|
| <b>Mandatory requirements (Part 1 of the Standard)</b>     |                             |   |
| Statement of Compliance                                    | 1.1.6                       | <u>Key question:</u> Are the notes and other material accompanying the financial statements clear about the degree of compliance with IPSAS, and any significant departures?<br><u>Answer:</u>                          |
| Accounting basis   | 1.2.2 (and 1.3.5)           | <u>Key question:</u> Are the main financial statements prepared on a cash basis? If not, is this explained in the notes to the financial statements?<br><u>Answer:</u>  |
| Cash and Cash Equivalents                                  | 1.2.3                       | <u>Key question:</u> Do the main financial statements include cash and cash equivalents, as defined in the standard? Are any deviations or omissions explained in the notes to the accounts?<br><u>Answer:</u>          |
| Overdrafts   | 1.2.4                       | <u>Key question:</u> Are overdrafts included as part of cash balances? If so, are any of such a size and permanence that they should be considered as borrowing rather than a cash balance?<br><u>Answer:</u>           |
| Controlled Cash  | 1.2.6 (and 1.3.4 and 1.3.6) | <u>Key question:</u> Does the statement of cash receipts and payments include all the receipts, payments and balances of cash which are controlled by the entity?<br><u>Answer:</u>                                     |
| Financial Statements                                       | 1.3.4                       | <u>Key question:</u> Do the accounts include the two principal statements required by the cash IPSAS:<br>A statement of cash receipts and payments, and<br>A comparison of budget and actual amounts?<br><u>Answer:</u> |
| Notes to the Financial Statements                          | 1.3.8                       | <u>Key question:</u> are the notes to the account consistent with the type of material envisaged by the Standard?<br><u>Answer:</u>   |
| Additional Statements                                      | 1.3.9                       | <u>Key question:</u> Are any additional principal statements restricted to cash-based statements – i.e., on the same basis as the two main statements above?<br><u>Answer:</u>  |
| Non-cash disclosures                                       | 1.3.10                      | <u>Key question:</u> Are any non-cash (i.e. accruals-type) disclosures restricted to the notes and separate from the main financial statements?<br><u>Answer:</u>   |
| Minimal content of Statement of Cash Receipts and Payments | 1.3.12                      | <u>Key question:</u> Does this statement include total cash receipts and cash payments, using an appropriate sub-classification, as well as the beginning and closing cash balances?<br><u>Answer:</u>                  |

| Area                          | Standard Reference         | Conclusion on compliance with Cash Basis IPSAS of 2017   |
|-------------------------------|----------------------------|--|
| Gross, not Net, Accounting    | 1.3.13 and 1.3.20          | <u>Key question:</u> Are all cash flows reported on a gross basis, except in the few circumstances where net reporting can be justified?<br><u>Answer:</u>   |
| Fair Presentation             | 1.3.14                     | <u>Key question:</u> Are line items, headings and subheadings presented in a way so as to fairly present the entity's cash receipts, payments and balances?<br><u>Answer:</u>                            |
| Classification                | 1.3.17                     | <u>Key question:</u> Is the classification system both useful and intelligible to the general user? Does it tell users what they need to know about the entity's finances?<br><u>Answer:</u>             |
| External and Other Assistance | 1.3.18 (and 2.1.90 et seq) | <u>Key question:</u> Although full disclosure on external assistance is recommended (see Part 2), is there at least some minimal useful disclosure about external assistance received?<br><u>Answer:</u> |
| Structure of the Notes        | 1.3.25                     | <u>Key question:</u> Do the disclosure notes include both accounting policies and additional information in support of the main financial statements?<br><u>Answer:</u>                                  |
| Systematic Presentation       | 1.3.26                     | <u>Key question:</u> Are disclosure notes presented in a systematic manner, cross-referenced to the relevant items in the main financial statements?<br><u>Answer:</u>                                   |
| Accounting policies           | 1.3.27-1.3.32              | <u>Key question:</u> Is there sufficient description of accounting policies in the disclosure notes?<br><u>Answer:</u>   |
| Reporting period              | 1.4.1                      | <u>Key question:</u> Is the accounting period made clear, and is it also clear if there has been any variation from the annual reporting cycle or date?<br><u>Answer:</u>                                |
| Timeliness                    | 1.4.4                      | <u>Key question:</u> Are the accounts published within 6 months of the end of period?<br><u>Answer:</u>  |
| Authorization Date            | 1.4.5                      | <u>Key question:</u> Do the accounts disclose the date when they were authorized for issue and who authorized their issue?<br><u>Answer:</u>   |
| Information about the entity  | 1.4.7                      | <u>Key question:</u> Do the disclosure notes provide sufficient information about the reporting entity and its functions?<br><u>Answer:</u>  |
| Restrictions on Cash Balances | 1.4.9                      | <u>Key question:</u> Do the disclosure notes provide information about any restrictions on the entity's access to cash balances or borrowings?<br><u>Answer:</u>   |

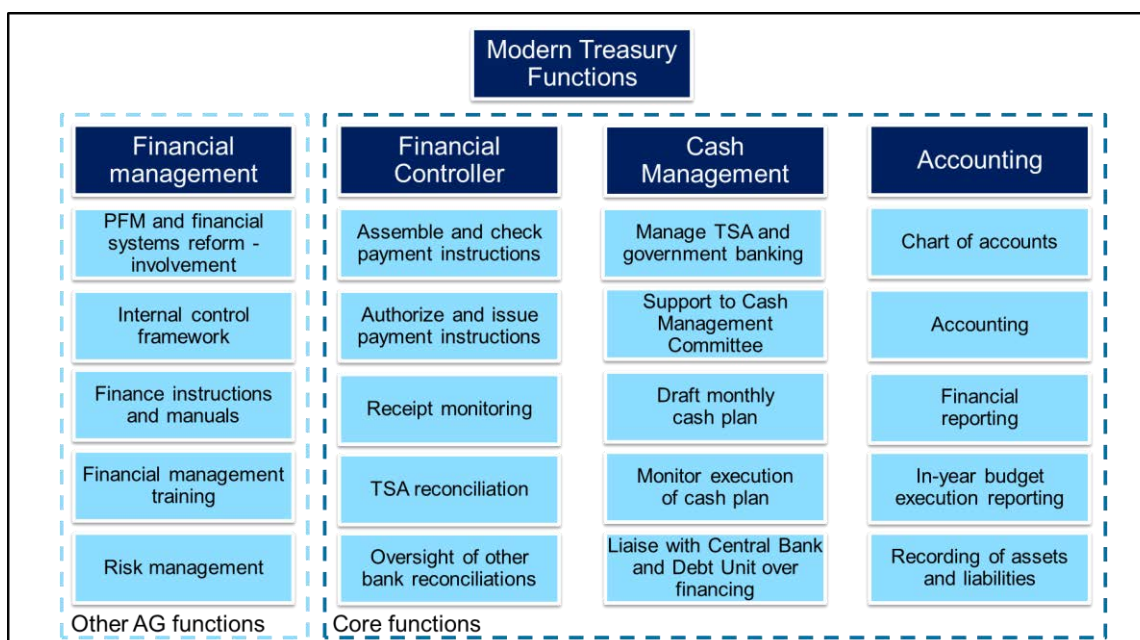
| Area                                   | Standard Reference | Conclusion on compliance with Cash Basis IPSAS of 2017   |
|--|--------------------|--|
| Consistency of Presentation            | 1.4.13             | <p><u>Key question:</u> Is the presentation of financial statements consistent from year to year, except where improvements are made in response to new standards or a review of reporting?</p> <p><u>Answer:</u></p>  |
| Comparative Information                | 1.4.16             | <p><u>Key question:</u> Is comparable prior year data provided for all numerical data in both the main financial statements and accompanying disclosure notes?</p> <p><u>Answer:</u></p>   |
| Need for Restatement                   | 1.4.19             | <p><u>Key question:</u> If there has been a reclassification or new presentation in year, have the prior year's numbers been reclassified as well to assist comparability? If not, are the reasons explained?</p> <p><u>Answer:</u></p>  |
| Identification of Financial Statements | 1.4.21 – 1.4.23    | <p><u>Key question:</u> Are the financial statements (including disclosure notes) clearly identified and distinguished from other information in the same published document? Is the nature and amount of such errors disclosed in the notes to the accounts?</p> <p><u>Answer:</u></p>  |
| Restatement and Correction of Errors   | 1.5.1 – 1.5.2      | <p><u>Key question:</u> If there are any corrections to prior year errors have these been made through amending the opening cash balance and restating prior year figures?</p> <p><u>Answer:</u></p>   |
| Foreign Currency                       | 1.6.2 et seq       | <p><u>Key question:</u> Have any cash payments and receipts in foreign currency been recorded using the spot exchange rate for the day of transaction? Are closing cash balances in foreign currency recorded using the closing rate? And are any reconciliation differences recorded as exchange gains or losses?</p> <p><u>Answer:</u></p> |
| Budget Information                     | 1.7.1 et seq       | <p><u>Key question:</u> Does the comparison of budget and actual amounts include (a) original and final budget amounts (b) actual amounts on a comparable basis and (c) in a disclosure note, explanations for material differences between budget and actual amounts?</p> <p><u>Answer:</u></p>   |
| Budget changes                         | 1.7.23             | <p><u>Key question:</u> Do the disclosure notes include an explanation for material differences between original and final budget amounts?</p> <p><u>Answer:</u></p>   |
| Budgetary basis, period and scope      | 1.7.33 – 1.7.40    | <p><u>Key question:</u> Do the disclosure notes explain the budgetary basis, especially where this may differ from a pure cash basis or where the budget uses a different classification system; the period of the budget; and the entities covered by the budget?</p> <p><u>Answer:</u></p>   |

| Area  | Standard Reference | Conclusion on compliance with Cash Basis IPSAS of 2017  |
|---|--------------------|---|
| Reconciliation of budgetary basis to cash basis                       | 1.7.41             | <u>Key question:</u> Where the budget has a different basis or coverage than the statement of cash receipts and payments, has any difference between total payments and receipts in the two presentations been reconciled and explained on the face of the Statement of budget comparison or in the disclosure notes?<br><u>Answer:</u> |
| Budget and Actuals do not need prior year                             | 1.7.45             | <u>Key question:</u> The Statement of Budget and Actual Amounts – does it include prior year data)? (It should not)<br><u>Answer:</u>   |
| <b>Encouraged or recommended disclosures (Part 2 of the Standard)</b> |                    |   |
| Going Concern   | 2.1.3              | <u>Key question:</u> Has going concern been considered, and if it is a possibility, has this been disclosed?<br><u>Answer:</u>  |
| Administered Transactions outside entity accounts                     | 2.1.7              | <u>Key question:</u> Does the entity administer transactions on behalf of others, using accounts outside its control? If so, do the disclosure notes provide information on the amount and nature of these transactions?<br><u>Answer:</u>  |
| Administered Transactions using entity accounts                       | 2.1.8              | <u>Key question:</u> Does the entity administer transactions on behalf of others, using its own accounts? If so, are these included in the statement of cash receipts and payments? Would net accounting be appropriate? Are there accompanying disclosures in the notes?<br><u>Answer:</u>   |
| Major Classes of Cash Flow  | 2.1.14             | <u>Key question:</u> Do the financial statements and/or disclosure notes provide sufficient and appropriate information on major classes of cash flow, including borrowings?<br><u>Answer:</u>  |
| Related Party Disclosures   | 2.1.22             | <u>Key question:</u> Do the disclosure notes provide sufficient and appropriate information on transactions with Related Parties, as recommended by IPSAS 20, including information on the aggregate remuneration of key management personnel?<br><u>Answer:</u>  |
| Assets, Liabilities and Budget Comparisons                            | 2.1.25-<br>2.1.27  | <u>Key question:</u> Do the disclosure notes provide additional accruals-type disclosures about assets, liabilities, revenues and expenses of the entity? Do these disclosures meet the qualitative characteristics of financial information, are they clearly described, and readily understood?<br><u>Answer:</u>                     |
| Budget Comparisons  | 2.1.28-<br>2.1.32  | <u>Key question:</u> If relevant, is there a cross-reference to other documents with information on service achievements or multi-year budget performance?<br><u>Answer:</u>  |

| Area  | Standard Reference | Conclusion on compliance with Cash Basis IPSAS of 2017  |
|---|--------------------|---|
| Consolidated Financial Statements                                   | 2.1.37 et seq      | <p><u>Key question:</u> Is the scope of consolidation made clear, including a list of entities included and excluded, reasons for not consolidating, as well as acquisitions and disposals of controlled entities?</p> <p><u>Answer:</u></p>  |
| Joint Arrangements  | 2.1.62             | <p><u>Key question:</u> Are there disclosures about any joint arrangements which are necessary for a fair presentation of the cash receipts and payments of the entity during the period?</p> <p><u>Answer:</u></p>   |
| Hyperinflationary Economies   | 2.1.66             | <p><u>Key question:</u> If there is hyperinflation (typically 100 percent or more over 3 years), are financial results restated using inflation-adjusted data?</p> <p><u>Answer:</u></p>  |
| Payments by Third Parties   | 2.1.77             | <p><u>Key question:</u> If the entity has been advised, or otherwise verified, that there were any payments or settlements made directly on behalf of the entity by third parties, have these been reported in a disclosure note?</p> <p><u>Answer:</u></p>   |
| External Assistance (official assistance under a binding agreement) | 2.1.90             | <p><u>Key question:</u> Has the entity made the recommended disclosures about external assistance received during the period, including the balance of undrawn assistance?</p> <p><u>Answer:</u></p>  |
| Other Assistance (voluntary by NGOs, individuals etc.)              | 2.1.91             | <p><u>Key question:</u> Has the entity made the recommended disclosures about other assistance received during the period, including the balance of undrawn assistance?</p> <p><u>Answer:</u></p>   |
| Goods and Services Received in kind                                 | 2.1.100            | <p><u>Key question:</u> Has the entity made the recommended disclosures about assistance received directly in the form of goods and services, and the basis on which this has been valued?</p> <p><u>Answer:</u></p>  |
| Transition to Accruals  | 2.2.1 et seq       | <p><u>Key question:</u> If the entity is considering transition to IPSAS accrual, has it adopted the IPSAS 2 format for the Statement of cash receipts and payments? Started to expand the consolidation boundary to include more government bodies? Or expand its accruals-type disclosures?</p> <p><u>Answer:</u></p> |



## Annex 3: Further Guidance on the Functions of a Modern Treasury



### Treasury structure and systems

- R. Allen, Y. Hurcan, P. Murphy, M. Queyranne, and S. Yläoutinen. 2015. "The Evolving Functions and Organization of Finance Ministries". *IMF Working Paper, WP/15/232*.
- R. Allen, "Challenges of Reforming Budgetary Institutions in Developing Countries," in M. Cangiano, T. Curristine, and M. Lazare (eds.), *Public Financial Management and Its Emerging Architecture*, International Monetary Fund, 2013.
- Treasury System Design: A Value Chain Approach, Eivind Tandberg, IMF Working Paper, 2005.

### PFM reform

- Introduction: The Meaning, Content and Objectives of Public Financial Management' in R. Allen, R. Hemming and B. Potter (eds.), *The International Handbook of Public Financial Management*, Palgrave Macmillan, 2013.
- Schick, A., "Reflecting on Two Decades of Public Financial Management Reform" in M. Cangiano, T. Curristine, and M. Lazare (eds.), *Public Financial Management and Its Emerging Architecture*, International Monetary Fund, 2013.

### Legal framework

- Van Eden, Holger and others, "Developing Legal Frameworks To Promote Fiscal Responsibility—Design Matters," in M. Cangiano, T. Curristine, and M. Lazare (eds.) *Public Financial Management and its Emerging Architecture*, Washington: International Monetary Fund, 2013.

## Budget

- D. Tommasi, 'The Coverage and Classification of the Budget' in R. Allen, R. Hemming and B. Potter (eds.), *The International Handbook of Public Financial Management*, Palgrave Macmillan, 2013.
- J. Diamond, 'Policy Formulation and the Budget Process,' in R. Allen, R. Hemming and B. Potter (eds.), *The International Handbook of Public Financial Management*, Palgrave Macmillan, 2013.

## Public debt

- International Monetary Fund, Guidelines for Public Debt Management, 2001.
- OECD, *Managing Public Debt* (forum for debt managers), [www.oecd.org/finance/public-debt](http://www.oecd.org/finance/public-debt).
- World Bank, *Managing Public Debt: Formulating Strategies and Strengthening Institutional Capacity*, 2009, available at: Cash management and the Treasury Single Account.

## Cash management and the Treasury Single Account

- M. Williams, "Debt and Cash Management", in R. Allen, R. Hemming, and B. Potter, *The International Handbook of Public Financial Management*, 2013.
- Pattanyak, S. and I. Fainboim, *Treasury Single Account: An Essential Tool for Government*, IMF Technical Notes and Manuals, August 2011.
- Treasury Single Account: Concept, Design, and Implementation Issues, Sailendra Pattanayak and Israel Fainboim, IMF Working Paper, 2010.
- Williams M., on "The Treasury Function and the Treasury Single Account" in Allen R., Hemming R., and B. Potter, *International Handbook on Expenditure Management*, Chapter 16, Macmillan. 2013.
- IMF Technical Note, Government Cash Management: Relationship between the Treasury and the Central Bank, Mario Pessoa and Mike Williams, November 2012.
- IMF Technical Note, Modernizing Cash Management, Iain Lienert, 2009.
- IMF Technical Note, Government Cash Management: Its Interaction with Other Financial Policies, Mike Williams, July 2010.
- Fintech Payments in Public Financial Management: Benefits and Risks, Gerardo Uña and others, IMF Working Paper 2023.
- A Primer on Managing Sovereign Debt-Portfolio Risks, Thordur Jonasson and Michael G. Papaioannou, IMF Working Paper, 2018.

## Internal control and audit

- Pattanayak, S., *Expenditure Control: Key Features, Stages and Actors*, IMF Technical Notes and Manuals, 2016, TNM/16/02
- Diamond, J., "Internal Control and Internal Audit", Chapter 17 in Allen, Hemming and Potter (eds.), 2013, *The International Handbook of Public Financial Management*, Palgrave Macmillan.

- Shand, D., "External Audit", Chapter 37 in Allen, Hemming and Potter (eds.), 2013, *The International Handbook of Public Financial Management*, Palgrave Macmillan.
- COSO – a framework for internal control - See <https://www.coso.org> for more information.

### **Risk management**

- IMF Technical Note "Operational Risk Management and Business Continuity Planning for Modern State Treasuries", 2011.

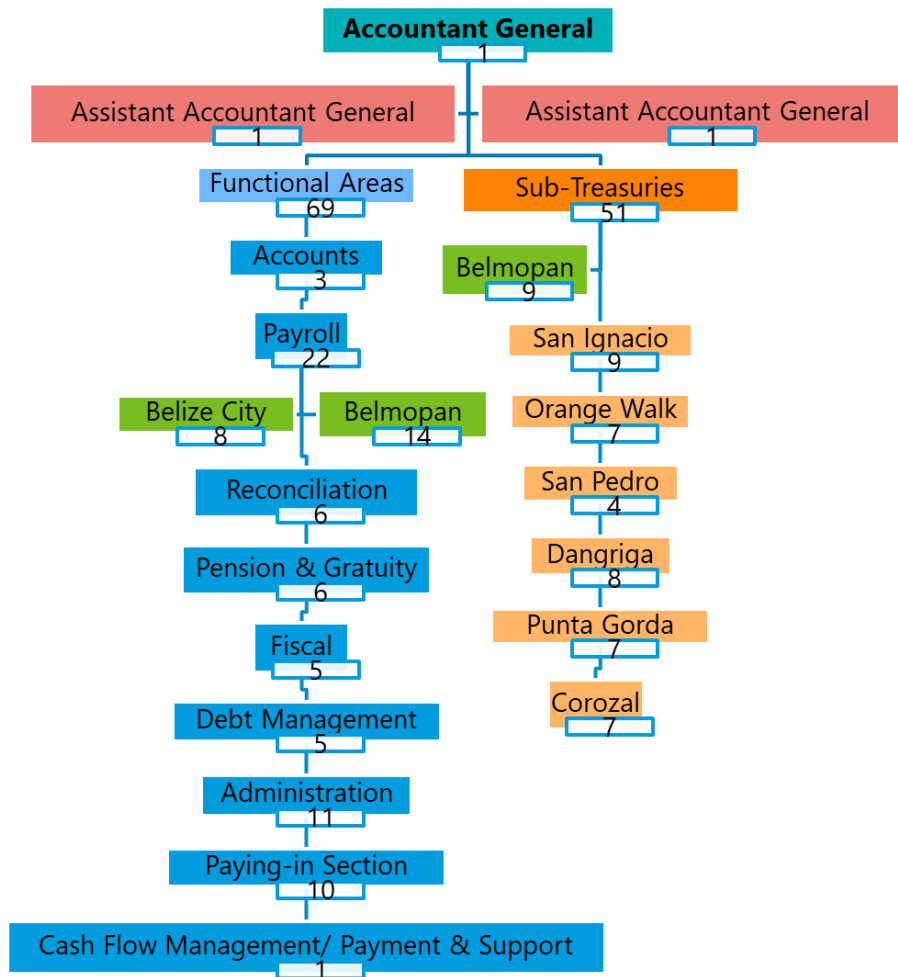
### **Financial reporting**

- J. Cavanagh, S. Flynn, and D. Moretti, "Implementing Accrual Accounting in the Public Sector", *IMF Technical Notes and Manuals*, March 2016.
- J. Chan, and Y. Xu, "Government Financial Reporting: Standards and Practices", Chapter 35 in Allen, Hemming and Potter (eds.), *The International Handbook of Public Financial Management*, Palgrave Macmillan.
- For information on IPSAS: [www.ifac.org](http://www.ifac.org).
- T. Irwin "Accounting Devices and Fiscal Illusions", IMF Discussion Note, March 2012: Statistical reporting.
- IMF Working Paper, Chart of Accounts: A Critical Element of the Public Financial Management Framework, by Julie Cooper and Sailendra Pattanayak, August 2011.
- International Monetary Fund, *Government Finance Statistics Manual*, available at: [www.imf.org/external/np/sta/gfsm](http://www.imf.org/external/np/sta/gfsm).

### **Financial IT systems**

- World Bank, 2011, *Financial Management Information Systems - 25 Years of World Bank Experience on What Works and What Doesn't*.
- R. Allen R, G. Una and A Botton, "How to Improve a Financial Management Information System (FMIS): The Modular Approach", *How to note*, IMF, 2019.
- *Introducing Financial Management Information Systems in Developing Countries*, Pokar D Khemani and Jack Diamond, IMF Working Paper, 2005.

## Annex 4: Staff Distribution by Functional Area & Sub-Treasury<sup>28</sup>



<sup>28</sup> Government of Belize Treasury. 2023. Staff Positions.

## Annex 5: The Treasury Single Account and Cash Management

### The Treasury Single Account (TSA)

1. A TSA is a set of government bank accounts that have been linked to provide a consolidated view of government cash resources. A TSA can be a single account or a set of linked accounts through which the government transacts all its receipts and payments. Owners or users of the individual accounts still use their own accounts as they were before, with the TSA acting in the background to create a virtual “super-account” for the purposes of the Treasury.
2. A TSA allows government funds in many accounts to be pooled and thus bring together the government’s cash resources. This pooled liquidity allows government to use this cash irrespective of its end use. It also avoids the risk that government has to borrow to meet central payments despite funds being available in accounts elsewhere.
3. Under a TSA, the tracking of individual cash transactions for control and reporting purposes is achieved through the accounting system and not by holding or depositing cash in transaction-specific or institution-specific bank accounts.

### TSA coverage

4. At a minimum, the TSA should cover all central government entities and their transactions. These include accounts managed by social security funds and other trust funds, extra-budgetary funds (EBFs), and autonomous government entities.
5. Ideally the TSA should extend to include accounts handling loans from the multilateral institutions and donor aid resources. However, this has to be negotiated and agreed with donors and lenders, who may resist and insist that their funds are not pooled. The inclusion of donor funds in the TSA is usually accompanied by the use of government payment and accounting systems rather than project-specific or donor-specific arrangements.
6. The TSA could also be extended, in theory at least, to include subnational levels of government and other public institutions through the use of correspondent accounts.
7. The coverage of the TSA is subject to some important qualifications:
  - The pooling of cash under a TSA may need legislative authority, especially when the TSA includes funds held in trust (such as social security funds held on behalf of contributors)
  - The operation of the TSA will depend on the availability of suitable functionality in the banking system. The use of Real-Time Gross Settlement (RTGS) systems for bank clearance and settlement has made it easier to implement TSAs. The ability to sweep all TSA accounts at the end of the day is also crucial.
  - There is no point in bringing accounts into the TSA if the balances cannot be pooled.

## Cash management

8. Cash management has some key objectives
  - To ensure that adequate cash is available to pay for expenditures when they are due. Pooling revenues in a TSA facilitates this.
  - To borrow only when needed and to minimize government borrowing costs.
  - To maximize returns on idle cash, i.e., to avoid the accumulation of unremunerated or low yielding government deposits in the central bank or in commercial banks.
  - To manage risks, by investing temporary surpluses productively, against adequate collateral.
9. Cash management has the following main features:
  - A Cash Management Unit , usually within the Treasury, to support the cash management function.
  - Although a TSA is not a precondition for cash management, a TSA will most likely reduce the need for short-term borrowing as a result of pooled liquidity, and thus make cash management all the more important.
  - Regular cash flow forecasts put together by the Cash Management Unit, based on updated projections from the revenue departments and analysis of budget execution and other information to forecast likely cash demands.
  - A Cash Management Committee, a high-level committee which receives the forecasts and makes decisions on the response to any cash shortfalls or surpluses. Such committees are usually chaired by the Financial Secretary, with representatives from Treasury, Budget, revenue departments, the Central Bank and any Ministries or Units coordinating relations with donors and lenders.
  - The availability of short-term financing options to deal with any cash shortfalls (temporary overdraft, Treasury Bills, and other short-term instruments) and other instruments to capitalize on any surplus cash balances.
  - Liaison with the Central Bank, not only as government's main banker and issuer of government securities, but also for managing the relationship with the banking sector (who will be affected by the implementation of a TSA and cash management).

## Further reading

- Treasury Single Account: Concept, Design, and Implementation Issues; IMF Working Paper, Sailendra Pattanayak and Israel Fainboim, 2010.
- Pattanayak, S. and I. Fainboim, *Treasury Single Account: An Essential Tool for Government*, IMF Technical Notes and Manuals, August 2011.
- Williams M., on "The Treasury Function and the Treasury Single Account" in Allen R., Hemming R., and B. Potter, International Handbook on Expenditure Management, Chapter 16, *Macmillan*. 2013.

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