

Introduction

AFROPAC General
Meeting 2022

Monrovia, Liberia

PFM

REPORTING FRAMEWORK





■ SESSION OUTLINE

1. Genesis of the PFM Reporting Framework
2. Objectives and benefits of the tool
3. Introduction to the tool
4. Showcasing experiences from early applications
5. Structure of the full PFM RF V2.0 training



GENESIS OF THE PFM REPORTING FRAMEWORK

1

INCOSAI (2016) defined 4 different approaches through which SAIs can contribute to monitoring SDGs:

- Auditing Preparedness for SDGs
- Performance audit of programmes that contribute to SDGs
- Assessing and supporting SDG 16 (effective, accountable and transparent institutions)
- Being model organizations of transparency and accountability



GENESIS



- **OBJECTIVES
AND
BENEFITS OF
THE TOOL**



The PFM RF in a nutshell



An **excel based tool** specifically developed for SAIs to identify the most relevant PFM risks present in their country



Tested by Ghana (03/18), MOZ (04/18), Kenya (07/18), Rwanda and Zimbabwe (10/2018), Brazil (11/18) and Portugal (01/19)



Assesses the **ability of the national PFM system** in supporting the SDGs and **ensure disaster preparedness**



In total, **rolled out in 15 countries**



Available in **English, French and Portuguese**



Presented to the **UN HLP in 2019**



Adopted by the **AFROSAI-E Governing Board in 2018**



Version 2.0 adopted in June 2020

THE PFM RF IN A NUTSHELL

The PFM RF in a nutshell

- ✓ **Helps SAIs to provide specific recommendations to the Government** about the implementation of policies that contribute to SDGs.
- ✓ **Designed to test the performance and ‘readiness’ of national systems.**
- ✓ **The tool is based on a holistic assessment of the PFM system** and focuses on four key institutions:
 - The Ministry of Economy and Finance,
 - The Tax Authority and
 - Parliament, and
 - Ministries, Departments and Agencies (MDA)
- ✓ **It does NOT include an analysis that measures the progress of SDG related programs.**

Comparing the PFM RF V2.0 with the PEFA Reporting Framework

- Audit findings provide expert analysis and context
- Root cause analysis identifies origins of weaknesses
- Tool identifies key risk areas
- Is implemented by domestic auditors/SAs (ownership, local perspective)
- Builds on institutional knowledge



Annual exercise

2-5 months

23 PFM Outputs

112 Audit Questions



Every 3 years

7-12 months

31 Performance Indicators

95 Dimensions (Assessment Questions)

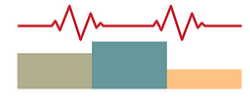
- Designed to inform reform agendas
- Well tested tool
- Used by the international PFM community
- Brings in international expertise
- Focuses on ratings and measuring progress over time
- Resource intensive process



Comparing the PFM RF V2.0 with the PEFA Reporting Framework

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- Strong focus on assessing whether and how domesticated SDG s are integrated and relevant in the 5 PFM Processes
- Provides information on disaster 'readiness' (innovations)
- Strong focus on service delivery
- Takes into account MDA perspective
- More profound assessment of RA
- Includes assessment of IT systems (incl. IT system management, IFMIS functionality, eProcurement, etc.)
- Does not include subnational transfers
- Grading options are more open to interpretation

PEFA



- No mention of SDGs → MTEF and macro-fiscal forecasts are the main starting points for policy-based budgeting
- Stronger focus on assessing the timely and comprehensive availability of financial data, including on EBFs, audited financial statements of SOEs, and reports relating to different kinds of assets and liabilities
- Stronger focus on financial data integrity, reconciliation of accounts and in-year reporting
- Also includes transfers to subnational level
- More prescriptive in expectations for good ratings



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Contribution to SDG 16

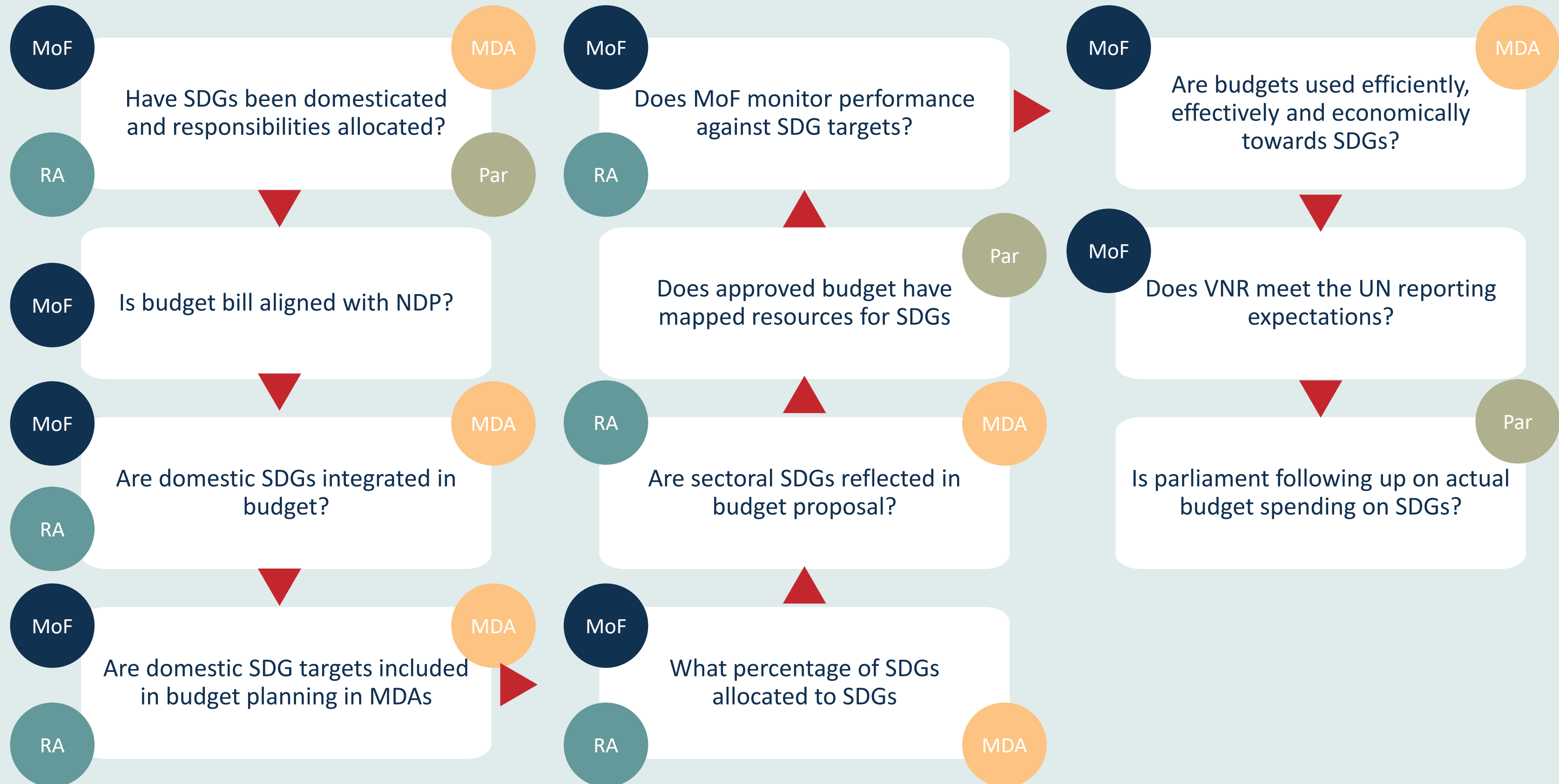
SDG 16: PEACE, JUSTICE, STRONG INSTITUTIONS

The main goal for advancing good governance and anti-corruption: it sets 12 specific targets to be achieved by countries by 2030.

Implementing the PFM audit is in itself a contribution to SDG 16.6 – Developing effective, accountable and transparent institutions



SDG Questions in the PFM-RF Tool





INTRODUCTION TO THE TOOL

3

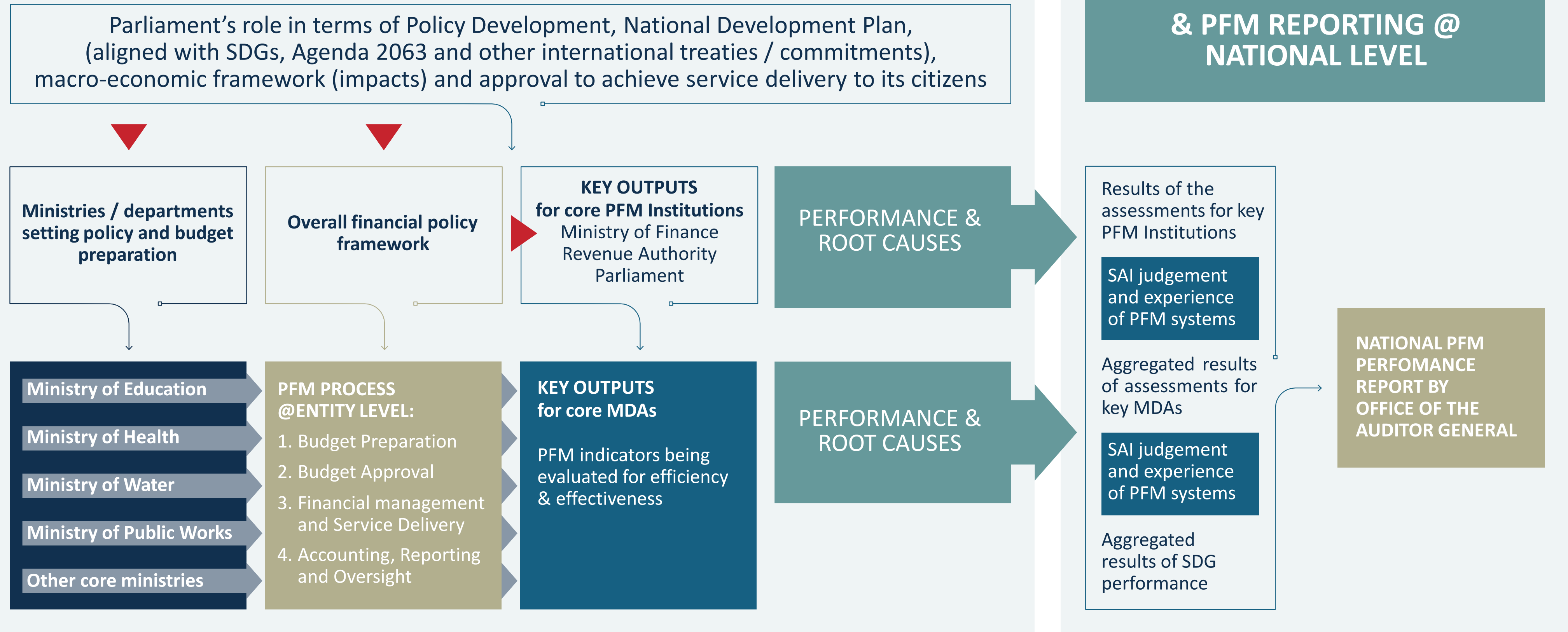
The PFM reporting framework version 2.0 is an improved version of the original tool.

- It is still an excel-based tool which allows auditors to assess the performance of public financial management processes along the whole budget cycle.
- **The three main areas of improvement in Version 2.0 are:**

1. Technical issues with the excel formulae in data capturing;
2. Improved ability and agility of the tool to audit SDG implementation and
3. Improved consistency and robustness in the audit of disaster preparedness of government institutions.



PFM EVALUATION AND REPORTING AT MINISTERIAL LEVEL

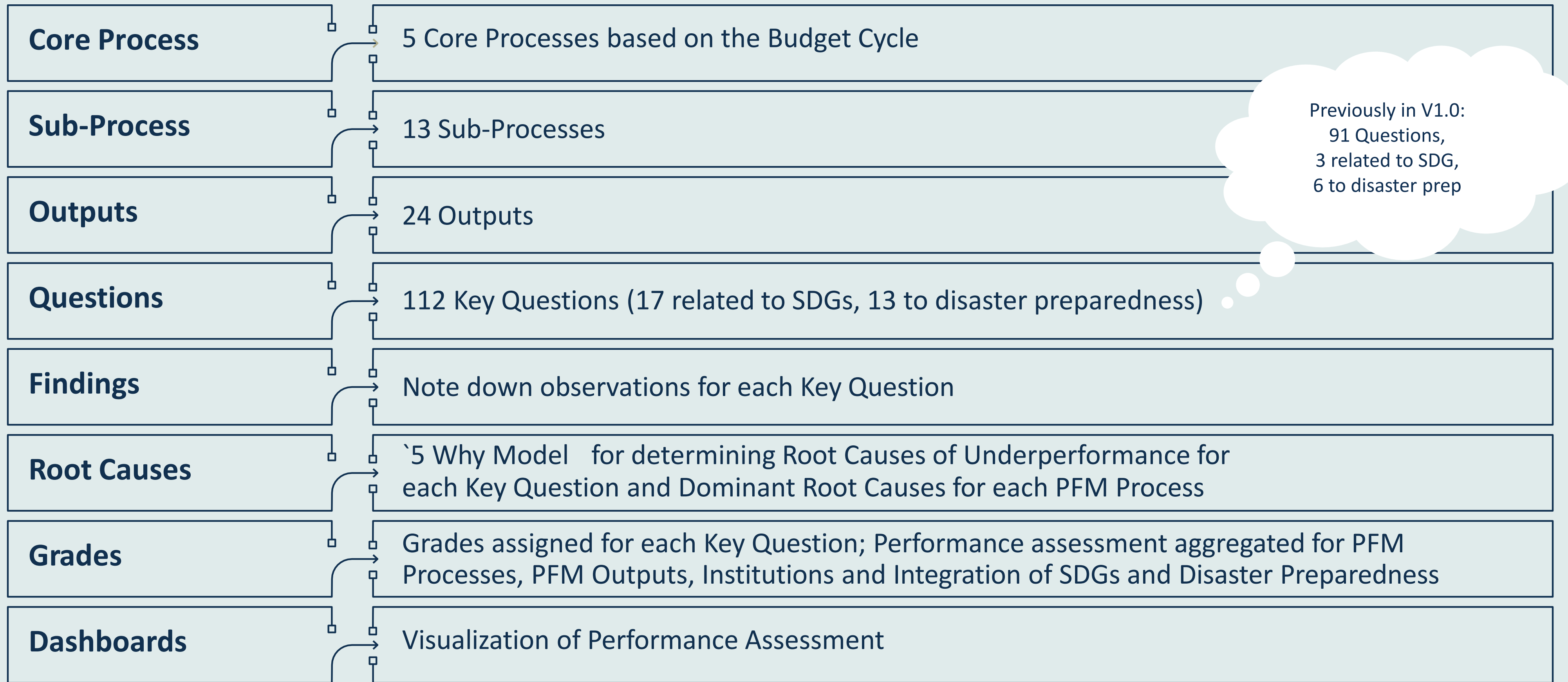


FRAMEWORK

- **Effective public sector institutions and reliable delivery of public services** are essential for the realization of SDGs
- **Effective management of public finances** is essential for ensuring service delivery and well functioning institutions
- With **holistic oversight and reporting on PFM processes** SAIs can make a meaningful contribution to the SDGs
- **Sound public financial management** has a crosscutting function for the realization of development objectives in all sectors
- The PFM RF is not an SDG audit as such but **verifies the readiness of the whole PFM system to enable the realization of SDGs**



WHY AUDIT THE PFM SYSTEM?



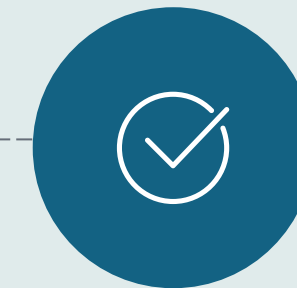
STRUCTURE OF THE PFM RF V2.0 TOOL

Benefits of Root Cause Analysis

A technique to identify the underlying causes of audit findings



Identifies root causes behind one or more audit findings ('every finding only once')



Supports evidence gathering in accordance with ISSAI standards



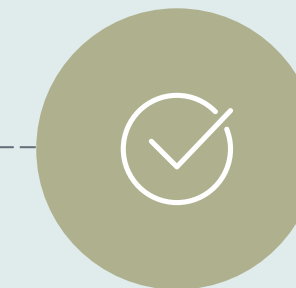
Challenges superficial answers about why things went wrong



Encourages a conversation with auditees



A way to test your working hypotheses on the causes of audit findings

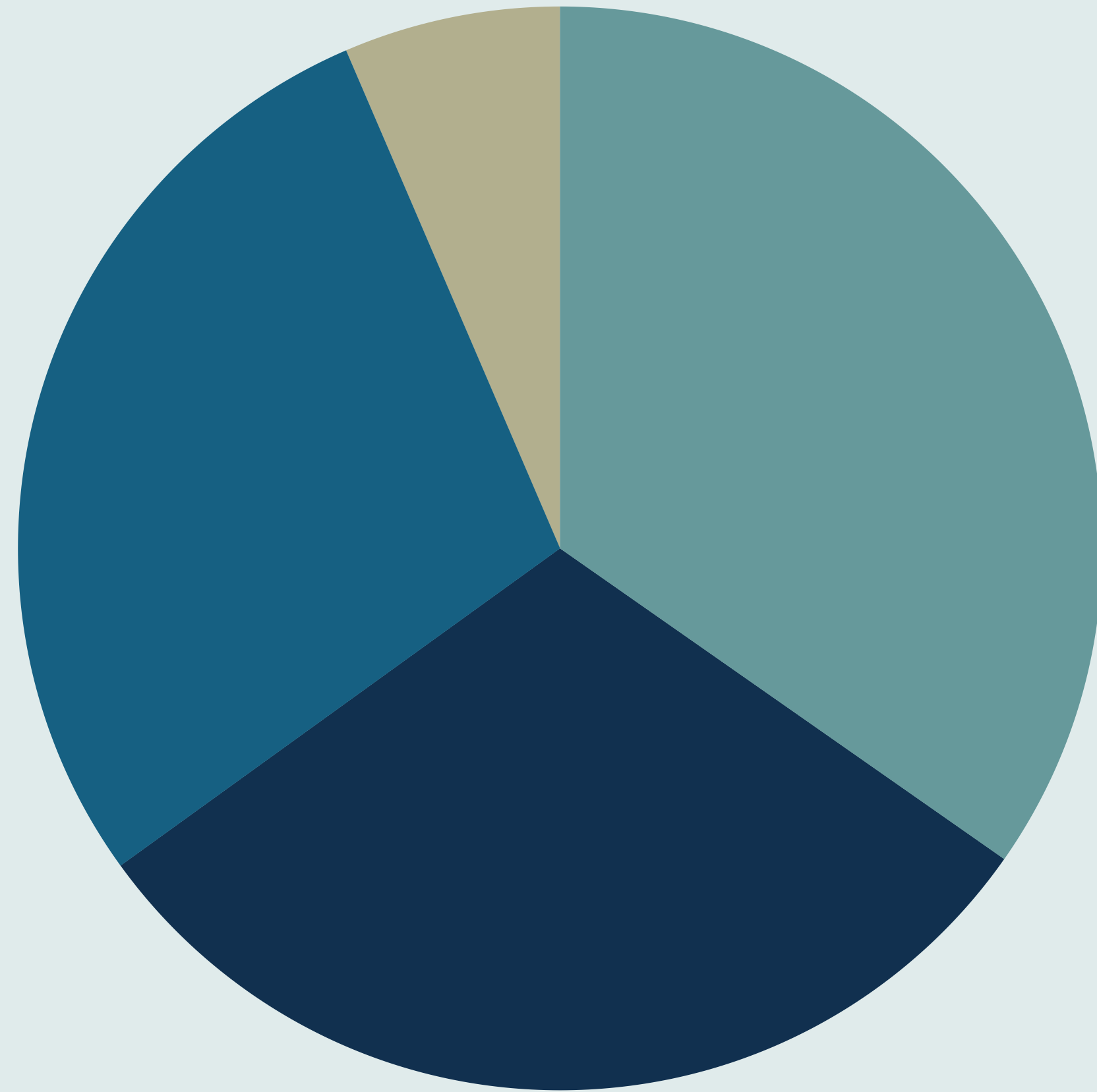


- 1 Handbook:** consult for detailed description of indicators, potential sources and means of verification, key terms and purpose of question information.
- 2 Instruction sheet:** read it for guidance before starting working on the tool!
- 3 Definitions:** look up when in doubt!
- 4 Assessment sheets:** enter your assessment results!
- 5 Dashboard sheets:** automatic visualisation of the results of the assessment.
- 6 Website (incl. Forum):** www.pfmreporting-tool.com, incl. [Discussion Forum](#)
- 7 Public reports:** Cabo Verde, Mozambique, Zimbabwe

AUXILIARY DOCUMENTS

By institution:

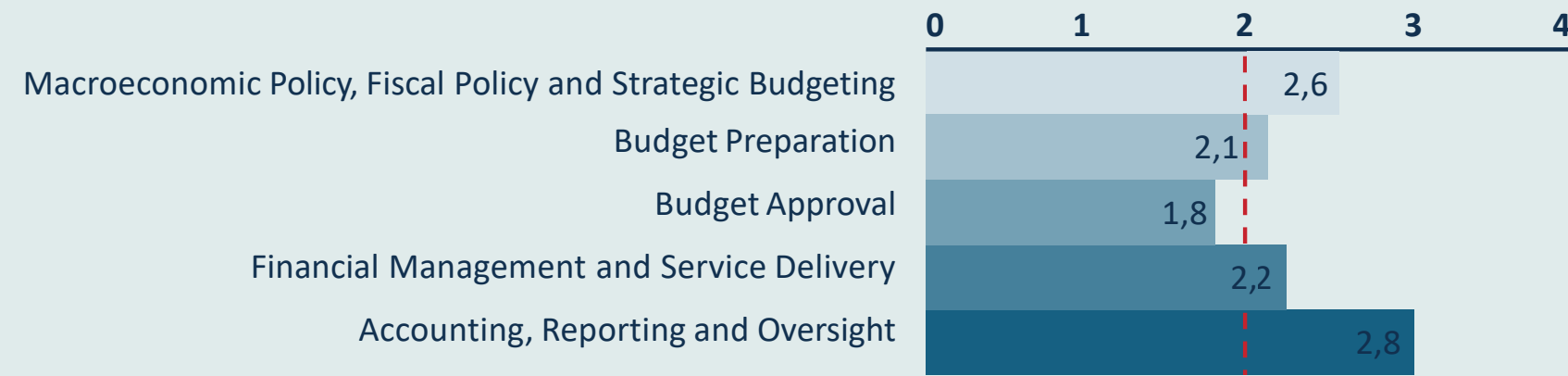
- Parliament 10
- MDA 43
- RA 46
- MoF 53



DISTRIBUTION OF KEY QUESTIONS

Government Performance by PFM Process

Average of process-level performance of all institutions involved in each process



Dominant Root Causes of Underperformance by Institution

Identified by auditors for each process considering the root causes identified for all Key Questions under that process

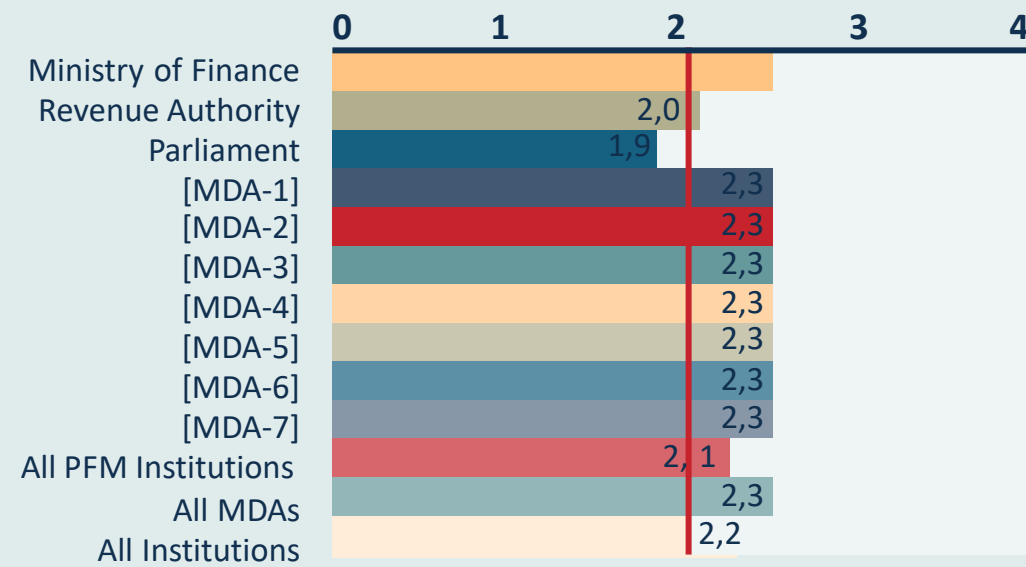
- ← (3) Information systems
- ← (5) Communication and stakeholder management
- ← (4) Governance and oversight
- ← (4) Governance and oversight
- ← (3) Information systems

Ministry of Finance

Select institution to see Dominant Root Cause of underperformance for each PFM Process.

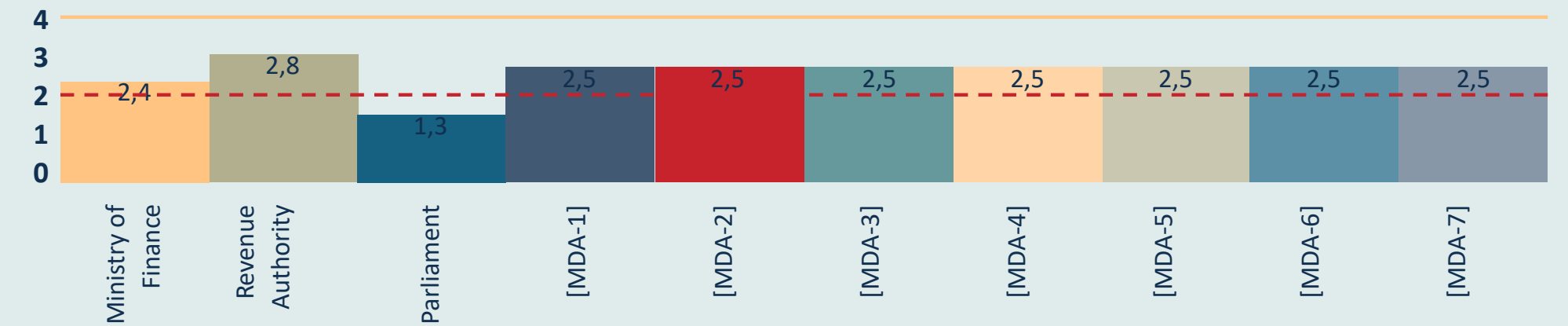
Performance by Institution

Average of all Key Questions assessed for each institution



Performance of Institutions in Integrating SDGs into PFM Processes

Average performance on Key Questions that specifically address the SDGs



Key Overall Risk Areas

Performance grade below 2 indicates risk area (shaded in red)

	Ministry of Finance	Revenue Authority	Parliament	[MDA-1]	[MDA-2]	[MDA-3]	[MDA-4]	[MDA-5]	[MDA-6]	[MDA-7]	All PFM Institutions	All MDAs	All Institutions
1-Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	2,1	3,0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,6	N/A	2,6
2-Budget Preparation	2,0	2,6	N/A	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,3	2,0	2,1
3-Budget Approval	1,0	2,3	0,6	2,0	2,0	2,0	2,0	2,0	2,0	2,0	1,3	2,0	1,8
4-Financial Management and Service Delivery	2,7	2,0	N/A	2,2	2,2	2,2	2,2	2,2	2,2	2,2	2,3	2,2	2,2
5-Accounting, Reporting and Oversight	1,5	0,3	3,5	3,3	3,3	3,3	3,3	3,3	3,3	3,3	1,8	3,3	2,8

--- Risk area below this line — Target performance grade

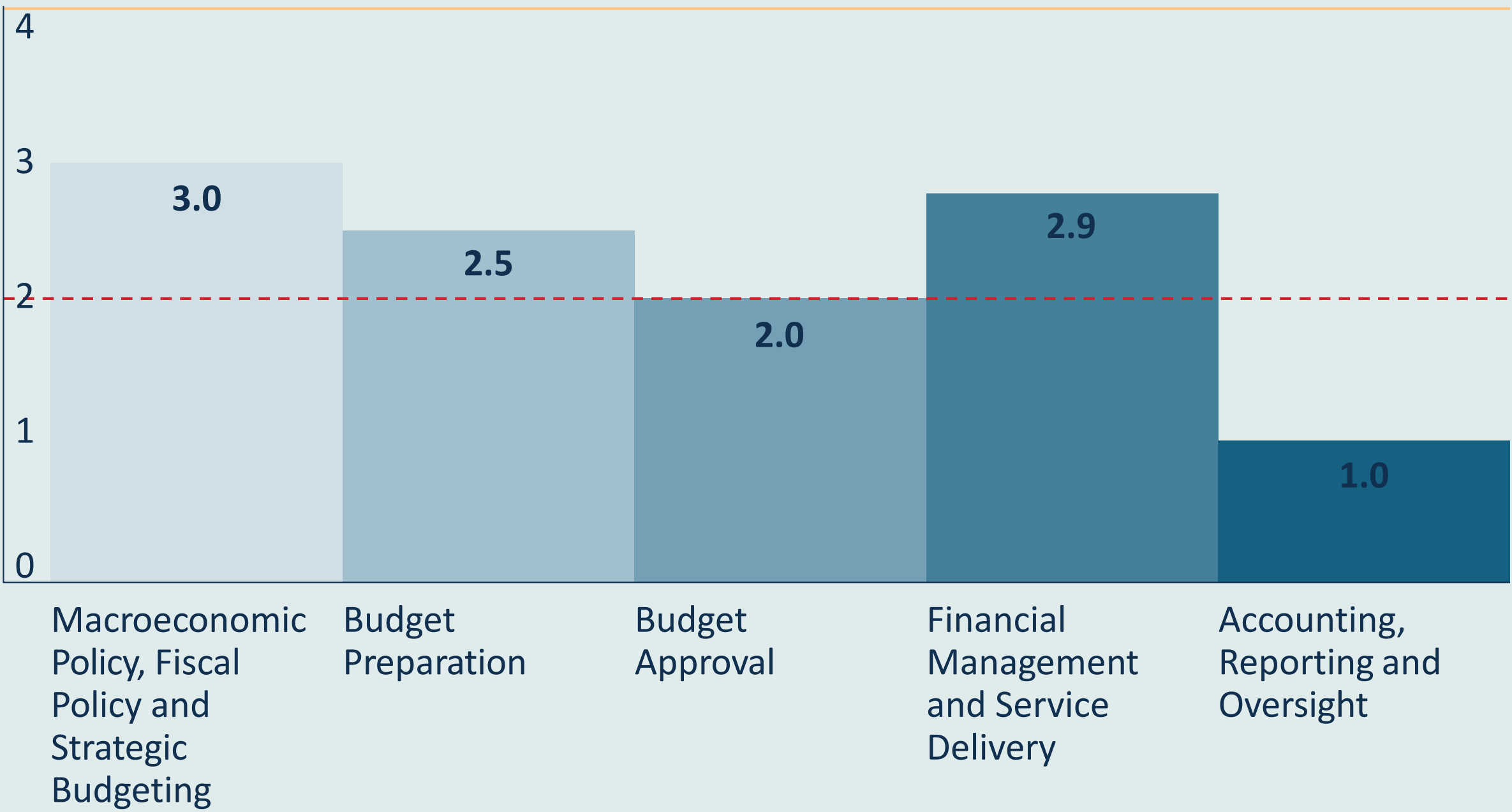
SAMPLE DASHBOARDS

Overall Performance

Average performance on all Key Questions that specifically address the SDGs

Performance by Process

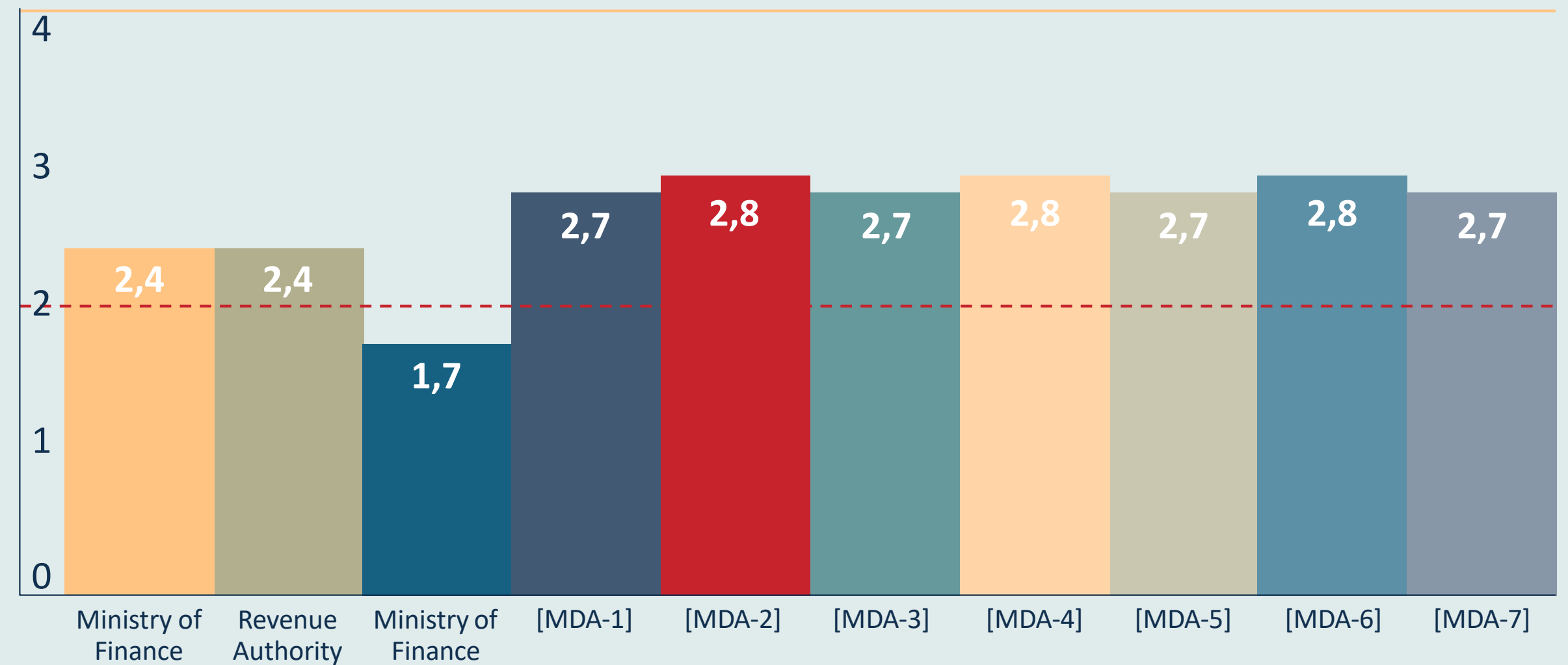
Average performance of Key Questions that specifically address the SDGs



AUDIT OF SDG IMPLEMENTATION

Performance by Institution

Average performance on Key Questions that specifically address the SDGs





■ **SHOWCASING
EXPERIENCES
FROM EARLY
APPLICATIONS**



SAIs with published/produced reports

Cabo Verde



Liberia



Angola



Rwanda



Guinea Bissau



Kenya



Portugal



Brazil



Mozambique



Malawi



Botswana



Zambia



Zimbabwe



Ghana



Sao Tome and Principe



Zimbabwe
Kenya
Rwanda
Ghana
Cabo Verde
Mozambique

Zimbabwe and Kenya

Ghana

Number of auditors

Number of MDAs assessed

Number of auditors per institution

Time to conduct the full audit

Number of auditors

Number of MDAs assessed

Number of auditors per institution

Time to conduct the full audit



- Macroeconomic Policy, Fiscal Policy and Strategic Budgeting;
- Appropriate level of performance assessment
- Root cause analysis

- Joint understanding and interpretation of audit questions the need for regular discussions meetings in the team.
- Including the PFM audit in the overall audit plan of the SAI
- Formation of teams, considering experience and knowledge of MDA.

- Pick MDAs that represent SDGs that are being prioritised at national level.
- Stakeholder engagement before implementation and after compilation of report
- Peer reviews after data collection and Dashboard interpretation during report writing is important

- Revenue forecasting
- Accounting for SDGs

Differences in accounting period owing to audit areas in some MDAs required GAS to change from a preferred MDA to another

- Need to engage sister audit branch heads prior to release of dedicated staff for PFM
- Identify and appoint a coordinator to monitor progress and to consolidate outputs from the teams.

CHALLENGING TOPICS

CHALLENGES IN THE AUDIT

LEARNING EXPERIENCES



- **STRUCTURE OF THE COMPREHENSIVE COURSE**



Module 1

Introducing the Tool

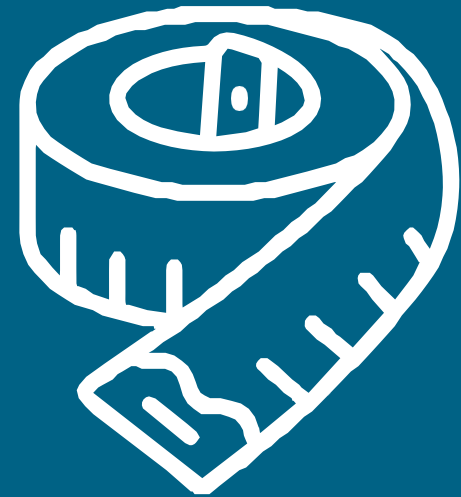
- Benefits of the Tool
- Introduction to PFM Systems
- Assessing PFM Outcomes
- Root Cause Analysis



Module 2

Developing the Audit Plan

- Audit Scope
- Sources and Means of Verification
- Interview Plan



Module 3

Deep Dive into Pilot Application

- Conduct Pilot Audit (Group Work)



Module 4

Interpreting Results

- Calibrating Grades
- Discussing Results
- Working with Dashboards

Module 5

Writing the Audit Report

- Getting to know the Template
- Formulating Key Messages
- Formulating
- Recommendations



Module 6

Follow up

- Sharing Learning Experiences
- Discussing Audit Results
- Reviewing Audit Report
- Follow-up plan and Results
- Dissemination



The Public Financial Management Reporting Framework

a AFROSAI-E and GIZ project to support Supreme Audit Institutions

The Reporting Framework enables Supreme Audit Institutions in making their public financial management systems stronger and ensuring its alignment with the Sustainable Development Goals. Better management of public finances benefits all citizens in form of improved essential public services, such as health and education.

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