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SAIs and SDG 16

PFM Reporting Framework

Dr. Barbara Dutzler
Good Financial Governance in Africa Programme

Warsaw, Poland
ICS Subcommittee Meeting
26-27 September, 2018

Implemented by:
giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

german cooperation DEUTSCHE ZUSAMMENARBEIT

EUROPEAN UNION



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- 1. The PFM Reporting Framework**
2. Background
3. Way forward

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PFM Reporting Framework

- The PFM Reporting Framework is for SAIs to identify the **most relevant PFM risks** present in their country
- It draws on **existing information** by collecting findings in a light diagnostic tool.
- It allows for **a systemic thematic synthesis** across all individual entities that a SAI audits

Benefits

The tool highlights **weaknesses** for each department or entity.

The dashboard generates a graphic picture and allows for a **comparison** across all core stakeholders



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The PFM RF looks at policy and spending level..



- Covering 80% of spending
- Most important Ministries / Departments Agencies or
- most relevant SDG areas

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...addressing five root causes...

PFM reporting framework

- A. Policies and Legal Framework
- B. Operations – Organisations (processes) and People (capacity)
- C. Information Systems
- D. Governance & Oversight
- E. Communication and Stakeholder Management

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.. to ensure alignment with 3 fundamental PFM objectives

Financial Sustainability is a system's capability of delivering prudent fiscal decisions such that over the medium-to-long term the budget is balanced

Implementation of policy priorities occur when budgets are credible and institutions are capable of delivering on national priorities through their planning and allocation processes.

Service delivery depends on reliable and efficient use of allocated funds implemented by accountable institutions.




Functional PFM System

Risks and Threats

Key Stakeholders

- Ministry of Finance
- Revenue Authority
- Parliament
- Spending Ministry Education
- Spending Ministry Health

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.. with a focus on form over function


- Spending decisions are affordable
- Contingent liabilities known

Financial Sustainability




- Budgets are comprehensive and credible
- Spending reflects budget as approved

Policy implementation




- Cash provided on time to MDAs
- Quality procurement executed as planned

Service Delivery



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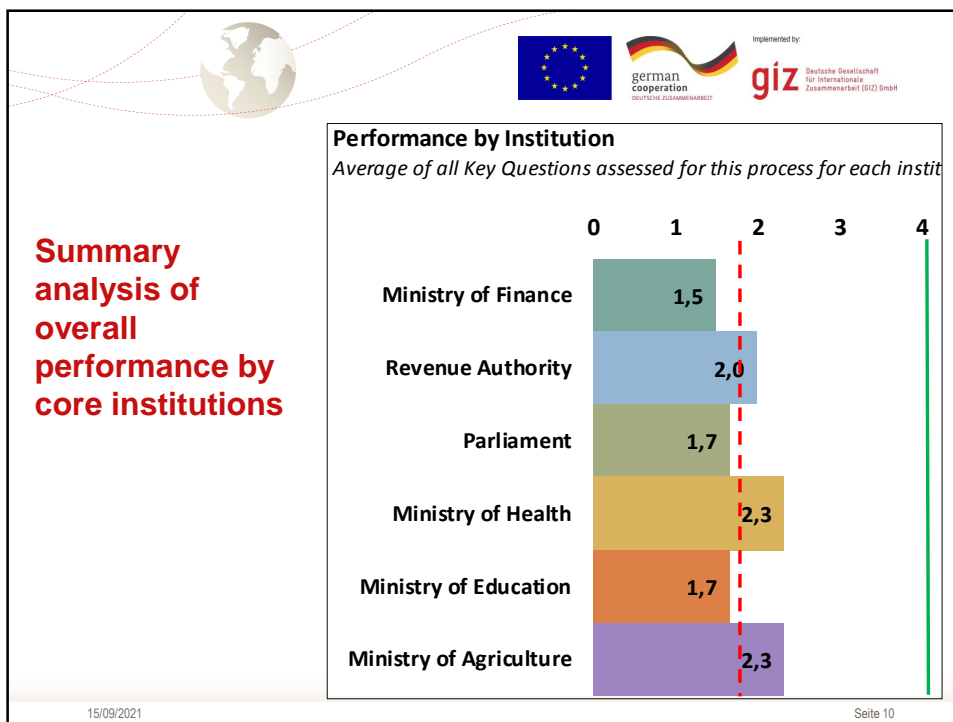
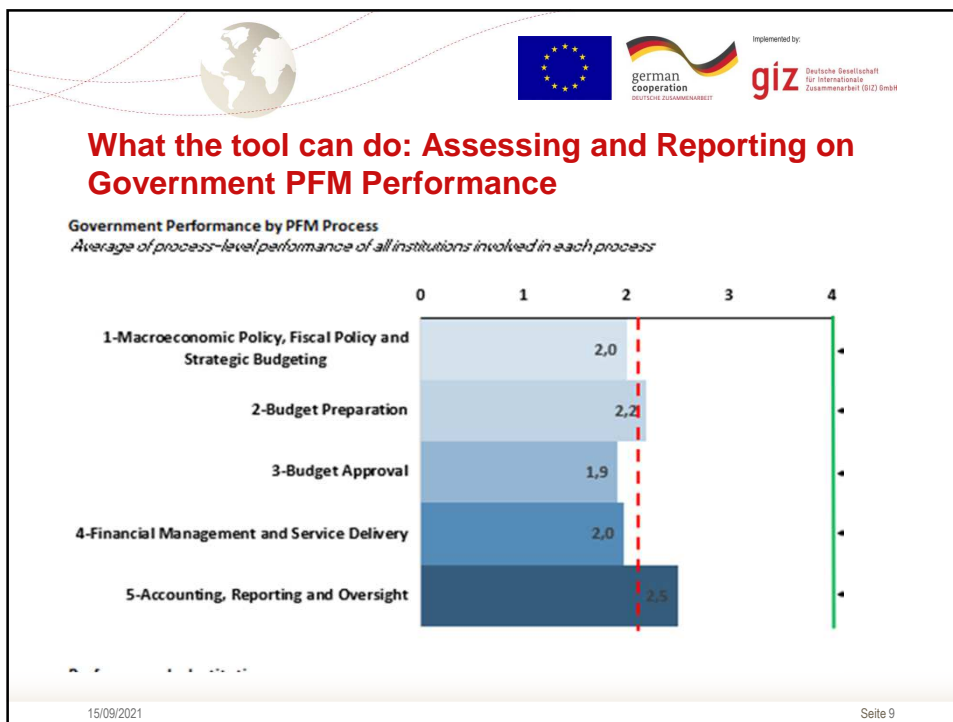

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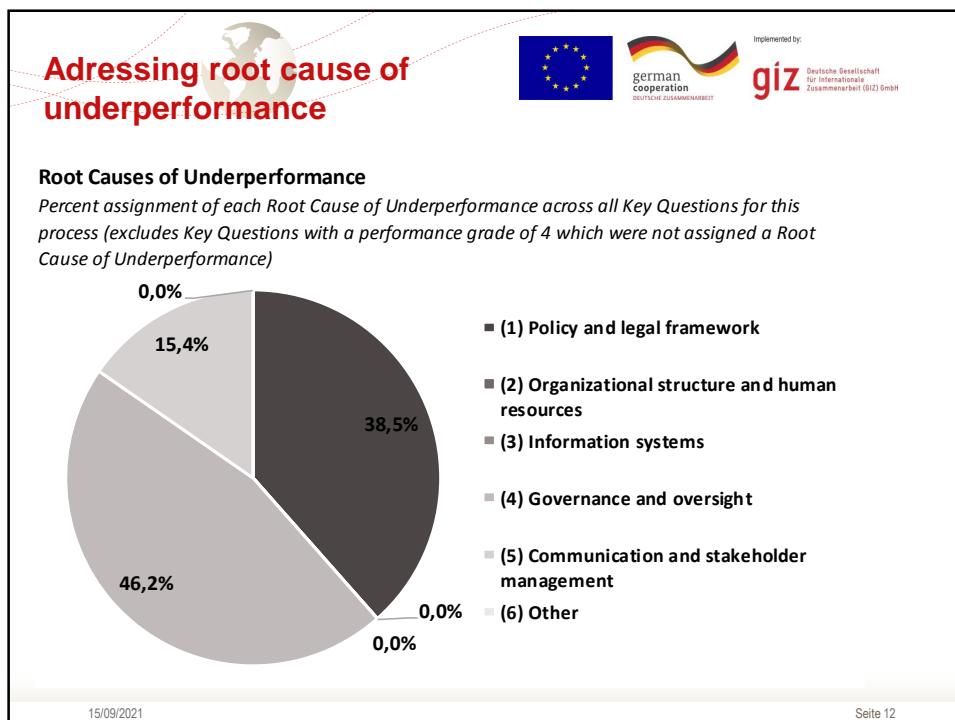
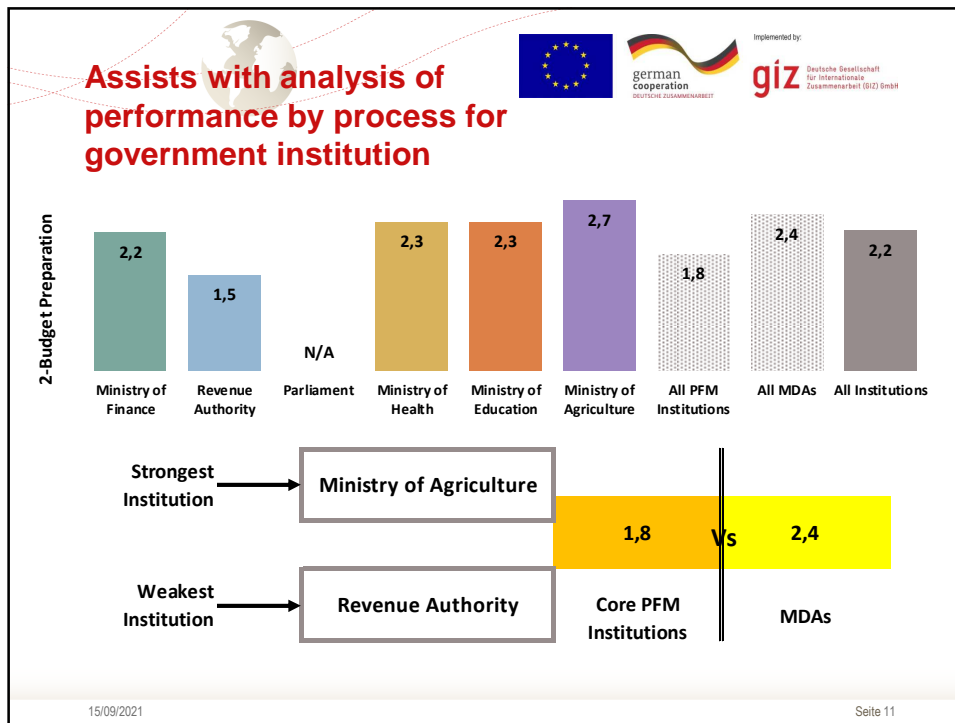
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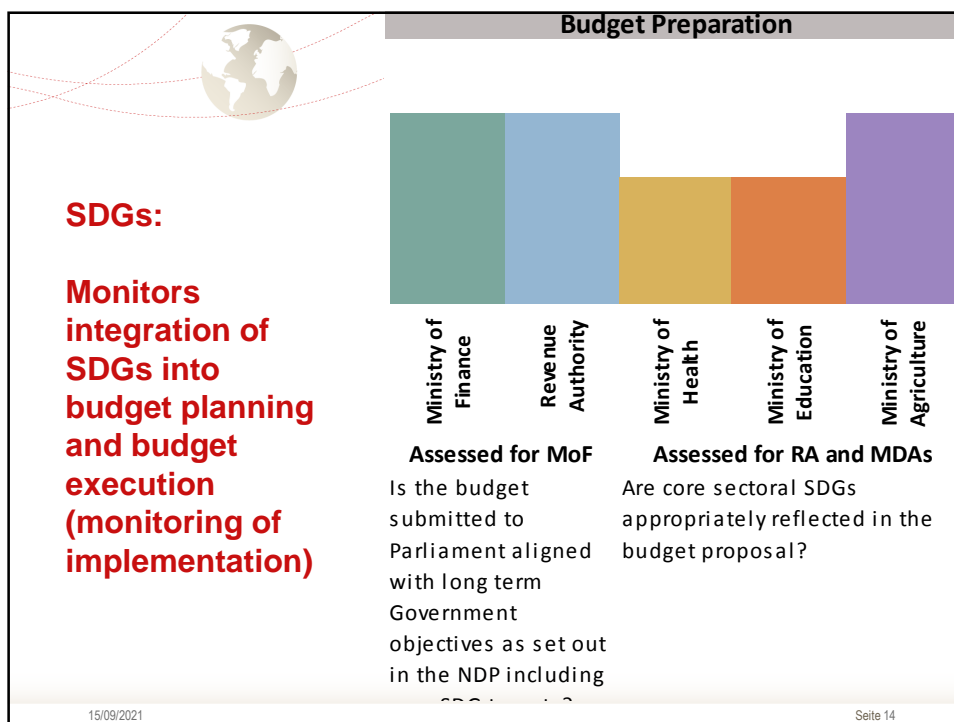
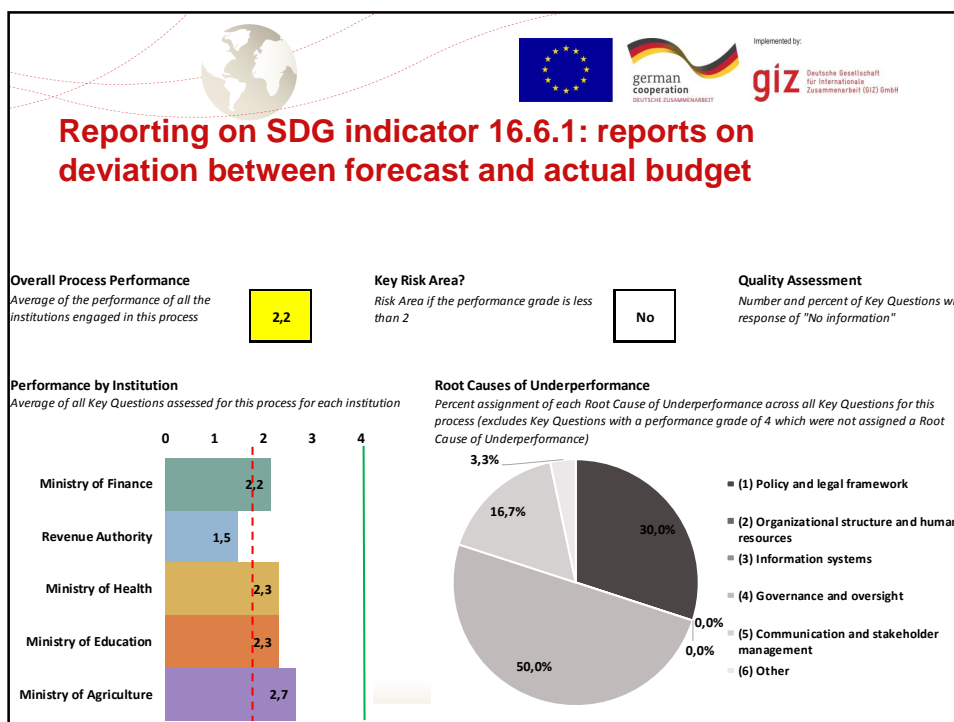
Possible use

- In reporting
 - As national PFM performance report
 - As chapter in annual report on PFM
 - As contribution to analysis of cross-cutting concerns such as procurement or non-tax revenue
- In audit planning
 - Risk analysis as input to annual audit planning
 - Risk analysis for specific questions or entities
- In analytics / research
 - Review change of performance over time


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Lessons Learnt: User feedback – Kenya

- It is a powerful tool that adds value;
 - useful in assessing performance
 - useful in following up implementation of recommendations
 - helps the auditor think beyond “figures” and broaden the mind
- Requires the auditor to think beyond ‘normal audit’ and analyze root causes
- Requires corroboration of sources of evidence - secondary reliable sources to arrive at root cause
- Will enrich the audit reports and support Parliament in oversight of the PFM Process
- The “why” questions were considered very critical in probing audit observations further to get to the underlying cause
- Forensic auditors see this as a starting point to undertake in-depth work and will facilitate their risk assessments

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Why a PFM Reporting Framework for Supreme Audit Institutions?

- Is it easy for Parliaments to understand Auditor General's reports?
- To what extent are underlying systemic weaknesses causing the day-to-day malperformance that you are witnessing?
- How would you rate the functionality of your PFM system?
- Do you know the risk areas for your PFM system?
- Are you convinced the government is taking adequate actions to tackle those risk areas?
- Is government implementing Parliament's resolutions on improving PFM?
- Have you seen visible improvements?
- Is your Supreme Audit Institution a competent partner in promoting a functionally sound PFM system?

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Lack of resources to implement the necessary changes

Lack of technical understanding of what needs to change

Lack of political will to make the necessary changes

Lack of follow up to audit reports

Audit findings are difficult to understand and interpret

Audit findings are not sensitive to, or situated within, wider understanding of PFM systems and therefore lack relevance to PFM managers

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Situating audit findings in wider PFM systems

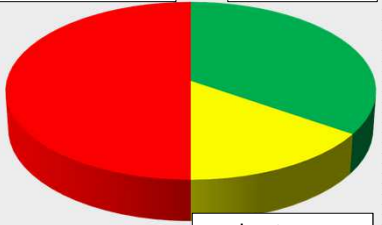
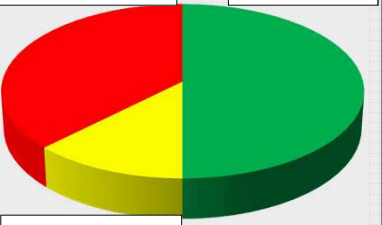
- Improve relevance of audit findings by relating them to actual system or sub-system operation
 - Improve impact of audit findings by making them more cognisant of wider PFM interlinkages
 - Support the development of wider-ranging focus on functionality that goes beyond narrow compliance/control focus or full-fledged 3-E approach
- **Key is to understand how the PFM system operates**

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Internal Control Systems appear as key factor for service delivery

Countries with weak ICS	Countries with well-functioning ICS
<p>weak service delivery 50%</p> <p>good service delivery 35%</p> <p>moderate service delivery 15%</p> 	<p>weak service delivery 38%</p> <p>good service delivery 50%</p> <p>moderate service delivery 12%</p> 

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Implementation of SDGs

SDGs require public services and infrastructure

Public services and infrastructure require resources

Resources must be implemented in an effective and efficient way

SDG 16.6
Good Financial Governance is a fundamental condition for the implementation of SDGs

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INTOSAI and SDGs

- **In-depth INTOSAI engagement**
 - ✓ Theme 1 at the XXII INCOSAI December 2016: How can INTOSAI contribute to the 2030 Agenda for Sustainable Development including good governance in order to strengthen the fight against corruption
- **Abu Dhabi Declaration spells out INTOSAI's ambition:**
 - ✓ "to become an authoritative independent voice on the challenges facing the global community in planning and implementing the SDGs".
- **INTOSAI Strategic Plan 2017-2022**
 - ✓ Crosscutting Priority 2: Contributing to the follow-up and review of the SDGs within the context of each nation's specific sustainable development efforts and SAIs' individual mandates

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INCOSAI Results – Abu Dhabi Declaration

- undertake audit and review work on the **SDGs**,
- through **four different approaches**, as elaborated in the strategic plan.
- Through a community of practice (expert group)

10. INTOSAI's overall goal is to support SAIs to make a decisive contribution to the success of the 2030 Agenda, and thereby help improve the lives of citizens around the world.

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1. The four SDG approaches

Approach I

- *Assessing the preparedness of national governments to implement, monitor and report on progress of the SDGs, and subsequently audit their operation and the reliability of the data they produce*

Approach II

- *Undertaking performance audits that examine the economy, efficiency, and effectiveness of key government programmes that contribute to specific aspects of the SDGs*

Approach III

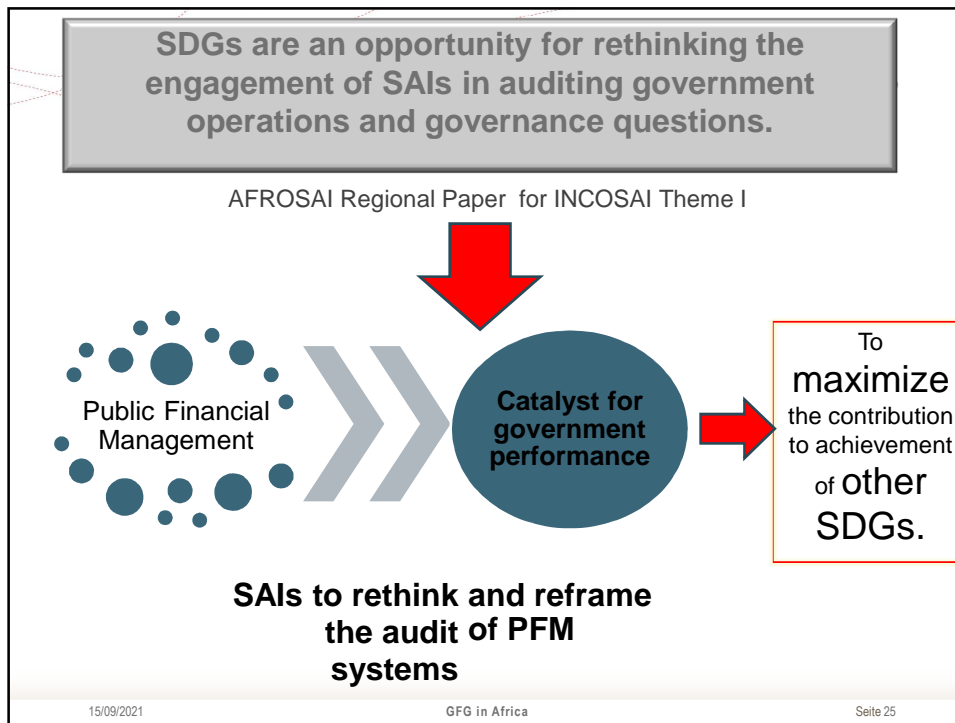
- *Assessing and supporting the implementation of SDG 16 which relates in part to effective, accountable and transparent institutions*

Approach IV

- *Being models of transparency and accountability in their own operations, including auditing and reporting*

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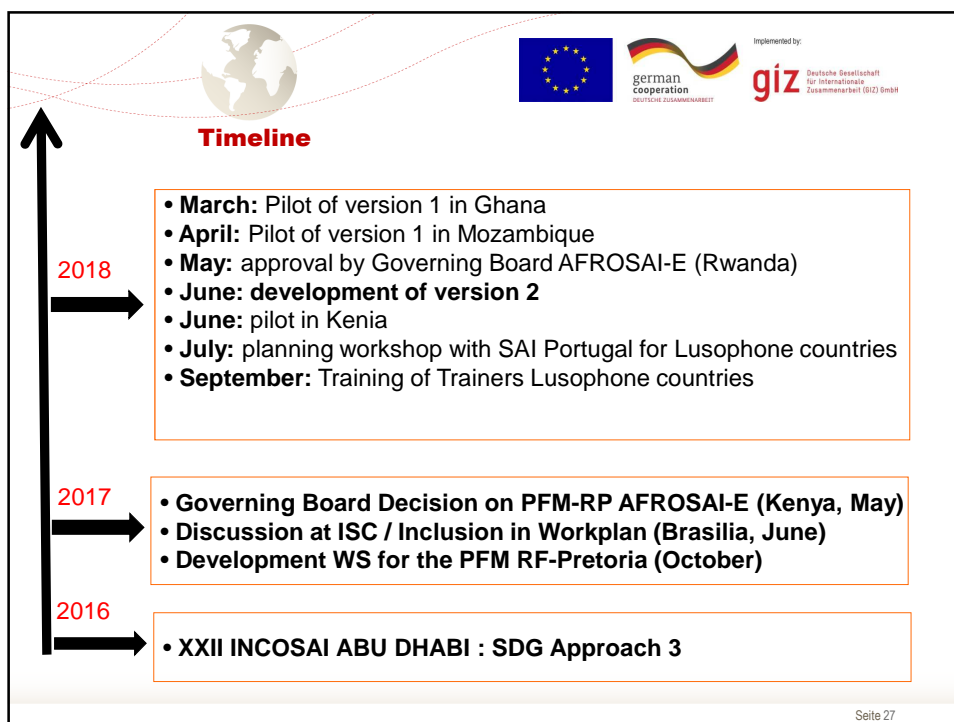



Approach 3:

SAIs understand their respective PFM environments in a holistic way, and actively participate in shaping and improving it in order to deliver upon Goal 16

If you are working on something exciting that you really care about, you don't have to be pushed. The vision pulls you. *Steve Jobs*

"HOLD THE VISION. TRUST THE PROCESS."








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In Africa

- Capacitated trainers piloting the tool
 - Anglophone roll-out (Ghana, Kenya, Zimbabwe, Rwanda, Zambia)
 - Application to SAI court model for Lusophone SAIs (OISC-CPLP)
 - Application to Francophone system (Senegal, Gabon)
- Discussion / Presentation to Parliamentarians (SADCOPAC, Namibia/ WAAPAC / Ghana, EAAPAC / Kenya)
- Review results in a reporting workshop February 2019
 - Assist countries with report generation
 - Assist in outreach to political sphere (MoF, Parliament)

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Globally

- PSC-Internal Control Subcommittee – define common space and use for project 2.5
- Upscale from African instrument to INTOSAI instrument: Feedback from SAI Portugal on use
- High Level Panel Forum 2019 Presentation
- 2019 INCOSAI.
 - SDG Review
 - Theme 2: Strategic Audit
- PASAI conversation

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Opinion of users

„It changes the way we audit“

Need to adapt working papers

Need to apply root cause analysis

Need to improve report presentation

Need to improve research and documentation

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PFM RF Summary

- PFM Assessment tool developed specifically for SAIs
- Aligned with INTOSAI SDG Strategy
- Reporting on SDG 16.6.1 and wider assessment of 16.6.2
- ISSAI 12 conformity
- Quality improvement for work of SAIs
- Whole of government approach
- Goes beyond compliance towards assessing functionality

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Thank you for your attention

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