Project to improve financial reporting and auditing

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December 2, 2007
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# Agenda

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PIFRA
Good Governance-A new Paradigm

Civil Services Reforms
• Professionalism
• Pay and remuneration
• Executive Development

Financial Management Reforms
• Accurate, Timely reporting, Improved audit systems, Strengthened controls
• MTBF
• Devolution Support Program

Legal, Judicial Order
• Action for Justice
• Judicial Independence
• Judicial Strengthening

Economic Policy
• Deregulation
• Tax Admn Reforms
• Liberalization
Agenda

1. Context
2. Vision
3. NAM
4. Technology
5. Progress
6. Next Challenges
7. Lessons
International Public Sector Accounting Standard (IPSAS II) Compliance

- CASH BASED ACCOUNTING
- IPSAS II
- CASH BASIS ACCOUNTING
- MODIFIED CASH BASIS ACCOUNTING
- ACCRUAL ACCOUNTING
Objectives

Financial information - Accurate, Timely
- Efficient resource management / Timely input for policy makers
- Improved fiscal space
- Increased international credibility
- Improved Investor Confidence

International Standards Compliance
- IPSAS II and GAAP
- IAS
- GFS

Audit: risk-based approach, better quality
- ‘Compliance to international standards reduces corruption’
- Increased confidence in audit process
- Effective oversight through PAC
- Strengthened accountability framework

John Hopkins University Research
2007
PIFRA II: Design

AGP/CGA/MOF

PIFRA II
$94 m

FABS
(Financial Accounting and Budgeting System)

NAM

Capacity Building Of OAG
(Office of the Auditor General)
FAM

Capacity Building of CGA
Controller General Of Accounts

Project Management Support
Basic Concept

Restructuring
Separation of Audit and Accounts
CGA and AGP Ordinance 2001

Process - New Accounting/Auditing Model/Internal Audit

Implementation - Technology and Capacity Building
Financial Accountability Cycle and PIFRA

Process
Technology
People
Policies

MOF/Legislature
CGA
AGP
Audit Rep.

Funds authorization
Execution
Financial Reporting
Vision - Financial Reporting by CGA
Integrated, On-line, Real-Time, Govt-wide, multi-tiered

DAOs

DAOs

DAO/ TMAs

DAO/ TMAs

DAO/ TMAs

CGA

AGPR

Roll up and aggregation

110

4
Vision and System Landscape - Financial Reporting

Finance Department, Punjab
Ministry of Finance Islamabad
CGA
Vision- Online reports (PSDP)
Scope and Context

- **Finance (Budget)**
- **DAO/AG/CGA**
- **District Government Accounts**

**District Finance Offices**
- Defense
- District Government Accounts

**Self Accounting Entities**
- Planning
- Railways

**Line Ministries**
- EAD
- NBP/SBP
- CBR

15
Vision – Govt. wide IFMIS

PIFRA FABS System

CBR

SAE

PC

Interior

Education

Health

Justice

Utilities

EAD

Public Administration

Public Security

BANK

140 Line Ministries
Volumetric Challenge

- 140 Line Ministries
- 110 DAO
- 110 EDO Finance
- 600 plus Banks
- 2.5 Million Payroll
- 5000 SAP users
- 2.5 Million Payroll
- 29000 DDOs
- IT Support Centers- 5SAP CC

Rs. 1.8 trillion To track
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<td>Business Process-Financial</td>
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<td>Commitments and Payments</td>
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<td>Receipts</td>
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<td>General Ledger Adjustments</td>
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<td>Cash Forecasting</td>
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<td>Development Projects</td>
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Business Process-HR

10 Payroll
11 General Provident Fund
12 Pension
13 Staff Expenses
Five Dimensional Chart of Accounts

DG Health

Constitution

GFS Compliant

Function

Fund (Grant)

Entity

Program

Object

GFS Compliant Reports through mapping

Purchase of Medicine 100,000

DG Health
## New Accounting Model

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<tr>
<th>New Accounting Model</th>
<th>Old System (Legacy)</th>
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<tr>
<td>Double Entry System</td>
<td>Single Entry System</td>
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<tr>
<td>Commitments</td>
<td>No Commitments</td>
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<td>Fixed Asset</td>
<td>No fixed Asset</td>
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<td>Liabilities</td>
<td>No liabilities</td>
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<td>New Chart of Account</td>
<td>Old Chart of Account</td>
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<td>Integrated System</td>
<td>Isolated Systems</td>
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Technology to Support the NAM

- ERP Technology
  - SAP R/3
    - Functional specifications, Technology architecture- Evaluation Criteria
    - International Competitive Bidding- Two stage bid
    - Technically compliant, lowest

- ERP- What
  - Enterprise Resource Planning
  - Integrated Functional Environment
Integrated Information System

Management-relevant Information

Special and Technical Information (incl. Data Fusion)
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Rapid Implementation to cover delays

Number of Productive Sites

Jan 02
Jul 03
May 05
Sep 06

0
30
70
470
Productive Sites - Province Wise

- NWFP: 28
- Punjab: 39
- Sindh: 37
- Baluchistan: 30

Province: NWFP, Punjab, Sindh, Baluchistan
Rollout and Replication Sites

Missing:
D Bunair / Daggar
E Tank
Outcome Indicators FABS-Roadmap

30 Sites

25 sites

All NWFP + 30% Punjab

All Punjab/Sindh

Baluchistan....

May 2005 PIFRA I

Aug 06

Nov 06

Dec 07

Dec 08?
Knowledge transfer of consultants through our own qualified personnel to field offices
Training

- Over 80 Master Trainers
- Training on New Chart, NAM
- Over 29,000 DDOs Trained
- Training labs at provincial HQ for system training
- Training NAM/SAP for Sites-2000 SAP Users
- Roll Out Training continuing through master trainers
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PIFRA
Goal: Creative Usage via constant Change Management

Old Systems

Results / Success / Performance

SAP Introduction

Creative Usage

Conservative Usage

Stagnation

Change Management

Integration

q Organizational Structure
q Workflow
q Cooperation / Communication
q Qualification / Competencies

Resistance Boycott
Domains of Change

- Technology
- Business Process
- Re-structuring
- Change (adopt new processes)
- Capacity Building
- Coverage
Next Challenges: Leverage IT Investments

- Data
- Adopt New Processes
- Use the system – Continuous Training
Next Challenges: Data

- Budgeting data at spending level
- Project wise data
- GP Fund Records
- Pensioner Data
- Debt wise detailed data
Next Challenges: Adoption of new processes

- Project Accounting: Rs. 520 B (370+150)
- Debt Accounting: Rs. 1186 un-reconciled!
- CBR Treasuries and receipt accounting: Rs. 1 trillion
- Commitment Accounting
- MTBF
- Bank reconciliation
- BER (Budget Execution Report)
Monitoring and Evaluation: Business Benefits

- Defined strategic objectives
- Defined Benefits Target - Benchmarks
- Benchmarks linked to specific strategic objectives
- Measured baseline in key PFM areas
- Assigned Benefits owner to major benefit area
- M & E Framework: Consistent Framework
- Tracking benefits through constant updates
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Lessons Learnt

- Project Culture vs Bureaucracy
- Governance Structure to monitor business benefits
- Change Management- Executive Led/Executive Sponsor
- Buy-in of power users and stakeholders- involvement
- Measure Baseline
- Project Management team- Professional, PM mindset
- Align HRM policies (career, rewards) with Project
- Continuous support without getting into political debate
Summary

- Separation of Audit and Accounts
- Development of New Accounting/Auditing Model
- 70 FABS sites productive through ERP solution
- 29000 DDOs trained on New Chart of Accounts
- 2000 End Users trained on SAP R/3
- Federal, provincial, district govt's on new COA
- All NWFP on-line
- Plan for on-line reporting of all Punjab, Sindh Dec 07
Thank You
Break Up PIFRA II

- Unallocated: 7%
- Training: 15%
- TA: 17%
- O & M: 10%
- Civil Works: 15%
- Goods: 36%
PIFRA II

Total $94 m (WB $84; GOP $10 m)
PIFRA II

Total $94 m (WB $84; GOP $10 m)