PFM: Transparency, Implementation and Technological Development, Pakistan Case Study

PREPARED BY:
KHURRAM RAZA QURESHI
MUNAWAR HUSSAIN
BISMAH FARRUKH KHAN
Sequence of Presentation

- Introduction - Public Financial Management
- Public Financial Management in Pakistan
- Information Technology initiatives to improve PFM
- Challenges In Ensuring Transparency and Accountability
• Case Study
• Conclusion
• Speakers’ Contact Information
Introduction - Public Financial Management

- Fiscal planning
- Resource Mobilization and efficient management of resources
- Accounting and Financial Reporting
- Audit and Legislative Oversight
Public Financial Management in Pakistan

- Fiscal planning: Ministry of Finance
  - Preparing budget statements
  - Consolidating Development and Non Development Budget
  - Estimating Receipts: Federal Board of Revenue
- Estimating foreign remittances: Economic Affairs Division
- Financial statements: Controller General of Accounts
- Audit of the financial statements: Auditor General
Information Technology can:

- Augment efficiency
- Enhance transparency and accountability
- Improve service delivery
PFM and Information Technology

Mechanism:
- Enhance access to fiscal information
- Track spending
- Increase predictability for better monitoring and evaluation
- Increase government revenue
- Logs / records of user activity, changes in data
- Accessible, timely and accurate information.
IT initiatives for PFM in Pakistan

- SAP ECC 6 ERP
- Debt Management System
- PMES

- TARP
- ITMS
- One Customs
- PACCS

Fiscal Planning

- CAATs
- ACL

Resource Mobilization

- SAP ECC 6 ERP

External Scrutiny & Audit

- PMES

Accounting & Financial Reporting
Fiscal Planning

- Reforms
  - Medium Term Budgetary Framework (MTBF)
  - Availability of Annual Budget documentation
  - Availability of financial statements on web-site
  - Development of Project Monitoring and Evaluation System
Resource Mobilization

- Reforms
  - Tax Administration Reforms Project (TARP)
  - Integrated Tax Management System (ITMS)
  - One Customs information systems
  - PACCS
Accounting and Financial Reporting

- Reforms
  - New Accounting Model
  - Implementation of SAP ECC 6 system
With the introduction of these reforms SAP system is used to:

- Prepare budgets
- Process most of the payments
- Payment of salary to more than two million employees
- Process all pension cases
- Generate monthly and annual accounts
External Scrutiny and Audit

- Reforms
  - Financial Audit Manual
  - Sector specific Audit Guidelines
  - Adoption of Audit Command Language (ACL) software
  - Computer Assisted Auditing Techniques
  - Ongoing process of development of Audit Management Information System
Challenges In Ensuring Transparency and Accountability

- Government Financial Management Information System
  - A significant amount of financial data still not captured
- Development of integrated information system for fiscal planning, tax administration, and accounting and reporting
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<td>Fiscal Forecasting</td>
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Challenges in Sustaining Reforms

- Issue of long term sustainability of PFM reforms
  - Allocation of funds
- Capacity Building of Employees / Retaining Technical Experts
  - Remuneration and Compensation
Case Study – Audit of Pension Payments in Accountant General Offices
Audit of Pension Payments

- Approximately 2.26 million pensioners in public sector
- Pension paid is more than US$ 2 billion.
- Pension payment not subjected to rigorous checks
- Press briefing by the biggest bank of Pakistan
  - Pension may be received by unauthentic persons
  - Major discrepancies in number of pensioners
Audit of Pension Payments

- Bank’s and government’s records do not match
- Senate’s Standing Committee on Finance, Revenue, Economic Affairs, Statistics and Privatization
- Special audit by Auditor General of Pakistan
Challenges in Pension Payment System Audit

- Procedural delays in re calculation of pay fixation
- Inadequate monitoring and supervisory checks on pensions
- In-complete documentation
- Capacity issues of staff in pension wings
- Bank managers unwilling to allow access to records
Objectives of Exercise

- Only authentic pensioners draw pension from Banks
- Strengthen internal controls to prevent unauthorized /over payments
- Review / re-design documents for authorizing pension payments
Initial Proposals for Improvement

- Pension payments through system only
- Discontinuing manual pensions
- Till achievement of above:
  - Biometric verification of pensioners drawing manual pensions
  - Introduction of biometric system for new pensioners
- Periodic verification of documents for pension payments
Initial Proposals for Improvement

- Annual financial attest audit of payments from banks
- Verification and reconciliation
  - Standardized formats for account offices and banks
Suggested Actions after Audit

- **Reformative measures:**
  - Pension paying office to compile pensioners’ data from historical database available on system
  - NBP pays pensions through their Government Pension System (GPS)
- As a first step towards complete computerization
  - All newly retiring pensioners get pension through system
Lessons Learnt

- Regular sharing of information and reconciliation through systems
- Periodical review /re-verifications of records by individual offices
- Annual post audit of paid vouchers in bank payments
- Payments to be made through the system
• Changing branches of paying bank without payment through system can increase risk
• Delayed payments of pension are a red flag
• A constant refresher / reminder of the SOPs is necessary
• Government pension system (GPS) with Banks to be completely functional
Conclusion

- Use of IT is becoming increasingly important for effective PFM
- Sustained and continued IT reforms provide opportunity for integrating different data sources in system
- Integration helps in appropriate spending and accountability
- Independent oversight supports proper functioning of PFM
THANK YOU!