

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



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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

PFM and Information Technology



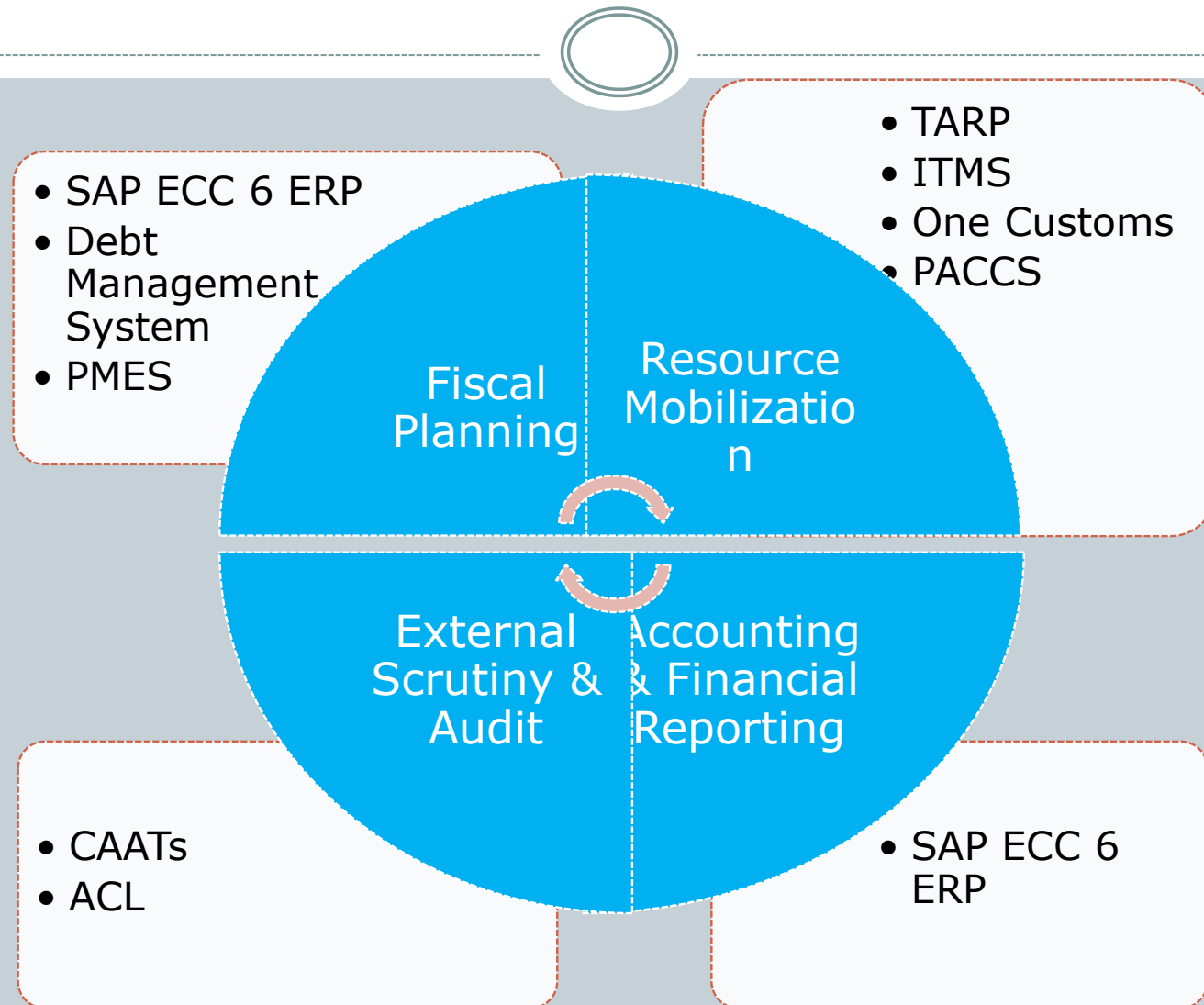
- Information Technology can :
 - Augment efficiency
 - Enhance transparency and accountability
 - Improve service delivery

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 of data
 - Accessible, timely and accurate Information.

IT initiatives for PFM in Pakistan



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
 - accounting and reporting



- Linkages in Taxpayers Obligations
 - Direct taxes and indirect taxes
- Fiscal Forecasting
 - Effective and operational system of cash-flow forecasting
- Debt Management
 - Establish links within the four debt management units

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 !

