

Public Financial Management Reporting Framework (PFMRF) - African Organization of Supreme Audit Institutions – English speaking



Objective and features

1. Objective

The PFMRF objectives are as follows:

1. Gather, assess, and report on the effectiveness of public financial management (PFM) processes taking into consideration the ministries, departments, and agencies (MDAs) of central government, and the core PFM institutions such as the Finance Ministry, the Revenue Authority, and the Parliament.
2. Consolidate findings from individual PFM assessments conducted at ministries, departments, and agencies (MDAs), which can impact the whole of government's ability to (1) assess the macroeconomic framework, assumptions, and projections used in the government's overall policy direction to achieve the National Development Plan (NDP); (2) ensure alignment with the Sustainable Development Goals and other international treaties and commitments; and (3) support evidence-based policy decisions through assessment findings.

2. Institutional coverage

National governments.

3. Technical coverage

PFMRF covers five key PFM processes:

3. Macroeconomic policy, fiscal policy, and strategic budgeting
4. Budget preparation
5. Budget approval
6. Financial management and service delivery
7. Accounting, reporting, and oversight.

4. Application method

Self-assessment (led by the country's supreme audit institution).

Methodology



5. Methodology

The evaluation seeks to explain the effectiveness of the PFM processes through the following two areas:

1. Central and coordination – Ministry of Finance, Tax and Customs Authority (TCA), and Parliament which set PFM policies or standards, shape the processes, and coordinate activities undertaken by the MDAs.
2. Sectoral – ministries, departments, and agencies of central government (MDA). In selecting the MDAs to be assessed, any or a combination of the following selection criteria may be applied:
 - a. Choose the largest MDAs according to budget allocation.
 - b. Choose as many MDAs as necessary to cover a certain percent of government spending.
 - c. Prioritize MDAs that are identified as most relevant to delivering the National Development Plan.

The methodology comprises questionnaires for each individual PFM process, which is linked with the respective subprocesses and individual outputs. Questions are included for each output. The questionnaire is to be filled out for the MDAs and core PFM institutions.

Findings are analyzed using a “5-why model” and a performance grade is assigned for a performance related to each question. Then, the root cause for underperformance is identified. Based on the performance grade for each of the questions, aggregate grade for each PFM output is derived. The aggregate of the PFM output grade gives a PFM process grade. A visual representation of the assessment findings is included in the dashboard that compiles performance at individual PFM process and at institution level.

6. Benchmarking system

Benchmarking with scoring. The tool is structured in key questions and typified answers that are linked to various process outputs identified for the PFM processes, with five options of answer graded from 0 to 4. The score from 0 to 3 reveals shortcomings in the PFM process and the need to identify the cause of the problem. The score 4 means that everything is working well in the process.

7. Linkage to PEFA framework

PFMRF covers aspects related to PEFA performance indicators: performance information for service delivery (PI-8), macroeconomic and fiscal forecasting (PI-14), fiscal strategy (PI-15), budget preparation process (PI-17), revenue administration (PI-19), procurement (PI-24), and annual financial reports (PI-29).

8. Complementarity with PEFA framework

PFMRF provides an in-depth examination of the root causes of the problems arising from the PFM processes.

Development and use



9. Development and coordination

PEFA and other benchmarks were cross-referenced during the development of the tool. In an INTOSAI-led meeting in 2016, a gap was acknowledged in assessing and reporting the effectiveness of PFM processes to provide findings that enable the SAI to engage with key policy makers and to improve the government's ability to ensure alignment with the Sustainable Development Goals. In 2017, AFROSAI-E decided to develop a tool that evaluates PFM processes with the help of GIZ. In 2019, questions on SDG evaluation supplemented with typical emergency scenarios were added to the framework.

10. Assessment management

Evidence for the assessment is gathered as follows:

1. The sources of information used should be documented together with the audit findings and an analysis (5-why model) of the understanding of the deficiency that leads to the audit finding.
2. Sufficient and appropriate audit evidence should be obtained by using a combination of audit procedures throughout the audit of the MDA to support the accuracy and completeness of information being used for the PFM assessment, including the performance assessment and root causes of underperformance.
3. Where the performance assessment is functioning (level 4) and where there are no reporting weaknesses, there shall be no root cause of underperformance.
4. After obtaining the relevant, accurate, and complete PFM information, the auditor should assess the information and document the findings or key observations for each key output.
5. The findings or key observations should be linked to one or more of the following five institutional capacity areas:
 - a. Legal and political frameworks
 - b. Organizational structure and human resources
 - c. Information systems
 - d. Governance and supervision
 - e. Communication and stakeholder management.
6. A conclusion on the overall root cause(s) should be reached for each of the findings or key observations per key output.

Each SAI is responsible for its own internal quality assurance processes before tabling the report.

11. Uses by the government and members of the PFM community

PFMRF is used by SAIs to identify the root causes of the problems arising from the PFM processes. This information will enable the SAI to engage with the relevant MDA, as well as with the relevant core PFM institution, on their weaknesses and development areas, and to obtain an understanding of the systemic issues relating to the interactions between institutions.

12. Sequencing with other tools

PFMRF is a broad-based PFM tool in terms of technical coverage. It can be complemented with tools that provide a drill-down on specific PFM functions.

13. PFM capacity building

PFMRF provides capacity building to SAIs. A five-day training program is provided for larger SAIs and a one- to two-day training program is undertaken for smaller SAIs by AFROSAI-E to discuss the findings and design a reform plan.

14. Tracking of changes and frequency of assessments

The tool is designed to allow tracking of changes over time. Recommended frequency is every year.

15. Resource requirements

Based on preliminary estimates, the cost of conducting training on the use of the tool is approximately US\$8,000 to US\$12,000 (when the five-day workshop model is considered which involves participation from 15 to 20 people). The cost for an SAI to use the tool depends on the country. The time taken to conduct the assessment is approximately four to five weeks. Assessments are undertaken by a multidisciplinary team of 15 to 20 officials from the SAI.

Transparency



16. Access to methodology

A user guide is available from the custodian upon request. The tool is *available* in English and Portuguese.

17. Access to assessment results

Reports are available on request.