

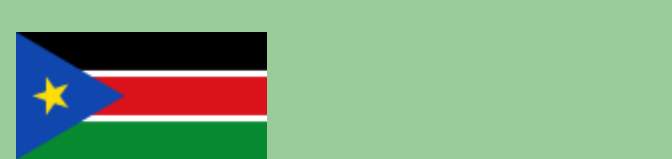
# HESPI Training on Public Expenditure Management for Senior Government Officials of South Sudan

Fantahun Belew Asfaw  
Grand Juba Hotel  
Juba  
April 18-19, 2018



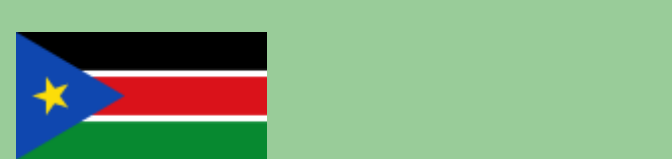
# Transparency in Budget Execution, Monitoring and Reporting





# Outline

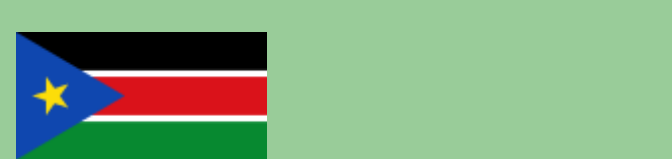
- Budget Execution Monitoring and Reporting
- Transparency in Budget Execution
- The Role of Legislature, CSO & Other Stakeholders;
- Types of reports and Content
- Internal Control Systems



# BUDGET EXECUTION

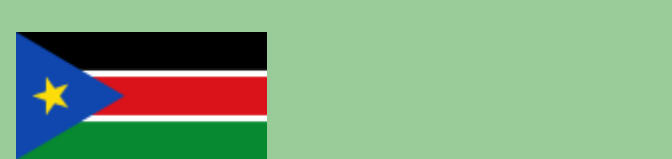
In the annual budget cycle; budget Execution runs throughout the budget year. This stage basically focuses on:

- Notification of the appropriated and approved allocated budget by Ministry of Finance to the budgetary intuitions is undertaken following the budget approval;
- annual and sub-annual cash flow need planning by the budgetary institutions is submitted to the Ministry of Finance through zero-balance cash flow management system;
- Monies are released to various line ministries (or departments/agencies) as per the approved budget and their cash plan;
- Budgetary institutions initiate expenditures directly or by procuring goods and services;



# BUDGET EXECUTION...

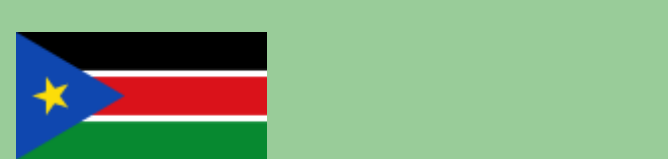
- Payments are made for these expenditures;
- Expenditure transactions are recorded in accounting books;
- Execution reports (monthly, quarterly, mid-year and annual) are produced throughout the year,
- Ministry of Finance close the accounting books and the produce Year-End Reports for external audit (the final execution report of a given budget year);



# Transparency in the Budget Execution

## What is Fiscal Transparency?

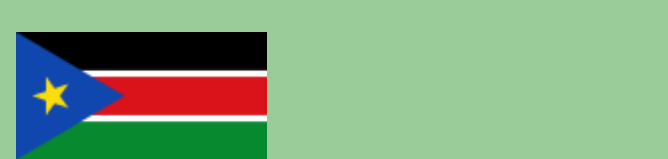
- Being open to the public about the structure and functions of government, fiscal policy intentions, and public sector accounts and projections;
- Providing ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities;
-



# Transparency in the Budget Execution...

## **Why Transparency in budget Execution, Monitoring and Reporting PFMA-Act discloses the need for Public Availability of Information.**

- The budget proposal has to be made available to the public immediately after the submission to the Assembly.
- The Approved Budget shall also be made available to the public within thirty (30) days after approval by the Assembly.
- The MoFEP is expected to produce an interim quarterly expenditure reports to the Assembly within thirty (30) days of the stated period.
- Such reports shall be made publicly available immediately after their submission to the Assembly.
- The MoFEP has to make publicly available an annual report, including details of past, current, and projected fiscal activity, major fiscal risks, etc;
- It has to include clear explanation of the main proposals and economic background to the budget.
- Revenue, expenditure, and financing shall be reported on a gross basis, and expenditure classified by economic, functional, and administrative category
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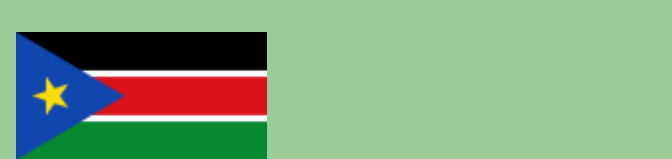


# Transparency in the Budget Execution...

## Importance of Budget Transparency

- Public has the right to know about the budget process;
- Fosters: reform in public financial management, public expenditure, tax administration, and tax policy,
- Openness about government structure and functions, fiscal policy intentions and processes, and government accounts;
- Increase accountability (including to and by legislature) and reduce corruption;
- Improve decision-making and accelerate corrective action;
- Enhance credibility and support for policies;
- Meet international obligations (donors, creditors);
- Legislature, media, civil society and the public at large will be better able to hold the executive accountable;

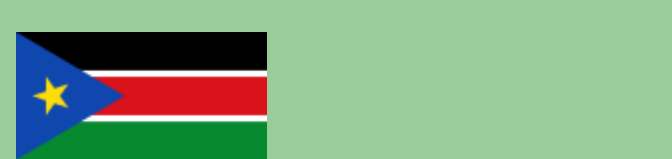




# Transparency in the Budget Execution...

## Importance of Budget Transparency

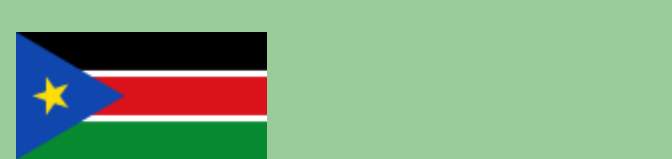
- Elected officials and civil servants may act more responsibly if their decisions and actions are open to public scrutiny;
- enables the civil society to conduct independent budget analysis, and expenditure tracking and monitoring;
- Promotes equitable public spending;
- Enhances the quality of public debate and the ability of citizen/CSOs to contribute to policy-making and budgeting processes;
- Early identification of the weaknesses and strengths of budget policies can reduce risks and foster fiscal and macroeconomic stability;
- Promote trust in governments and public acceptance of inevitable trade-offs;
- contribute to enhanced revenue collection;



# Transparency in the Budget Execution...

## Pillars of Budget Execution Transparency

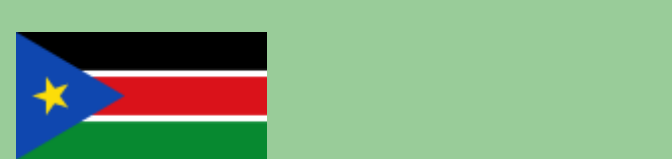
- **Clarity of roles and responsibilities:** Structure and functions of government, responsibilities within government, relations between government and the rest of the economy
- **Open budget processes:** Budget preparation, execution, and monitoring; timetable for legislature; realism of estimates and medium-term framework; fiscal sustainability.
- **Assurance of integrity:** Quality of fiscal data, internal oversight, and external control and monitoring;
- **Public availability of budget information:** A fundamental requirement of fiscal transparency is that comprehensive, reliable, and useful budget information be made publicly available



# Transparency in the Budget Execution...

## Pillars of Budget Execution Transparency...

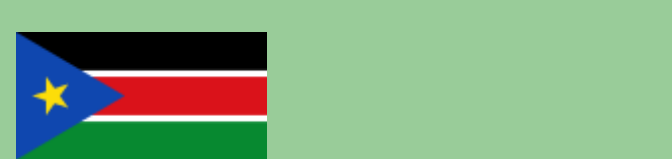
- ***Independent checks and balances of budget execution and government data:*** Legislatures and civil society opportunity to influence the budget and assess whether government executed what it planned. It is also important to establish checks and balances on the type and source of data used in the budget process
- ***Budget decision-making process:*** The legislature and civil society effective participation in the budget process.



# Transparency in the Budget Execution...

## Fundamentals of Budget Transparency

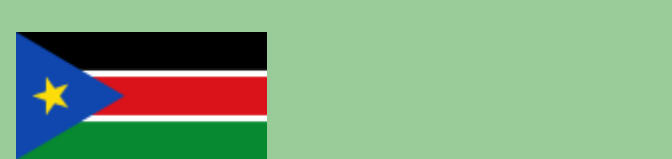
- Provided with full information on the past, current, and projected fiscal activity of government.
- Distribute a clear and simple summary guide to the budget.
- Provide time for consultation on broader policy changes.
- Give legislature time to consider the draft budget.
- Make all contractual arrangements publicly accessible.
- Present supplementary proposals in same form as original budget
- Undertake and identify purchases and sales of public assets openly
- publish full information on the level and composition of its debt and financial assets



# Transparency in the Budget Execution...

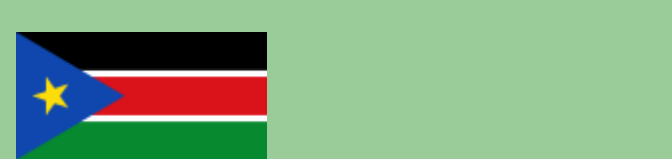
## Challenges in Budget Transparency

- Requires political will from public officials, who may have a vested interest in withholding information.
- Transparency exercises are often bound by legal and institutional frameworks.
- Given the overtly technical nature of the Information often makes it difficult to communicate to citizens whose budget literacy level is low
- Engaging citizens can be difficult as individuals may not initially see how the budget impacts at a personal level.
- BT can be a resource intensive exercise thus limiting its application by only those who can afford.
- Parliamentarians may not be always active enough in scrutinizing budget- related information.



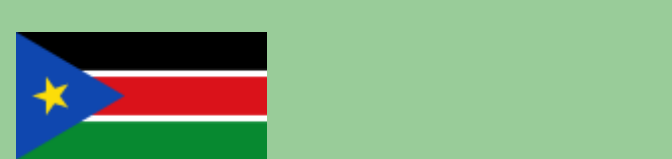
## The Role of Legislative, CSO & Public Information

- The role of the legislators in the budget process ranges from budget formulation to monitoring and scrutiny of the budget implementation.
- Once a comprehensive budget has been drafted, it has to be approved by the legislature to go into effect.
- The role of the legislature is clear and inevitable during the approval stage.
- While the execution of the budget is in the hands of the executive, the legislature involvement in at this stage is not visible.
- Funds are apportioned to spending departments in line with the approved budget.
- It is common that funds are shifted to purposes other than those for which they were approved.
- Legislatures have to closely monitor implementation of the budget by scrutinizing information on actual spending.



## The Role of Legislative, CSO & Public Information ...

- Following the implementation of the budget, government accounts and financial statements are audited by an independent audit institution, often an auditor general or audit court.
- The results of the audit are presented to the legislature and considered by one of its committees, such as a public accounts committee.
- Legislators can use the insights gained from audit reports to assess future draft budgets.
- By and large, the legislatures have involved in the budget cycle process.
- They approve the coming year budget, monitoring the implementation of a previously approved budget, and considering an audit report on a budget that has already been implemented.

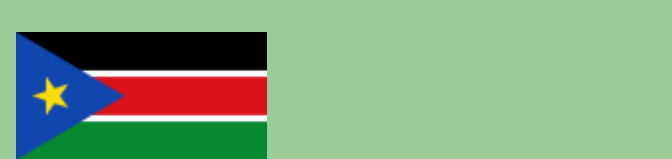


## The Role of Legislative, CSO & Public Information ...

### Civil society organizations (CSOs)

- Help improve budget policies by providing information on public needs and priorities through their connections with citizens, communities, and sectors;
- CSOs (along with legislators, auditors, the media, and the broader public) also can play an important role in holding the executive accountable for how it uses public resources.
- When CSOs and others lack access to budget information or opportunities to engage in budget processes, it opens the door for the executive to choose unpopular or inappropriate programs, waste money, and allow or engage in corruption.
- When CSOs can combine an in-depth knowledge of a policy issue, such as health or education, with a solid knowledge of budgets and an effective advocacy strategy they can positively influence policy decisions;





## The Role of Legislative, CSO & Public Information...

### Public Information

- Currently in realizing sound budget formulation and implementation process, the role of clear transparency and accountability has been increasingly recognized.
- There is a growing acceptance that the active engagement of citizens, civil society, and the media in budget processes is an ideal practice in budget formulation and implementation.
- A transparent and inclusive budget process is now seen as essential instrument in facilitating investment, ensuring efficient outcomes, and holding government accountable for managing public resources.
- Thus outside of government, other actors are actively involved in budget evaluation and monitoring.

# Budget Monitoring and Tracking

## Why Budget monitoring and Tracking

- To gain an understanding of how public funds have been utilised, and how they contribute to government policies,
- Evaluating the budget outcomes and impact beyond efficient input management;
- Assess how efficiently and effectively functions, programs, and activities are done in order to meet national objectives and goals;

# Budget Monitoring and Tracking...

## Fundamentals for Budget Monitoring and Tracking

- The budget design process from the outset should develop and utilize performance measures for functions, programs, and/or activities.
- Define and keep track of indicators to consider what they are trying achieve with policies;
- Creating a strong link between budget monitoring (understanding how public resources are being utilised) and performance-based budgeting;
- Designing appropriate tools, methods and approaches for monitoring non-financial performance;

# Budget Monitoring and Tracking...

## Fundamentals for Budget Monitoring and Tracking

- Non-financial performance referred to as the *results* of government spending, and can be measured at the levels of outputs, outcomes and impacts,
- The budget process should be linked to specific program goals and objectives.
- Budget tracking is not limited to actual expenditure; it goes to the extent of identifying impacts of a particular budget;
- There are several types of performance measures: inputs (resources), outputs (efficiency) and outcomes (effectiveness);

## Typology of Budget Tracking Indicators

- **Input** measures the financial, administrative and regulatory resources (often called “process”) provided by the Government and donors.
- **Output** measure the immediate and concrete consequences of the measures taken and resources used: *Ex: Number of schools built, number of teachers trained; number of health professionals trained, number of water points constructed, etc.*
- **Outcome** measure the results at the level of beneficiaries. *Ex: school enrolment, percentage of girls among the children entering in first year of primary school*
- **Impact** measures the consequences of the outcomes. It measures the general objectives in terms of national development and poverty reduction. *Ex: Literacy rates,*

# Budget M & Tracking Instruments

## Participatory Budgeting (PB):

- PB aims to:
- Bring citizen voice into the budgeting process through greater inclusion,
- Increase transparency and understanding of budget constraints,
- Improve targeting of public spending, and
- Reduce corruption.

# Budget M & Tracking Instruments

**Independent Budget Analysis (IBA):** aims at achieving one or more of the following objectives:

- Improve information sharing and public understanding of the budget;
- Influence budget allocations;
- Improve targeting of funds for vulnerable groups, including women and children;
- Initiate debates on sector specific implications of budget allocation;
- Influence revenue policies.

# Budget M & Tracking Instruments

- **Participatory Performance Monitoring:**
- It is the involvement of citizens, users of services, or civil society organizations in monitoring and evaluation of services delivered and public works.
- Participatory performance monitoring aims to:
  - Improve quality, accessibility, and relevance of service delivery and public works, and
  - Reduce leakages and corruption.



# Budget M & Tracking Instruments

## Public Expenditure Tracking Surveys (PETS)

- Uses to track the flow of public resources (including human, financial, or in kind) from the highest levels of government to frontline service providers.
- PETS aim to:
- Fight corruption by uncovering leakages in the system between the source and the destination in the flow of funds or goods;
- Detect problems of service delivery in the form of staff absenteeism or ghost workers and
- Improve the efficiency of budget execution.

# Budget M & Tracking Instruments

It is also useful to

- Tracing the flow of public resources for the provision of public goods or services from origin to destination.
- help to detect bottlenecks, inefficiencies and/or corruption in the transfer of public goods and resources ;
- Helps governments, citizens and CSOs ensure that allocated public resources effectively reach their intended beneficiaries;
- It can help identify and address problems

# Budget M & Tracking Instruments

- Key steps in implementing public expenditure tracking:
- Determine the scope and purpose of the tracking exercise;
- Identify partners and key stakeholders;
- Design the research/survey;
- Gather and analyze the data;
- Public dissemination of findings and advocacy;
- Explore possibilities for institutionalization,

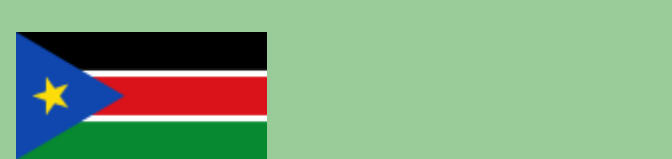
# Budget M & Tracking Instruments

- **Citizens' Report Cards**

- Citizens' Report Card is a methodology that more directly aims to get feed-back from users of public services;
- It is a survey that asks citizens to rate the providers (or provisions) of public services, such as health services, water providers, schools and municipal officials.
- The Citizens' Report Cards is an effective means of gauging client satisfaction of public services.

# Budget M & Tracking Instruments

- Generate citizen feedback on the degree of satisfaction by various public service agencies;
- Encourage citizens to adopt pro-active stances by demanding more accountability, accessibility and responsiveness from service providers;
- Serve as a diagnostic tool for service providers, external consultants and analysts/researchers to facilitate effective reform; and
- Encourage public agencies to adopt and promote citizen friendly practices, design performance standards and facilitate transparency in operations.

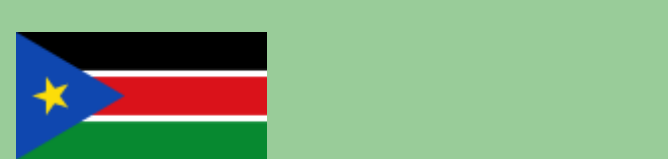


# Types of Budget and Financial Reports and Content

## Legal Basis

### PFMA- Act, stipulates that: (Article 32)

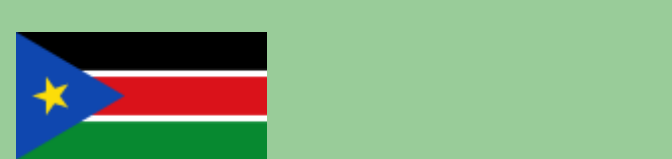
- The Ministry of Finance and Economic Planning has to produce an interim quarterly reports to the Assembly within 30 days of the stated period,
- All Ministries and other Spending Agencies have to make semi-annual and annual reports to the Assembly on the use of the public funds spent and outputs achieved.
- Preparing accounting information and data after being categorized and analyzed that enable expenditures or other socio-economic indices to be conducted.



# Types of Budget and Financial Reports and Content

## Budget Document

- The budget is the government's key policy document. It should be comprehensive, encompassing all government revenue and expenditure
- Includes a medium-term perspective illustrating how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year.
- Expenditures should be classified by administrative unit (e.g. ministry, agency) including economic and functional categories;
- Comparative information on actual revenue and expenditure during the past year and an updated forecast for the current year;
- The draft budget should be submitted to Parliament in advance to allow Parliament to review it properly;
- The budget should be approved by Parliament prior to the start of the fiscal year.

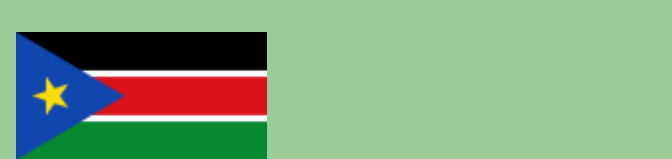


# Types of Budget and Financial Reports and Content

## Monthly reports

- Monthly reports show progress in implementing the budget. They should be released within four weeks of the end of each month.
- They should contain the amount of revenue and expenditure in each month and year-to-date.
- A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period. Any in-year adjustments to the original forecast should be shown separately.
- If a significant divergence between actual and forecast amounts occurs, an explanation should be made.
- Expenditures should be classified by major administrative units (e.g., ministry, agency).
- Supplementary information classifying expenditure by economic and functional categories should also be presented.
- The reports, or related documents, should also contain information on the government's borrowing activity;

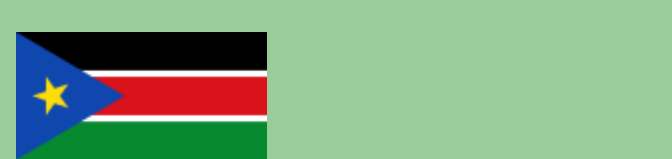




# Types of Budget and Financial Reports and Content

## Mid-year report

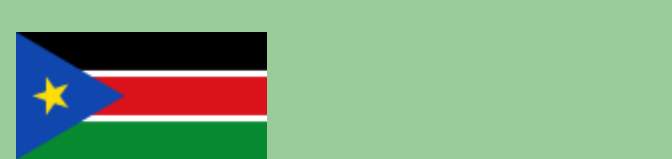
- The mid-year report provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years.
- The report should be released within six weeks of the end of the mid-year period.
- The economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed;
- The mid-year should contain a comprehensive discussion of the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities;



# Types of Budget and Financial Reports and Content

## Year-end reports

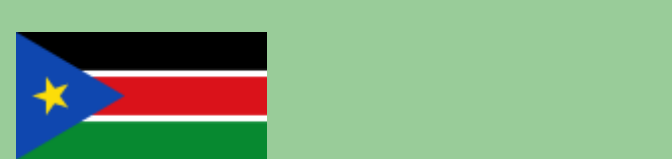
- The year-end report is the government's key accountability document;
- It should be audited by the Supreme Audit Institution, and be released within six months of the end of the fiscal year.
- The year-end report shows compliance with the level of revenue and expenditures authorized by Parliament in the budget.
- Any in-year adjustments to the original budget should be shown separately.
- The year-end report, or related documents, should include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable.
- Comparative information on the level of revenue and expenditure during the preceding year should also be provided. Similar comparative information should be shown for any non-financial performance data.
- Expenditure should be classified by administrative unit (e.g. ministry, agency) classifying expenditure by economic and functional categories should also be presented



# Internal Control Systems

## What are the PFMA Act Requirements?

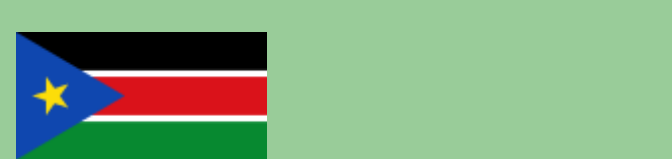
- Public Financial Management and Accountability Act, specifies that each Spending Agency or Public Enterprise or Public Corporation shall have an Internal Audit Unit headed by Internal Auditor
- the Accounting Officer of a Public Enterprise or Public Corporation has enter into an agreement with the Accounting Officer of the Spending Agency exercising such control with respect to the sharing of the services of a single Internal Audit Unit;
- The internal auditor has to report administratively to the Accounting Officer and functionally to the minister responsible for the Spending Agency.
- The Internal Audit is empowered to have unrestricted access to offices, persons, documents and records of their Spending Agency necessary for the conduct of internal audits.



# Internal Control Systems...

## What are the PFMA Act Requirements?

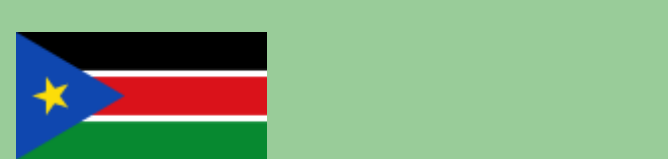
- The Director General of Internal Audit at the Ministry shall issue policies and procedures to guide the Internal Audit Unit in the planning, conducting and reporting on internal audits.
- Each Internal Audit Unit has to carry out an internal audit of its Spending Agency and submit reports on the internal audits it carries out to the Accounting Officer.
- The Accounting Officer of a Spending Agency is responsible for ensuring that recommendations contained in internal audit reports are implemented within a timeframe agreed with the Internal Audit Unit.
- No request for payments shall be approved without prior endorsement by the Internal Audit Unit.



# Internal Control Systems...

## Importance of Internal Control Systems

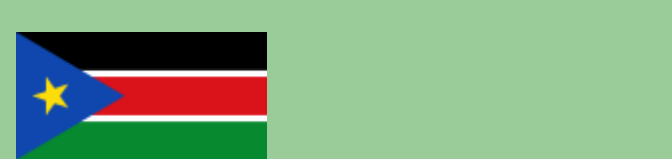
- Accounting Officers cannot be acquainted with every detail of the accounts for which they are responsible, so they must have systems in place to assist them;
- These systems are: internal control, internal audit and Audit Committees and risk management;
- Internal control is the whole system of controls, financial and others, established by management in order to carry on the business of the institution in an orderly and efficient manner;
- It helps to ensure adherence to management policies, safeguard the assets and secure, as far as possible, the completeness and accuracy of the records;
- Ensure the reliability and integrity of financial information;



# Internal Control Systems...

## Importance of Internal Control Systems...

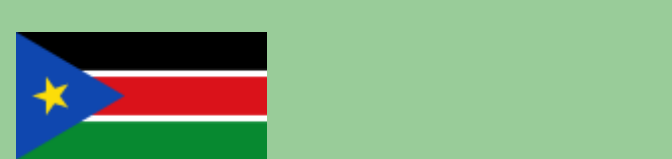
- Ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations.
- Ensure the institution is working in compliance with the appropriate laws and regulations;
- Provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations.
- Provide a mechanism for management to monitor the achievement of operational goals and objectives.



# Internal Control Systems...

## Framework for Internal Control

- **Control environment:** A sound control environment is created by management through communication, attitude and competence.
- **Risk Assessment:** This involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist.
- **Monitoring and Reviewing:** The system of internal control should be periodically reviewed by management.
- **Information and communication:** The availability of information and a clear and evident plan for communicating responsibilities and expectations is paramount to a good internal control system.
- **Control activities:** These are the activities that occur within an internal control system..

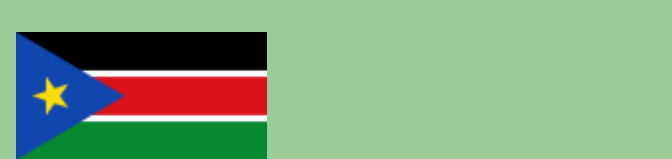


# Internal Control Systems...

## Internal Financial Control

- A system of delegation and accountability;
- Proper authority for the making of payments;
- Segregation of duties, particularly where the processing of transactions is involved;
- Careful selection of officers with responsibility for money, including ensuring that they have the skills commensurate with their responsibilities and that they are appropriately monitored.
- Documentary and physical controls to safeguard assets;
- Information and reporting arrangements to management;
- Documented financial policies and procedures, including ensuring that they are available throughout the Department;
- Systems to ensure budgetary control;
- Systems to review and evaluate controls (e.g. internal audit);

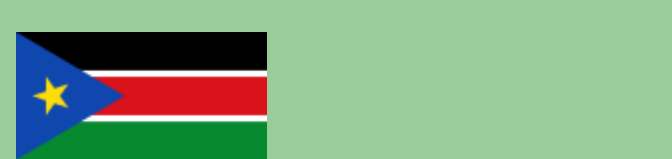




# Internal Control Systems...

## Internal Audit

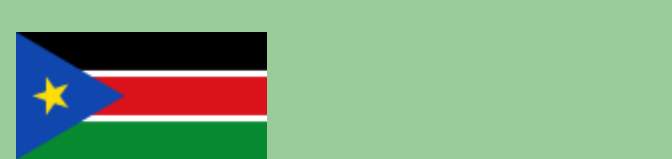
- Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization's operations.
- It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control, and governance processes
- provides a service to the Accounting Officer and to management generally in relation to the reliability and integrity of the systems underlying financial transactions and financial statements of the organization
- The scope of internal audit activity covers the whole network of the organization's systems.
- Review and appraise; the systems and procedures (financial and managerial) that are intended to control the operations.



# Internal Control Systems...

## Independence of the Internal Auditor

- Head of Internal Audit shall enjoy operational independence through the reporting structure by reporting administratively to the Accounting Officer and functionally to the Audit Committee;
- The internal auditor shall have unrestricted, direct and prompt access to all records;
- Respect the confidential nature of information relevant to reach an internal audit opinion
- All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope etc;
- Internal auditors shall have no direct operational responsibility;
- The head of internal audit shall be responsible for policy formulation and strategic direction of internal audit function;
- Accounting Officer shall ensure risk management strategies and controls that ensure fraud prevention mechanism



# Internal Control Systems...

## Implementation of Audit Recommendations

- The accounting officer of the concerned entity is responsible for the implementation of the recommendations
- Head of internal audit has to prepare a quarterly internal audit report;



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