

Public Financial Management

a whole system approach

Volume 2: Additional Material



About CIPFA

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance.

Our 14,000 members work throughout the public services, in public audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. CIPFA is a founder member of the International Federation of Accountants (IFAC).

As the world's only professional accountancy body to specialise in public services, CIPFA's portfolio of qualifications covers the essentials for a career in public finance. They include the gold standard professional qualification for public sector accountants as well as postgraduate certificates and diplomas for people already working in leadership positions.

Our in-house CIPFA Education and Training Centre delivers the full range of our programmes at locations across the world, and works with other places of learning to provide our courses locally.

We champion high performance across the public service, translating our experience and insight into clear advice and practical solutions. They include information and guidance, courses and conferences, property and asset management systems, consultancy and interim people for a range of public sector clients.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance. We work with donors, partner governments, accountancy bodies and the public sector around the world to advance good professional practice and enable better service delivery.

Contents

	FOREWORD.....	1
CHAPTER 1	PUBLIC FINANCIAL MANAGEMENT – A DEFINITION	3
CHAPTER 2	PFM PROCESS ARCHITECTURE – THE PROCESS DESCRIPTORS	5
CHAPTER 3	THE BUDGET SUB-SYSTEM.....	19
CHAPTER 4	THE ROLE OF PUBLIC FINANCIAL MANAGEMENT IN STRENGTHENING SERVICE DELIVERY	23
CHAPTER 5	THE ORGANISATIONAL ARCHITECTURE	25
ANNEX 1	GLOSSARY OF TERMS USED IN THIS REPORT	33

Foreword

This second volume contains an array of additional material in support of the Public Financial Management and PFM International Architecture – A Whole System Approach document. Chapter 2 provides an analysis of feedback from the consultation process in relation to the definition of PFM. Chapter 3 goes into more detail about the PFM process descriptors. Chapter 4 analyses the budget sub-system issues in greater depth. Chapter 5 goes on to focus on the role of PFM in strengthening service delivery. And finally chapter 6 supports the mapping of the organisational architecture with descriptions of key constituent organisations.

This volume should be read as a supporting companion to Volume 1: The Approach.

public financial management – a definition

Consultation feedback

- 1.1 In November 2009 CIPFA published an early draft of a paper on the Public Financial Management (PFM) Architecture. It invited comments, including on the proposed definition of PFM, which was based on a governance concept that linked PFM to the goals of the public sector. The consultation on definition attracted some detailed discussion and helpful suggestions.
- 1.2 In the light of all these comments, an amended wording of the definition has been adopted, to express the intended meaning more effectively:
- “Public Financial Management (PFM) is the system by which financial resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals.”***
- 1.3 CIPFA’s original proposal for a definition of PFM was:
- “Public financial management is the system by which the financial aspects of the public services’ business are directed, controlled and influenced, to support the delivery of the sector goals”.
- 1.4 Commentators generally supported the governance basis for the definition and the explicit connection between PFM and an outcome in the realisation of public sector objectives.
- 1.5 A number of detailed comments were received, that have influenced the definition finally adopted for this paper:
- The term ‘business’ could be confusing in this public service context, and would be better avoided, or clarified as activities, functions and processes.
 - The scope of the public sector, public bodies and public services can differ significantly between countries and more clarity about these terms would be useful.
 - Important concepts, such as monitoring, financial planning, fiscal management and accountability could be given more prominence. ‘Managed’ was suggested by one respondent as a better term than ‘controlled’ – but this would seem tautologous.
 - CIPFA’s PFM definition and architecture should apply to all public sector agencies, including government enterprises and non-budget entities, should be made more explicit, and be consistent with the approach taken by the International Public Sector Standards Board (IPSASB). Consistency with IPSASB definitions has now been clarified (footnote 1 of Volume 1), although the internal operations of commercial government enterprises are not within the scope of CIPFA’s PFM definition, which has been applied only to the public’s ownership stake.
 - The realisation of goals should be qualified by adding efficient and/or effective.
 - Three objectives for PFM were proposed: maintaining fiscal discipline; allocating resources strategically; and operational efficiency. The emphasis in CIPFA’s draft paper on public services could be seen as particularly understating the importance of fiscal discipline as an objective of PFM.
- 1.6 J Dendura described public finance as a system, of which public financial management is a sub-system, and suggested a PFM definition that focussed on the system workings of PFM, including the importance of informal rules: *“Public finance management is a term describing a set of sub-systems forming a coherent system linked together by flows of information and bounded by internal and external forces. That system reports performance, enables decision making and defines formal and informal rules by which the public service’s businesses are directed, controlled and influenced, to support the delivery of assigned goals.”* This useful description seems highly relevant to the concept of a PFM architecture.

- 1.7 The definition proposed in CIPFA's consultation was closely allied to a definition used by CIPFA in 2004, in its Financial Management Model for organisations, that itself was informed by corporate governance concepts.
- 'Public financial management is the system by which the financial aspects of an organisation's business are directed and controlled, to support the delivery of the organisation's goals.'*
- 1.8 Two respondents offered variations on the themes:
- 'PFM is the system by which resources are planned, directed and controlled in order to support the efficient delivery of a country's public sector goals.'* and
- 'FM is the system by which the resources of an organisation's business are directed and controlled to enable the organisation's goals.'*

The P in PFM

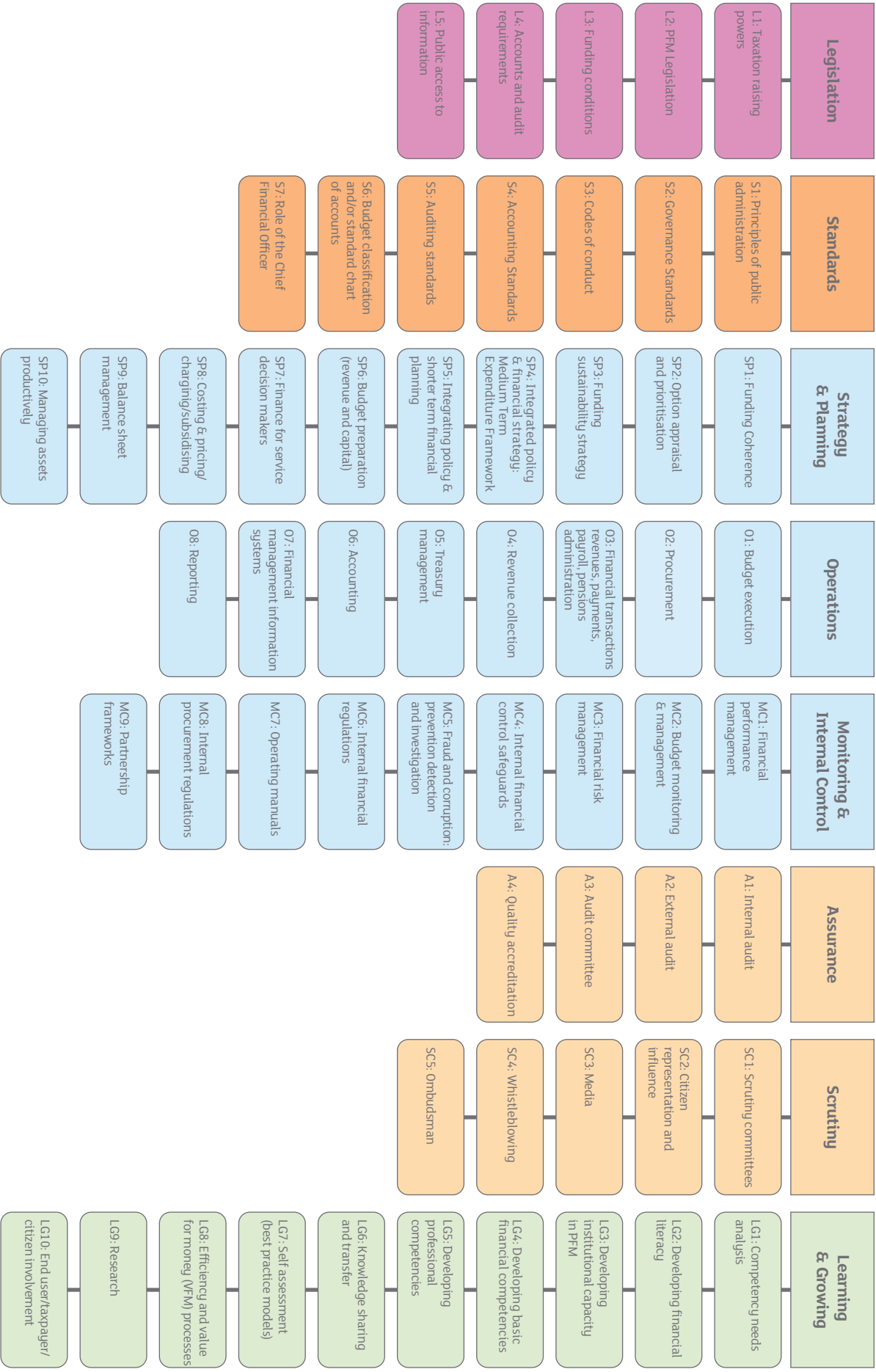
- 1.9 A number of commentators welcomed this section highlighting the distinctive features of financial management in the public sector, although some warned that the skills and contribution of the private sector in the PFM field should not be underestimated.
- 1.10 Several respondents commented on a perceived set of values, including openness and accountability, implicit in the section, which, alongside government legitimacy, should be addressed explicitly. There were differing views about whether an underlying democratic ideology was implied, and whether this was a limiting factor for the paper's relevance. One commentator felt the paper embodied an outdated and unhelpful post colonialist prescriptiveness.
- 1.11 The paper now accordingly explains the values underlying the approach outlined, based on the premise that public finances should be conducted in the public interest, with citizens having a legitimate stake in understanding how taxation and public finances have been used and managed. The approach asserts these values. It is not intended to be exclusive to developed, western, or democratic countries.
- 1.12 CIPFA is very grateful to all respondents to the consultation for their helpful observations, which have helped to refine the definition of PFM as well as influencing the wider ideas set out in this paper.

PFM process architecture – the process descriptors

- 2.1 CIPFA's Process Architecture provides an overview of a fully operational PFM system to assist analysis and explore connections. It aims to support PFM professionals in analysing, evaluating and designing system reforms and improvements.
- 2.2 The whole system of processes is described in progressive levels of detail:¹
 - **PFM Elements:** a grouping of PFM processes, each of which performs a different function in the overall PFM architecture.
 - **PFM Components:** the high level processes that actualise each element.
 - **PFM Descriptors:** a brief description of the individual processes and the role they play in the broader system.
- 2.3 The component processes that make up the PFM system, illustrated in the Elements and Components chart, are described overleaf.

¹ CIPFA's 2009 consultation showed broad consensus about the components of the model. However, the model does now reflect some detailed amendments suggested by commentators.

PFM Process Architecture: Elements and Components



Legislation

- 2.4 **L1 Taxation raising powers:** the national government's definition of the powers to raise taxation to fund public expenditure. The taxes available to each level of administration may differ, for example between national, regional or local government. There may also be a variety of taxation sources available, e.g. assigned or hypothecated taxation revenues, or a mixture, such as property taxes, sales taxes, tourism taxes, vehicle registration charges. The powers to levy local taxes may also be limited by national or regional government.
- 2.5 **L2 PFM legislation:** the powers and limits of operation granted by statute, including over budgets, charging and spending. This may also include requirements to adopt practices that are to be set out in standards.
- 2.6 **L3 Funding conditions:** the terms on which funds may be received and applied, whether external aid or, within a country, specific subsidy. These are binding in that spending that falls outside these terms is liable to be repaid.
- 2.7 **L4 Accounts and audit requirements:** the government's prescription of essential elements of accounting and auditing in the public sector – for example, the duty to maintain a system of internal control and internal audit, to maintain accounting records, and the content, approval and publication of the accounts, the rights of the public in relation to the accounts and the external auditor's report. Regulations may also prescribe the individual duties of statutory posts and the professional standards to be adhered to.
- 2.8 **L5 Public access to information:** requirements that define public rights to access information held by public sector organisations. Such rights and protocols support openness, accountability and equity. Information about high level budgets, outturn, financial statements and major contracts lay the foundation for civil scrutiny. Other areas of administrative law may also have a particular bearing on PFM.

Standards

- 2.9 **S1 Principles of public administration:** principles that set out the standards expected of public officials help to underpin the effectiveness of organisations and will also bear on their financial management. Principles may relate to behaviour (e.g. integrity, objectivity, openness, honesty, leadership by example), to management practice and accountability, or to the professionalism and pay of the civil service itself. In some countries such principles are set out through legislation
- 2.10 **S2 Governance standards:** good governance in the public service requires a focus on the organisation's purposes and its intended social outcomes. It also carries an obligation to be accountable to citizens, taxpayers and service users and to make best use of resources and ensure value for money. Financial management is therefore a core corporate discipline, that should be reflected in an overall corporate governance framework that covers all the entity's activities (financial and non-financial). Aspects specifically relevant to PFM are the duty of public service leaders to determine the allocation of resources, to manage resource use and performance objectives, to maintain a system of controls, to assess and manage risk, to uphold high standards of behaviour, to take informed and transparent decisions which are subject to scrutiny, to develop capacity and capability across the organisation and to engage with stakeholders to ensure public accountability.
- 2.11 **S3 Codes of conduct:** within the general principles of public life there are likely to be specific codes governing the conduct of elected office holders, public sector employees and qualified professionals.

- 2.12 **S4 Accounting standards:** accounting standards help to ensure consistency and comparability, and improve the reliability of financial information for its national and international users. The International Public Sector Accounting Standards Board (IPSASB) promulgates accounting standards for the public sector. Its goals are “to serve the public interest by developing high quality accounting standards for use by the public sector entities around the world in the preparation of general purpose financial statements. This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management.”² Standards may be set at the national level. They can sometimes be geared towards the private sector and may need to be translated for the public service context. It is widely recognised that implementing sophisticated standards, such as the International Financial Reporting Standard, can be very difficult for many developing countries and the appropriate path is much debated.
- 2.13 **S5 Auditing standards:** Audit bodies such as INTOSAI issue specific topic standards. Standards for auditors are likely to cover the following general issues:
- Auditors’ competence and training, professionalism, including exercising due care, understanding the business of the entity that they audit, being objective and independent.
 - Field work: planning and managing audits, use of risk assessment techniques, evidence gathering, documentation and quality assurance.
 - Reporting: content required to report on, (e.g. external audit must report on financial statements and legal compliance); to whom they report, whether there are special circumstances, such as a report in the public interest.
- 2.14 **S6 Budget classification and/or standard chart of accounts:** standardisation of the principal headings under which expenditure and income is grouped helps to aggregate, analyse and exchange financial information in a meaningful way. A chart of accounts will typically show allocations to spending unit, function, economic activity and programme and may also allow some locally defined detail. Classifying budgets and expenditure is a foundation for collecting and publishing information about the public sector and for enabling accountability and public discourse. Use of a uniform structure at sub-national level will be necessary to produce consolidated government accounts.
- 2.15 **S7 Role of the Chief Financial Officer (CFO):** the CFO is the term used for the organisation’s most senior executive role charged with leading and directing financial strategy and operations. This role and its responsibilities should be set out through employment terms. There are common insights into how that role can be made most effective. Codification can help to enable a shared understanding of the role and create the conditions for organisational effectiveness and accountability. The CFO should have a relevant qualification, exercise a professional duty of care and adhere to a code of ethics. The CFO’s activities are likely to include formulating a financial strategy that underpins the organisation’s goals and enables its financial health in the short, medium and long term, acting as financial advisor and technical expert for the organisation and responsibility for financial administration. It is also desirable for the CFO to participate in the development and leadership of the organisation’s strategic purposes, as a member of its senior management. CIPFA has issued a principles based Statement highlighting the following features³.

The CFO in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions, to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s overall financial strategy;
- must lead the promotion and delivery by the whole organisation of good financial management, so that public money is safeguarded at all times, and used appropriately, economically, efficiently and effectively.

2 International Public Sector Accounting Standards Board (IPSASB) operating under the auspices of the International Federation of Accountants – Overview of role <http://www.ipsasb.org>. IPSASB “focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those who work in the public sector or rely on its work.” (IPSASB website) (IPSASB) “focuses on the accounting and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those who work in the public sector or rely on its work.” (IPSASB website)

3 CIPFA: The Role of the Chief Financial Officer in Public Service Organisations 2009

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

Leadership in financial management in addition to technical competencies is a key feature.

Strategy and Planning

- 2.16 **SP1 Funding coherence:** the credibility of the budget is underpinned by secure flows of funds from the organisation controlling the source of funds. This applies where governments are allocating resources and for countries receiving donor aid. Funding transfers ought to be predictable as to amount and timing, and the calculation of allocations should be rational and explicable. Vertical allocation, e.g. to sub-national agencies, is likely to be policy led, and horizontal allocation, for example, amongst local government bodies, should be principles based, following objective criteria or formulae. The amount that is ring fenced to specific purposes, or provided off-budget should be limited, in order not to distort the spending body's own priorities, although different tolerances may apply to major infrastructure projects. Where funding comes from a combination of sources there should be co-ordination between the different funders.
- 2.17 **SP2 Option appraisal and prioritisation:** the relative merits of spending on recurrent or investment options should be appraised in a structured way, comparing their benefits, costs and rates of return over the whole life of the project, using appropriate techniques.⁴ Comparative rates of return are relevant to decisions about public versus private investment generally, not only for comparison between individual projects. Prioritisation, based on a sound analysis of costs and benefits, is essential for securing value for money, for allocating resources efficiently and for establishing a realistic project budget that can be managed effectively.
- 2.18 **SP3 Funding sustainability strategy:** medium and long term resource planning should be informed by a forward projection of liabilities and the capacity to meet them from projected revenue sources. The aim should be to develop a sustainable funding strategy that supports future expenditure and liabilities, including those that may be outside the balance sheet, such as private finance initiative commitments or pensions liabilities. The strategy will need to consider issues such as solvency, variation in the tax base, inter-generational equity, and stability of taxation levels⁵. The projections should also take account of risk assessment and sensitivity testing, e.g. risks to future grant levels, or to taxation dependent on levels of economic activity.
- 2.19 **SP4 Integrating policy and financial strategy: the Medium Term Expenditure Framework (MTEF)** brings together fiscal targets and strategic policy priorities in a transparent and accountable planning process for three or more years ahead. Its core purpose is to create a coherent expenditure framework that links forward and recurrent expenditures into an agreed financial aggregate⁶ and enables policy plans to be reconciled with available resources and affordability. A highly developed process will also be based on horizon scanning, so that it takes account of external forces that will shape future plans, such as new legislation, demographic change affecting service demand, and social or technology change. It would integrate policy planning and performance with financial planning, and recurrent budgets with project budgets. Policy plans should be grounded in a review of past and existing expenditure and income patterns, with projections of future spending, and be supported by realistic funding forecasts and strategies. Where relevant, it should include external donor aid so that these objectives are integrated into budgets and are monitored consistently with other plans. Risk analysis and scenario testing can help to deal with the unavoidable uncertainty of forward projections and risk management techniques are likely to be required for economic and fiscal risks that can destabilise the MTEF realisation. The MTEF's value as a planning and accountability document is enhanced if future funding is predictable, but it can be hard to sustain at times of economic or other turbulence in the planning environment. The MTEF is a strategic tool for governments, but lower tier public service organisations should also develop a proportionate medium term financial strategy that integrates and trades off service priorities and affordability within a corporate planning process.⁷

⁴ See, for example, guidance by IFAC's Professional Accountants in Business Committee, Project Appraisal using Discounted Cash Flow June 2008

⁵ These categories are indebted to Schick, Sustainable Budget Policy – Concepts and Approaches, OECD Journal on Budgeting 2006

⁶ J Dendura 2010

⁷ See also World Bank - What is MTEF? <http://siteresources.worldbank.org/PSGLP/Resources/MTEFprocess.pdf>

- 2.20 **SP5 Integrating policy and shorter term financial planning:** the processes that apply to medium term strategy also apply to shorter term planning, resolving the allocation of resources in the light of competing policy priorities, spending pressures, savings opportunities, risk assessment and funding proposals. Medium term commitments implied by annual plans should form part of forward projections.
- 2.21 **SP6 Budget preparation (revenue and capital):** budget documents are the financial expression of service plans and they set the limits of expenditure authorisations for managers. Externally, annual plans should explain transparently the economic assumptions, e.g. inflation, and how the organisation is allocating resources between different services and programmes. Presentation should include summary budgets compared with the previous year's actual expenditure, current year and the next year's plans and explain major changes. Budgets should show functional expenditure gross with income detailed separately and should also identify the funding plan, detailing the source of funds. Budgets should be legal, realistic and based on robust assumptions and calculations, so that they are realistic targets for spending managers, and to minimise disruptive in-year adjustments. They should be comprehensive, with minimal off-budget expenditure, so that they form part of the overall fiscal policy framework and are subject to the same disciplines of monitoring and reporting. Funders are aware that budget predictability benefits service planning. Detailed service budgets should explain allocations to individual services and be the basis for managers to operate throughout the year, with managers clear about the budget rules and the scope of their authority to spend. Individual spending units should have an opportunity to input to budget preparation, to strengthen credibility, and should be notified of their budget allocations before the year begins, so that they can plan their commitments and fulfil their policy goals.
- 2.22 **SP7 Finance for service decision makers:** financial information needs to support the needs of policy makers, planners and service managers, not just the financial experts. Managers need information based on calculating and interpreting cost drivers and trends, extrapolating forecasts, unit costs, variances and sensitivities. They need the skills to understand the financial implications of potential decisions so that they can manage risks, deliver value for money, make use of opportunities and take action to stay on budget. Management accounting helps managers to prioritise investment and is especially relevant in devolved environments.
- 2.23 **SP8 Costing and pricing/charging/subsidising:** understanding the unit costs of activities and projects enables organisations to allocate resources more efficiently and to forecast the impact of demand variation. Finance professionals need to be competent to select and use appropriate costing techniques and to analyse and interpret costs, so that they can advise managers. Organisations should also consider when services will be free or subsidised and when charges will recover service costs or will even generate a profit that can cross subsidise other activities or client groups. The design of charges and income collection processes should be efficient, and arrears actively pursued.
- 2.24 **SP9 Balance sheet management:** information on assets, cash, debt, contingent liabilities and planned capital expenditure is necessary to ensure long term fiscal sustainability. A structured approach to managing balance sheet asset and liabilities helps to ensure that resources are being used effectively, both financially and operationally, that the future impact of changes in assets and liabilities is considered, and that appropriate governance arrangements are in place to demonstrate stewardship in the use of public sector assets. The balance sheet also shows the quality of financial standing and the capacity for investment.
- 2.25 **SP10 Managing fixed assets productively:** public sector bodies are often extremely large property owners, so they have a responsibility for ensuring that assets are fit for their public purpose and are adequately maintained. Holding assets, whether property, IT or equipment, ties up cash and incurs running costs. So assets need to be managed, examining how they drive future costs, their importance for business continuity, their maintenance and replacement planning, their utilisation and opportunities for greater productivity, rationalisation and disposal.

Operations

- 2.26 **O1 Budget execution:** delivering the budget as planned, against service analysis as well as aggregate totals, supports realisation of policy goals, while resource control underpins credibility. This relies on processes to track commitments and manage resources without overspending, which can destabilise other spending plans. The quality of expenditure is also important, and managers should try to achieve value for money, avoiding unnecessary spending, ensuring they buy at good prices, and manage staffing budgets carefully.

- 2.27 **O2 Procurement:** the process of acquiring goods, construction works and services. It is concerned with obtaining the best services, supplies and works to meet the needs of the purchasing organisation at a price it is prepared to pay. It therefore involves understanding service needs, understanding the market and applying sound processes and complying with relevant legislation. Procurement spans the whole cycle from identification of needs, commissioning, specifying, tendering, letting and then managing a contract through to contract end or the end of an asset's useful life and its disposal. Although it is a full topic on its own, ensuring strong procurement arrangements is also integral to PFM:
- Appraising and selecting appropriate procurement strategies, considering their resource implications (e.g. whether to do something in-house or to buy in goods, whether to lease or purchase, whether to use Public Private Partnerships).
 - Ensuring probity and propriety in spending money on goods and services through establishing and monitoring transparent authorisation and contract procedures, and maintaining records, guarding against loss, fraud and corruption.
 - Ensuring value for money, for example, through competition and contestability, accessing wide markets, supply chain management, supplier relationships and market management/development.
 - Ensuring value for money during the life of a contract through effective contract management and performance monitoring, and through opportunities for improved methods during long life contracts.
 - Ensuring efficiency through contracting arrangements, e.g. using framework and consortium contracts and exploiting economies of scale by aggregating purchasing power and market influence. Off contract purchasing should be minimised.
 - Ensuring efficient and low cost financial administration and transactions for example by automated purchase to pay processes, or electronic tendering, where feasible.
 - Ensuring that the public sector captures the value of assets that are disposed of.
- 2.28 Good procurement can be enabled by governance arrangements, such as a Procurement Board, that address procurement policy, coordinate a strategic approach to purchasing decisions, issue guidance to potential suppliers and to purchasers within the organisation, and promotes competencies, good practice and improvement plans. Obtaining good value through effective procurement means that there will be more money left for other purchasing, and allowing entities to retain savings for use on other priorities can be an effective incentive.
- 2.29 **O3 Financial transactions:** revenues, payments, payroll and pensions administration are specialised key financial processes each requiring management through performance indicators that measure unit costs, trends, accuracy and timeliness. Because of the volumes of transactions and the sums involved internal controls should be tight and are likely to be audited annually.
- 2.30 **O4 Revenue collection:** spending plans can depend on effective revenue collection. The assessment basis for taxation and other sources of revenue should be based on clear general rules, and the amount, time and manner of payments should be clearly set out. The registration, assessment, and payment processes should be efficient, so that high collection rates can be achieved and the cost of collection is proportionate to the yield. This will be backed by public information programmes, processes to pursue arrears promptly and controls that incentivise compliance, such as penalties and investigations.
- 2.31 **O5 Treasury management** - debt and long term capital financing, investments, cash management: the sums involved, and the long term financial implications, mean that risk management, internal controls and regulatory arrangements need to be strong, and agreed at very senior executive level. Information on long term debt commitments (or their equivalent e.g. private finance liabilities) is necessary for prudential planning, to ensure that policies remain affordable. Complex or innovative funding arrangements will require specialist advice that may well not exist inside individual organisations. Specialist treasury management policies and practices must focus on securing a return compatible with the security of the capital sum. Reliable cash flow forecasts will help to plan debt and treasury activity and to ensure that budgets are not unexpectedly adjusted during the year. Debt and investment activity will be supervised by national government bodies, and they will also play a part in the provision of capital and cash management facilities in the public sector.

- 2.32 **O6 Accounting:** records expenditure and income (or receipts and payments in countries not yet using accrual systems) by type of expenditure and by activity, comparing actual records against budgeted allocations. It also includes measuring and recording the value of assets and liabilities. Accurate, timely and reliable financial information is required to understand and calculate costs, analyse trends and support decision making and financial control. Accounting information is also necessary to plan realistically how resources are allocated to policies, programmes and services, to assess relative value for money and to give an account of expenditure and income to citizens and other stakeholders.
- 2.33 **O7 Financial management information systems (FMIS):** usually refers to computerized budgeting, accounting and payment operations, though the hallmarks of a good system apply equally to non IT applications. Systems output should be accurate, reliable and timely, and present information that is relevant and meets the straightforward needs of users, with little additional manipulation. IT systems need to be documented, well maintained, and users need to be trained.
- 2.34 **O8 Reporting:** reporting and publishing budget and accounts information clearly and objectively, in a variety of forms suitable for different audiences (whether citizens, government or donors) is a primary accountability function. Accountability generally should be a lever to make better use of resources. In relation to annual financial accounts it can be reinforced by public rights to inspect items of account, to lodge objections with auditors, and by publication of external audit reports. As well as reporting annual financial results in the statement of accounts and annual report, organisations will also compile in-year summary information as part of their accountability to government and other funders, enabling aggregate fiscal risks to be monitored. Informative reporting that can be used by citizen groups and the media as a lever to reform can be especially significant in the developing world where public information may be hard to access and interpret.

Monitoring and Internal Control

- 2.35 **MC1 Financial performance management:** budget management is directed to financial flows but also to monitoring that the expected performance from using resources is being measured and achieved.
- 2.36 **MC2 Budget monitoring and management:** spending units should receive reliable in-year budget reports in a timely way. Monitoring should aim for 'no surprises'. It should be forward looking, focussed on large or important items and track lead operational indicators as well as time lagged financial records. Budget reports should be timely and should explain clearly to decision makers the financial position and consequent options, so that corrective action can be taken in good time if necessary. Budget management during the year should enable outturn expenditure to match original budgets, in order to reflect original policy plans. Lessons learned from monitoring (as well as audit) should be absorbed and disseminated for future use in subsequent budget cycles.
- 2.37 **MC3 Financial risk management:** applies general risk management processes in the PFM context both to strategic financial planning and to operational activity. This implies a logical and systematic method of establishing the context, identifying, analysing, evaluating, treating and monitoring the financial risks associated with any activity, function or process in a way that will enable an organisation to minimise losses and maximise opportunities. Where supported by analysis and an understanding of the likelihood of consequences, trading off impact and probability, it helps to determine the acceptable level of risk (risk appetite) and how it can be economically managed. Risk can be accepted or mitigated but is unlikely to be eliminated. In the aid context fiduciary risk assessment, trading off risk and reward, is an important discipline. For countries it is also necessary to monitor the fiscal risk that can result from the actions of sub- or supra-national organisations.
- 2.38 **MC4 Internal financial control safeguards:** internal financial control safeguards are control systems established by management to help ensure that an organisation achieves its objectives in a manner that promotes economical, efficient and effective use of resources and safeguards its assets and interests. These controls should be risk proportionate. They include ensuring legal compliance, physical security of assets, and procedures such as accounting and bank reconciliations, clearance of suspense accounts, separation of duties, audit trails and regular checks that help to prevent problems, identify if things go wrong and prompt early action.

- 2.39 **MC5 Fraud and corruption prevention, detection and investigation:** prevention, investigation and detection are important aspects of the stewardship of public resources, whether fraud and/or corruption are suspected within an organisation or are being practised upon an organisation. Investigation requires somewhat different skills and techniques from an audit investigation, for example in understanding the legal and ethical framework, securing evidence, interviewing and preparing prosecution. National and international (for example EU) institutions can play a significant role in addressing money laundering, and in coordinating anti-fraud data matching, together with its legal frameworks and protocols.
- 2.40 **MC6 Internal financial regulations:** the framework, internal to an organisation, for managing its financial arrangements. Regulations set out the delegations, authorisations, responsibilities, freedoms and disciplines applicable to all those who take action on the organisation's behalf. That includes line managers who take decisions with financial implications, not just finance staff, so they should be well understood and promoted throughout the organisation. Breaches of regulations may result in disciplinary action. Regulations should cover principal financial activities, such as budgeting and committing expenditure, in-year monitoring, the duty to consider financial implications and take appropriate advice, year end carry forward and virement tolerances, accounting, treasury management, payroll, payments and income controls, bad debt and write off authorisations, treatment of grants and external funding, safeguarding of assets, work for outside bodies, authority to enter into financial partnerships and audit's access to records, information and staff.
- 2.41 **MC7 Operating manuals:** internal systems and processes should be documented to record and guide proper operations, to help establish internal control safeguards and as a reference for staff and auditors in their day to day work. Well documented procedures help to stop drifts that can jeopardise internal controls, and are an important part of business continuity when staff change.
- 2.42 **MC8 Internal procurement regulations:** in parallel with financial regulations these set out for each organisation the required processes for purchasing goods and services and letting contracts, and for disposing of inventories and assets including authorisations and financial limits, to ensure legal compliance, openness and competition, propriety and probity.
- 2.43 **MC9 Partnership frameworks:** organisations often need to establish formal relationships with others in order to achieve their goals. While this will often be through formal contractual arrangements, partnership agreements can offer an alternative way of binding bodies in shared objectives. Partnership agreements will usefully cover the shared aims and objectives, powers, success criteria, strategic risks, decision making, performance management, review and accountability arrangements, funding arrangements and means of controlling finances, and arrangements in the event of dissolution.

Assurance

- 2.44 **A1 Internal audit:** is an assurance function that provides an independent and objective opinion to the organisation on risk management, control and governance, by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources, focussing on areas of relatively greater risk. It provides assurance to management and other stakeholders, to prompt cost effective improvements that reduce risk. Auditors can advise management but, as an independent assurance function, internal audit should not be involved in developing or maintaining policies that it later reviews. Thus pre-audit activity can impact on audit independence. In some instances (namely post-Soviet environments) the distinction between inspection and internal audit is blurred: the EU view is that this is determined by the internal auditor, avoiding the assumption of any managerial accountability⁸, but this sits uneasily with the Anglo-Saxon perspective that internal audit is a tool of top management.
- 2.45 **A2 External audit:** a review carried out by an independent qualified person of the reliability and regularity of an organisation's financial arrangements, by analytical review, systems evaluation, compliance and substantive testing. In particular the external auditor gives an opinion on an organisation's financial statements. An unqualified opinion gives assurance that they are prepared in accordance with legal requirements and a recognised reporting framework and 'present fairly' the financial position. This is therefore an important buttress to accountability and can help to build confidence in the organisation's financial management, while recommendations should lead to improvements in how business is conducted and create pressure for stronger PFM. External auditors can also carry out thematic reviews, examining efficiency, economy and effectiveness or performance reviews, for example on major change or infrastructure programmes.

⁸ Robert de Koning, 2007 PIfC Public Internal Financial Control, Belgium

- 2.46 **A3 Audit committee:** an audit committee is a key component of corporate governance particularly in developed countries. It is a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance. Its purpose, as defined by CIPFA⁹, is: 'to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.' Its functions include oversight of internal audit's activity and effectiveness, of risk management arrangements and the control environment, review of the financial accounts and any external reporting on them. It should promote the significance of audit, seeking assurance that issues arising from internal or external audit reports are being addressed. To be fully effective it should be able to challenge the executive, with a membership that is balanced, objective, independent of mind, and knowledgeable.
- 2.47 **A4 Quality accreditation:** an independent assurance of the quality of processes or services which results in the award of a formal rating or accreditation. Such reviews may be carried out by service inspectorates, organisations awarding beacon status, or recognised quality assurance standards such as those of the European Quality Foundation. Such assurance mechanisms require a formalised methodology for assessing and validating the activity under review, and an oversight body that underwrites the quality of accreditation.

Scrutiny

- 2.48 **SC1 Scrutiny committees:** committees that scrutinise aspects of PFM can exist at parliamentary level, such as the legislative scrutiny of the budget law, or Public Accounts Committee scrutiny of external audit reports. Scrutiny committees can also exist at local level. They are a formal way of overseeing budget execution, reviewing performance and pushing for both allocative and operational efficiency. They may also include anti corruption agencies. Scrutiny bodies examine evidence, seek ideas and make recommendations to executive management across financial or service activities. They are part of the wider checks and balances in the PFM system, and help to create a demand for accountability: *"A decade of research has concluded that, unless there is strong demand for accountability, most PFM reforms are unlikely to be sustained in the long run"*.¹⁰
- 2.49 **SC2 Citizen representation and influence:** civil society organisations can be influential in generating pressure for reform and in holding executive authority to account, as being a stimulus to improvements in financial management and decision making. Examples in relation to budgets include advocacy and influence on the allocation of resources, creating a demand for budget information and tracking the quality of implementation¹¹. Parliament as a whole is intended to represent citizens but other bodies can help to give a voice to a variety of interests.
- 2.50 **SC3 Media:** together with legislatures and citizens, the media help to create an environment of accountability and a demand for information that scrutinises whether policies are being achieved, and can act as a stimulus to improvements. Their role, as well as that of civil society more generally, extends well beyond PFM.
- 2.51 **SC4 Whistleblowing:** processes that enable individuals or groups to draw formal attention to unacceptable or high risk practices may be particularly significant where the executive performs poorly and other controls and balances in the system are weak.

⁹ CIPFA - Audit Committee Principles www.cipfa.org.uk/panels/audit/download/audit_committee_principles_in_local_government.doc

¹⁰ Report on the Use of Country Systems in Public Financial Management July 2008 P26 Joint Venture of Public Financial Management Working Party on Aid Effectiveness

¹¹ International Budget Project, Linking budget analysis with aid advocacy: how civil society groups can monitor donor budget support, Lucy Hayes (EURODAD) and Albert Van Zyl (IBP) February 2008 <http://www.internationalbudget.org/resources/briefs/eng1.pdf>

- 2.52 **SC5 Ombudsman:** an official, usually appointed by the government or by parliament, who is charged with representing the interests of members of the public. The ombudsman considers and independently investigates complaints by citizens who believe they have received unfair, improper, or unreasonable treatment from government departments or agencies. He or she gives an impartial judgement and can make recommendations for a mediated settlement. The ombudsman may also publish lessons learned or investigate service issues that affect large numbers of people. Making a complaint to an ombudsman is usually free of charge.

Learning and Growing

- 2.53 **LG1 Competency needs analysis:** analysis of the skills and knowledge required to meet an organisation's needs lays the foundation for designing training programmes. The analysis should cover the finance skills of non-financial and devolved managers as well as finance staff, and the leadership, communication and influencing skills of finance experts as well as their technical competence.
- 2.54 **LG2 Developing financial literacy:** many spending decisions are taken by managers who do not have a financial qualification. Senior managers in leadership positions need to understand, and give weight to, the financial consequences of policy decisions and to direct the financial health of their organisations. Service managers also need the capabilities to influence the realism of budgets, manage resources within organisational freedoms and disciplines, and know when to seek advice.
- 2.55 **LG3 Developing institutional capacity in PFM:** developing PFM capacity goes beyond individual skills. PFM recognition, routines and expected behaviours may take time to become fully established and embedded within organisations. Understanding and applying concepts, and confidence in dealing with financial issues are relevant for organisations, including Parliament and its officials, as well as for those specifically charged with PFM oversight and scrutiny.
- 2.56 **LG4 Developing basic financial competencies:** organisations need staff who are competent to carry out basic financial processes and transactions, such as making and recording receipts and payments. Staff need to understand how, and why, to carry out such tasks to the required quality. At a more advanced level, staff with technician competencies can be key to maintaining reliable budgeting, accounting and reporting procedures. Technician level competency can be accredited through examination and also well established relevant experience, and once acquired should be regularly updated. Professional skills can be acquired at different levels, depending on the match to a competency needs analysis, and organisations will need a mix of skills.
- 2.57 **LG5 Developing professional competencies:** individuals qualified to full professional status should have the skills and motivation to analyse, interpret and advise on financial data. Their skills are relevant to the design of financial management systems and to leadership in their implementation. Professionally qualified staff can apply appropriate techniques across the public sector, but can also take local responsibility for strengthening PFM where they are based, enabling good practice to become embedded and self sustaining. Professional accountancy qualifications can be seen as having two stages:
- **Initial professional development and qualification:** the initial development of skills, knowledge and expertise that has been tested by examination and must be continuously developed in a structured and monitored context. Qualified individuals should adhere to professional values of accuracy, honesty, integrity, objectivity, transparency and reliability. They will be subject to oversight by a professional body that exercises disciplinary powers.¹²
 - **Continuous professional development (CPD):** CPD refers to a structured process to broaden skills and keep up to date with professional developments and emerging themes, maintaining and enhancing competencies over time, and meeting the needs of a modern organisation in a changing world. CPD therefore benefits both the individual and their employer.¹³ It embraces technical expertise, as well as the leadership, change management, communication and influencing skills that finance staff need to be effective.

¹² From CIPFA's 'Role of the Finance Director' 2009

¹³ For example, CIPFA's Statement of Expertise describes many of the professional skills required to operate effectively, including leadership and strategic management, strategic and operational financial management, financial and performance reporting, governance, ethics and values, audit and accountability, partnerships and stakeholder relations, change, risk and project management, and procurement and contract management. <http://www.cipfa.org.uk/members/expertise.cfm>

- 2.58 **LG6 Knowledge sharing and transfer:** informal systems for sharing knowledge and experience can increase relevance and practicality, reduce the time taken to learn, avoid repeating lessons learned the hard way through mistakes and avoid repeated buying in of expertise:
- **Peer improvement networks:** the principle of mutuality underlies networking where peers can share success stories, experience and learning, as an accelerated and self directed route to improvement. Peers understand the environment and challenges they each face and can bring a practical appreciation of issues that is directly relevant, recognising that ‘a successful reform program must consider the country’s current circumstances and capacities’.¹⁴
 - **Communities of practice:** allow practitioners to exchange information and experience, and contribute to a collective knowledge base in a loosely structured fashion, often through the internet.
 - **Resources and support:** there are many practical ways in which capacity development is supported, such as writing or sharing materials and manuals, study visits, critical friend observation and feedback, coaching and mentoring.
 - **Planned transfer of expertise:** where expertise or specialised knowledge needs to be bought in contracts can make specific provision for knowledge transfer, for example by using local systems, local co-workers and ensuring that intellectual property is created and retained by the public sector organisation or published.
- 2.59 **LG7 Self assessment (best practice models):** structured models are a tool for improvement, that use a recognised assessment process to enable the organisation to test itself against best practice, to identify areas of strength and opportunities for improvement, and, over time, to measure progress. By demonstrating a commitment to continuous improvement the adoption of such processes also hopes to gain a reputational advantage with stakeholders or funders. Models may address a particular area of business, such as the PEFA assessment, or CIPFA’s Financial Management Model, or take a more holistic view, such as the European Quality Foundation.
- 2.60 **LG8 Efficiency and value for money (VFM) processes:**
- **Evaluation:** an objective evaluation process using planned criteria, or post implementation review, can support pilot initiatives, can test the effectiveness of implementation, and can provide a platform for dialogue about what works well and what doesn’t, to guide future policy. Its lessons can be fed into future capacity building plans or can inform future activity.
 - **Benchmarking:** comparison of costs and activities with other organisations, both the peer group and the best in field, helps to identify scope for improvement. Learning from the practices used by sector leaders accelerates improvement and cost reduction. Organisations need to avoid being defensive about their performance: in the private sector watching the competition is seen as mission critical.
 - **Process review:** an approach that maps the stages in an activity from beginning to end, to analyse the value added by each stage in the process. The aim is to redesign the process to remove redundant or low value steps, focussing on meeting the needs of the customer, to improve user satisfaction and to look for opportunities to reduce transaction costs, for example, by reducing duplication, manual handling and automation.
- 2.61 **LG9 Research:** systematic investigation and evaluation of evidence in order to extend the intellectual capital available and to enhance the effectiveness of current and future practice.

¹⁴ Report on the Use of Country Systems in Public Financial Management July 2008 P24 Joint Venture of Public Financial Management Working Party on Aid Effectiveness. This chapter draws attention to PEMPAL – the Public Expenditure Management Peer Assisted Learning initiative in the Europe and Central Asia Region, and to the Collaborative African Budget Reform Initiative (CABRI).

- 2.62 **LG10 End user/taxpayer/citizen involvement:** the involvement of citizens and service users in public sector financial matters can take a variety of forms, from information (e.g. what services has the budget been spent on), to consultation (what are the citizen's preferences between services or on the trade-off between taxation and charging), to active engagement, for example, through participatory budgeting. Active involvement can improve the quality of decision making so that resources are targeted more effectively and with better chances of lasting support and impact. It also has wider relevance. A joint CIPFA/DFID technical briefing notes: *"As well as giving disadvantaged populations a voice and promoting the interests of marginalised sections of society, participatory budgeting promotes a more democratic and transparent administration of resources and can assist in avoiding corruption and the mishandling of public funds. It encourages public investment towards society's most pressing needs for the benefit of the greatest number of people."*¹⁵ A strong aim of the multi-country Civil Society Budget Initiative, that supports community based budget monitoring, is budgeting that is 'pro poor'.

¹⁵ Department for International Development and CIPFA, Gender and Participatory Budgeting, a Joint Technical Briefing December 2004

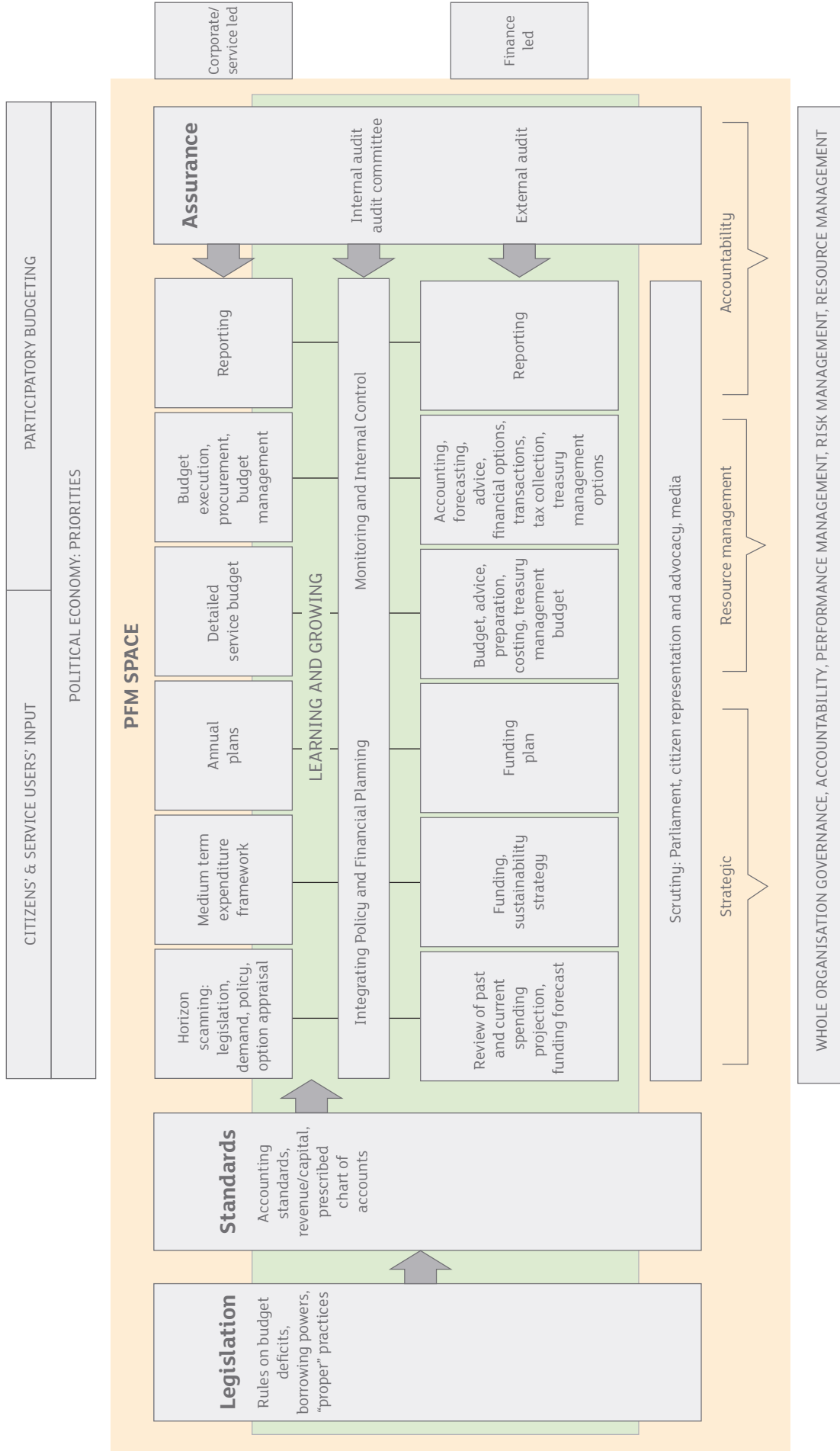
the budget sub-system

The budget cycle

- 3.1 The budget cycle is often seen as the heart of PFM. As an account of the mechanisms “*by which [countries] receive funds, allocate them and record their use*”¹⁶, the budget cycle assumes a central place in the workings of the PFM architecture.
- 3.2 A standard chart of the budget cycle traces resources through the key stages of social and economic policy, macroeconomic strategy and medium term financial planning, budget preparation, execution, accounting and monitoring, reporting and auditing. This is expressed mainly in terms of the steps undertaken by finance specialists. The strength of this traditional depiction is the close focus on the task in hand for finance leaders. It gives practitioners a clear and self contained map to their year’s activities, stressing the processes that they will manage directly.
- 3.3 CIPFA’s picture of the budget cycle, in the schematic shown on page 21, offers an ‘enriched’ version of the budget cycle, applying the wider PFM process architecture that CIPFA is proposing. This is a chart for the designer of the PFM system, rather than for the budget preparer. The broader picture also invites donors to consider where intervention may need to be strengthened to produce the best outcome for budget delivery. It starts from the proposition that the budget is a **financial plan for service and policy delivery**, and considers the people and processes that are implicated in that result.
- 3.4 The schematic echoes the themes of CIPFA’s Whole System Analysis, by locating PFM budget processes in their social, cultural and organisational context, and by drawing links to relevant features of whole organisation governance, such as accountability, resource management and risk management. This approach formally recognises the influence of external stakeholders in shaping the budget. These can include civil society organisations, bringing a particular viewpoint such as gender or poverty budgeting, lobbyists for sectoral business interests and taxpayer consultation, each of which tries to steer the allocation of resources. Advocates for service users may also help to shape the detail of policies to achieve greater effectiveness.
- 3.5 Within the ‘PFM space’ the key budget elements and processes are identified. Whereas the ‘narrow’ budget cycle picture focuses on the principal financial processes from the perspective of the finance practitioner who prepares the budget, the CIPFA model is more broadly based. Thus it includes the legislative and regulatory framework, where rules on budget deficits, on the powers to raise funds, on financial reporting and auditing, are laid out, as well as the budgetary powers of sub-national bodies. It also includes the standard requirements for budget preparation, many set out in the PEFA framework, such as the chart of accounts, and compliance with international and national accounting standards. The whole system picture also includes the processes that enable the budget to be scrutinised, by parliament, other civil organisations and the media.

- 3.6 The budget is also a **framework for control**. It identifies the planned allocation of resources to services (e.g. education or highways) and to subdivisions of service, and to types of expenditure (e.g. employment costs or transport). Budgets are also set within a framework of delegation. Each budget heading should have a named manager accountable for living within the budget and for monitoring and managing variances that occur during the year. Understanding of variances helps to inform realistic budgets for the following year. Reporting on budgetary performance, by managers and by audit, is also a means of accountability.
- 3.7 The CIPFA picture distinguishes the processes that are largely led by the finance function – such as preparation of a funding plan, and those that are determined with the active involvement of the policy planners and service leaders.
- 3.8 Given the objectives of policy and service delivery, the collaboration between finance specialists and the managers who deliver policies and spending plans, and who must live within their budgets, is particularly important. CIPFA's approach invites discussion about the balance between top down and bottom up budgeting. CIPFA would argue that dialogue is necessary for budgets to be realistically deliverable, and so that budget managers can be held accountable. Unrealistic budgets create incentives to obscure accountability, such as miscoding expenditure to areas where a budget does exist or continuous virements that conceal budget variations.
- 3.9 Differentiating these different roles and players opens up issues for capacity development that are not always so visible in the standard model of a finance led budget cycle. For example it raises questions about:
- the competencies of finance staff in analysing, interpreting and presenting financial information in order to advise service managers;
 - the competencies of budget holders to understand and control their costs;
 - the skills required for effective budget scrutiny, at Parliamentary, community or other levels;
 - the methods for improving participants' knowledge and skills.
- 3.10 These complement the concerns of development partners about the path for developing stronger systems and organisations, such as a platform approach.
- 3.11 There are many styles of budgeting. Some, like gender budgeting and participatory budgeting, attempt to give a louder voice to groups whose interests may traditionally receive insufficient profile, and to act as counterweight to the dominance of 'professionals' in budget preparation. There are technical variations, such as programme budgeting, that attempts to show clear linkages between inputs and planned outputs. The relationship between resources and measurable outputs encourages the integration of non-financial measures, and this approach can be imaginatively extended to broad concerns like carbon emissions. There is also a debate between 'annual budgets' linked to taxation decisions, and 'rolling budgets', that are continuously updated, as a basis for up to date decision making that adjusts to current circumstances.
- 3.12 Budgets also reflect various forms of sub-national devolution, which can range from provincial level to pots of money allocated to small communities for local priorities. The PFM process architecture is therefore operationalised through the organisational architecture, where the budget is a mechanism for putting resources into the hands of those charged with delivering policy and services at any level of government. The efficiency of budget transmission is therefore a key concern of aid partners.

The Budget Process



the role of public financial management in strengthening service delivery

- 4.1 The effectiveness of PFM reforms in producing measurable improvements in service delivery is a major challenge. This paper considers this challenge through the lens of a proposed whole system approach to PFM.
- 4.2 An important point to make is that finance staff do not have control of some of the most significant budgets and do not have responsibility for delivering services. Therefore initiatives that focus principally on upskilling finance staff will be successful only if these skills are directed to supporting managers who do deliver services. Designing PFM reform from this angle starts with the outcome - more effective services - and works backwards through the process chain, focussing on the processes that add most value to the outcome. Effective financial management helps service providers because it puts money in their hands more efficiently and helps them use it to best effect. In turn this benefits service users and taxpayers.
- 4.3 This approach highlights a set of PFM issues that exercise some leverage over service delivery, such as the following:
- Integrating financial and policy planning – so that resources are directed to priorities for services that benefit users and citizens. Bringing financial considerations together with strategic planning and operational design is fundamental to allocative efficiency, financial risk management and to resourcing priorities. In a way that is not sustainable in a commercial organisation, in the public sector financial experts can be seen as a drag on decision making rather than a stabilising force that enhances the probability of effective realisation. If financial management is seen as being about compliance and control, managers will not seek advice or support. They may even actively try to avoid finance staff involvement. But if financial management is part of policy design it can provide relevant information about accurate costing, financial implications, risk management and efficient implementation.
 - Budget monitoring and financial performance management as a tool of budget management, enabling corrective action to be taken if programmes depart from the expected spending profile or do not deliver planned outcomes, so that available resources can be reallocated where they will be used to maximum effect.
 - Designing financial procedures that strike a balance between financial discipline and flexibility, and do not contain perverse incentives such as wasteful spending of unused budgets at the year end.
 - Bidding for external resources to support priorities, but planning for exit strategies if resources are not to be sustained.
 - Expertise for finance professionals in finance for decision making, such as scheme appraisal, assessing financial implications of policy, interpreting cost information and advising managers of options.
 - Training and development that pays attention to the particular challenges of managing in the public sector, where resources are limited, but demand for services less so.
 - Building capacity for finance professionals and service managers to work together on improving value for money and efficiency, so that money will stretch further.
 - Training and development that increases the financial literacy of service managers.
 - Professionalising finance staff so that they understand and can exercise leadership in financial management, will involve themselves actively and influentially in developing and implementing strategies to achieve the legitimate aims of their organisation, and will take responsibility for developing effective financial practices.

- Excellence in income collection because it increases the funds available for services and ensures fairness.
- Prevention and control of corruption, fraud and loss because they cause leakage of funds away from service provision and bar the public from basic services.
- Development of future funding strategies to support the sustainability of services at levels acceptable to the government, to taxpayers and funders.
- Support for scrutiny processes because they create pressure for money to be demonstrably well spent.
- Focussing attention on the blockages that prevent financial management being effective. For example, improvement planning could:
 - strengthen individual financial processes, for example by training in budget forecasting;
 - analyse the separate activities that contribute to the desired outcome and focussing on the ones where change will have the biggest impact on overall effectiveness;
 - examine how improvements can be better embedded by linked initiatives, such as training or, more informally, communities of practice.
- Creating complementary programmes that are not directly concerned with financial management but may be blocking reform, such as civil service pay and political legitimacy.

4.4 The PFM processes highlighted above are action oriented and future facing. This is not to say that other PFM activities, such as setting accounting standards for measuring, recording and reporting, are unimportant – just that they should not be expected to impact service outcomes in the most direct or speedy way. Similarly the benefits of audit are in the confidence they give to the public and other funders to continue contributing their money, the pressure their independent reports create for improved practice, and in the lessons learned and acted upon. Essential as these factors are, they are indirect approaches to improving the impact of financial management on service delivery.

4.5 Focussing directly on the contribution of PFM to service delivery therefore highlights processes that support decision makers and operational service managers, that may not always have had a high profile in PFM improvement programmes, such as:

- Integrated financial and policy/service planning.
- Development for decision makers in how to use financial information in their decision making, when to seek expert advice, how to manage financial risks and how to improve their use of resources.
- Finance leaders in central government championing such skills at sub-national as well as at national level, so that PFM understanding is close to the point of devolved decision making.
- Involving senior leaders in PFM capacity initiatives, or its impact will be limited.
- Managing grant dependency.
- Financial literacy for service managers.
- Public service demand management.
- Budget forecasting for budget managers.
- Finance staff equipped with skills to interpret financial information, with sufficient standing to offer advice to decision makers and managers.

4.6 Examination of the system aspects of service delivery therefore suggests that Governments could direct PFM reform more systematically at the elements that exercise greatest leverage on service outcomes and public benefit, and donors should support them.

the organisational architecture

- 5.1 The organisational framework represents the structure of agencies and organisations that are directly involved in funding and executing public sector expenditure, and in promulgating, operating, developing and overseeing PFM standards and practices. These organisations constitute a powerful resource for development partners, that they need to mobilise in order to achieve public sector goals.
- 5.2 CIPFA proposes some organising principles for this collection of organisations, and an approach to their mapping. The aim is to help development partners – governments, donors and their advisers - to understand, use and enhance the functionality of the PFM architecture, by providing a simple overview. It aims to offer those who operate and oversee the PFM framework an entry point to analyse its strengths and possible gaps and identify priorities to improve its effectiveness.
- 5.3 The paragraphs that follow identify some of the key actors in the PFM field. They are ordered by different levels of organisation: international, regional, national; and by types, based around their broad function: international sponsors, who inject resources into the public sector and oversee practices; finance professional bodies providing expertise and leadership on standards, practice and evaluation in branches of PFM; PFM executive bodies and scrutiny institutions, including central government; and organisations devoted to training and capacity development.

International sponsors

World Bank

- 5.4 The Bank provides finance and advice to developing countries for the purposes of economic development and eliminating poverty, through a family of five international organisations: International Bank for Reconstruction and Development (IBRD); International Development Association (IDA); International Finance Corporation (IFC); Multilateral Investment Guarantee Agency (MIGA); International Centre for Settlement of Investment Disputes (ICSID). The World Bank Institute (WBI) is the capacity development arm of the World Bank, and helps countries share and apply global and local knowledge to meet development challenges. WBI builds capacity for development by providing learning programmes and policy advice on economic management, financial and private sector development and governance.

International Monetary Fund

- 5.5 The International Monetary Fund (IMF) was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment. It has a PFM Division within the Fiscal Affairs Department.

Donors

- 5.6 Individual countries and groupings such as the European Union maintain programmes of assistance that express their own governmental priorities. Within broad aims such as the Millennium Development Goals they may focus on defined regions or substantive priorities, for example, water and sanitation or supporting small businesses, and they may be involved in multilateral programmes. Regional emphases may reflect historical cultural ties. Countries may differ in the balance they strike between relief and tackling the causes of poverty and their commitment to building global partnerships for those working on development.

OECD-DAC (Development Assistance Committee)

5.7 The Paris Declaration (2005) asserted that a robust public financial management (PFM) system is vital to the effectiveness of aid funds. Following the Declaration, the OECD-DAC worked, to help partners and donors alike fulfil their commitments and to share PFM knowledge among donors and partner countries, through a Joint Venture on Public Financial Management. A PFM Task Force has subsequently been established to support the Working Party on Aid Effectiveness. The OECD itself supports member governments (mainly high income countries) to foster prosperity and fight poverty through economic growth and financial stability, with technical information and advice. It has partnerships with a number of non-member countries.

Others

5.8 Other bodies with global reach may mobilise funds from sources different to those of the government subscribed organisations described above. They may also complement regionally based donor institutions, such as multilateral development banks (MDBs) or the European Commission (EC). The United Nations organisations, and bodies such as international charities and emergency relief organisations, have targeted or self selected objectives. These may be general, such as the relief of poverty; sectoral, for example focussing on children, health or refugees; or may relate to more specific activities such as providing medical assistance. These bodies form part of the organisational architecture because they inject very large amounts of funding, and in countries where governments are seen as having weak capacity to implement assistance effectively, they may be the chosen conduit for action. They are therefore part of the landscape in addressing donor coordination.

Global bodies

- 5.9 A number of umbrella organisations have been set up at global level by finance professionals to promote specific topics, to disseminate knowledge and to uphold the professional standards and status of their dispersed membership. The formulation of common standards and practices is the most notable function since this supports a baseline of understanding and accountability, of particular relevance to institutions, businesses and processes that operate across national boundaries. Much of this activity is driven by organisations rooted in the private sector.
- 5.10 By definition, the development community operates internationally. It has also come together to develop some public financial management tools to facilitate understanding, reduce duplication and ease the compliance burden for countries. Some major groupings are noted here, but there are also specific initiatives that address individual PFM themes such as budgeting.

The Chartered Institute of Public Finance and Accountancy (CIPFA)

5.11 CIPFA is one of the leading professional accountancy organisations in the UK and the only major specialist in the world devoted to excellence in public sector governance and financial management. It is responsible for the education and training of professional accountants and for their regulation through setting and monitoring professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for local government, a significant part of the economy. CIPFA also undertakes training for public sector practitioners, supports improvement networks and continuous professional development through publications and events, and advises on public finance issues in the UK and internationally. CIPFA is a founding member of IFAC, has an increasing portfolio of advisory positions in international fora and works in partnership and collaboration on improving public financial management globally.

International Federation of Accountants (IFAC)

- 5.12 IFAC is the global organisation for the accountancy profession. IFAC develops international standards on ethics, auditing and assurance, education, and public sector accounting standards. It also issues guidance to support professional accountants in business, small and medium practices, and developing nations. A membership of 159 members and associates in 124 countries represents 2.5 million accountants employed in public practice, industry and commerce, government and academia.
- 5.13 There are four standards setting Boards designated by, and operating independently under the auspices of, the International Federation of Accountants (IFAC):

- The International Accounting Education Standards Board (IAESB).
- The International Auditing and Assurance Standards Board (IAASB).
- The International Ethics Standards Board for Accountants (IESBA).
- The International Public Sector Accounting Standards Board (IPSASB).

- 5.14 The International Public Sector Accounting Standards Board (IPSASB) seeks to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. This is intended to enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management. In pursuit of this objective, the IPSASB supports the adoption of international public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate. The Professional Accountants in Business (PAIB) Committee also provides resources and facilitates the exchange of knowledge and best practices. In support of public sector activities its membership obligations include a requirement for IFAC professional accountancy organisation members to promote, incorporate, and assist in implementing International Public Sector Accounting Standards (IPSAS).
- 5.15 The Developing Nations Committee (DNC) supports the development of the accountancy profession and capacity building worldwide and provides input to international standard setters to make them aware and give due consideration to issues relevant to the profession in developing nations. IFAC recognises a number of Acknowledged Accountancy Bodies and Recognised Regional Organisations.

Public Expenditure and Financial Accountability Initiative (PEFA)

- 5.16 PEFA was developed to provide a shared pool of information on PFM that can facilitate dialogue on reform priorities among domestic and external stakeholders. It was established in 2001 as a multi-donor partnership committed to a set of core values linked to a Strengthened Approach to Supporting PFM Reform. Its objectives are formulated in a manner that: encourages country ownership; reduces the transaction costs to countries; enhances donor harmonisation; allows monitoring of progress of country PFM performance over time; addresses developmental and fiduciary concerns; facilitates improved impact of reforms.
- 5.17 PEFA supports the PEFA Framework, officially known as the PFM Performance Measurement Framework, which seeks to provide an integrated and harmonised approach for measuring and monitoring PFM performance progress, while also helping focus support on country-led PFM reform programmes. The Framework covers the full budget cycle. PEFA partners are: the World Bank, the European Commission, the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs and the International Monetary Fund.

International Organisation of Supreme Audit Institutions (INTOSAI)

- 5.18 INTOSAI operates as an umbrella organisation for the government external audit community. INTOSAI provides an institutionalised framework for supreme audit institutions (SAIs) to promote development and transfer of audit knowledge, improve government auditing worldwide and to enhance the professional capacities, standing and influence of member SAIs in their respective countries. It has special consultative status with the Economic and Social Council of the United Nations. INTOSAI's four goals are Professional Standards; Capacity Building; Knowledge Sharing and being a Model International Organisation. As part of its Capacity Building function, INTOSAI seeks to develop partnerships with international development organisations, and sponsors the INTOSAI Development Initiative (IDI) that aims to develop institutional capacity of SAIs on a needs based, collaborative and sustainable basis. INTOSAI also issues the International Standards of SAIs (ISSAI). INTOSAI has 189 full members and three associated members.

Other

- 5.19 Other bodies perform a range of important functions in the PFM architecture. They may focus on a topic, such as the International Budget Project; or function, such as the scrutiny interest of Transparency International and the Commonwealth Secretariat and the involvement of commercial banks as part of the technical infrastructure of cash management in the public sector. There are also close relationships with other professional bodies working in the same territory, such as project management, change management and procurement.

Regional bodies

Multilateral Development Banks (MDBs)

5.20 In addition to the funding organisations established under the aegis of the World Bank, a number of Multilateral Development Banks are regionally based, with shareholders drawn from the region and from partner countries. Their purpose is to promote economic and social development through loans, very long term loans (credits) at below market interest rates, equity investment and technical assistance, sometimes grant aided. The term Multilateral Development Bank typically refers to the four Regional Development Banks: the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank Group (IDB). Other Multilateral Financial Institutions lend to developing countries, amongst them the European Investment Bank (EIB), the Islamic Development Bank (ISDB), the OPEC Fund for International Development, the International Fund for Agricultural Development (IFAD), the Arab Fund for Economic and Social Development (AFESD) and the Nordic Development Fund. Other sub-regional development finance institutions include the East and West African Development Banks, the Caribbean Development Bank (Caribank) and the Central American Bank for Economic Integration (CABEI).

Regional Organisations and Accountancy Groupings

- 5.21 The accountancy profession has established a strong network at both regional and country level. Regional bodies include the umbrella organisations for recognised national associations of accounting professionals. Their purpose is to support professional advancement and continuous development, to exchange technical information and best practice and undertake research, and to establish a medium for closer relations, regional cooperation, and mutual assistance among members. These organisations do not have a distinctively public finance focus, and do not themselves confer accountancy qualifications.
- 5.22 The various organisations are charted in the section on regional mapping, but they include a large number of bodies such as the Confederation of Asian and Pacific Accountants (CAPA), the South Asian Federation of Accountants (SAFA), the Fédération des Experts Comptables Européens (FEE), the Federation of Mediterranean Certified Accountants, the Fédération Internationale des Experts Comptables Francophones, the Arab Society of Certified Accountants, the Eastern Central and Southern African Federation of Accountants (ECSAFA), the Association of Accountancy Bodies in West Africa (ABWA), Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO), Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- 5.23 This is not an exhaustive list: it is given here in some detail to illustrate that there is a considerable array of organisations. Their place in the PFM system is, however, dependent on the nature and quality of their contribution to financial management specifically in the public service arena.
- 5.24 More particular to government practice are the associations of Accountants General and practice leaders, whose purpose is to develop professional practice through training, research, technical cooperation and the exchange of ideas, to develop and promote accounting standards in Government, adapted to the requirements of member countries, and to oversee the quality of implementation. Examples include the Association of Government Accounts Organisations of Asia (AGAOA), and the Federation of Accountants-General and Auditors-General of West Africa (FAAGWA). The Eastern and South African Association of Accountants General (ESAAG) is a cooperative effort between Accountants General, which seeks to strengthen and integrate the government accounting profession, support improvement of democratic processes through transparency and accountability, and assist each other in improving government accounting systems in order to produce financial statements to international standards.

Supreme Audit Institutions Regional Working Groups

- 5.25 Supreme Audit Institutions (SAIs) are also well represented in regional bodies. There are seven Regional Working Groups gathered under INTOSAI, that provide training to improve the quality and performance of government auditors, promoting the exchange of information and cooperation among member institutions, and bringing together a membership from different countries. These are Asia (ASOSAI), which, for example, has 43 SAI members, EUROSAI, AFROSAI (with three language-based sub-groups), ARABOSAI, CAROSAI (Latin America and Caribbean), ECOSAI and ASOSAI (Middle East and North Africa). SAIs may also be buttressed by regional organisations aimed at strengthening the institutions such as the Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l’Afrique Francophone Subsaharienne (CREFIAF) and the Southern African Institute of Government Auditors (SAIGA).
- 5.26 Other groupings, such as the European Group of Auditors Oversight Bodies and the Association des Institutions Supérieures de Contrôle ayant en Commun l’Usage du Français oversee the quality of auditing bodies in the economy at large, through the approval and registration of statutory auditors and audit firms; adoption of standards on ethics, internal quality control of audit firms and auditing; and continuous education, quality assurance and investigative and disciplinary systems. These impact indirectly on public sector financial management through endorsement of international standards of auditing.
- 5.27 Regional assurance bodies may also be established for specific functions, such as the European Court of Auditors’ assurance role in relation to the regularity and quality of the European Community’s financial conduct, or the European Anti-Fraud Office (OLAF).

Internal audit

- 5.28 The Institute of Internal Auditors has members throughout the world who participate through their local chapters.
- 5.29 Four regional bodies at present have formal agreements of cooperation with the IIA:
- The Asian Confederation of Institutes of Internal Auditors (ACIIA).
 - The European Confederation of Institutes of Internal Auditing (ECIIA).
 - Federación Latinoamericana de Auditores Internos (FLAI).
 - Union Francophone de l’Audit Interne (UFAI).

Learning associations

- 5.30 OECD-DAC recognises initiatives to promote south-south learning as one of the tools to reflect on and spread good practice. Their significance to broader PFM success will be very much dependent on the quality and capacity of individual groups. Below are some of the better known examples.

Collaborative Africa Budget Reform Initiative (CABRI)

- 5.31 CABRI is a pan-African network of senior budget officials in ministries of finance and/or planning. Its aim is to contribute towards the efficacy of public finance management in Africa. CABRI was officially launched in collaboration with the AfDB in 2008.

Public Expenditure Management Peer Assisted Learning network (PEMPAL)

- 5.32 PEMPAL has created a network of public expenditure management professionals in various governments in the Europe and Central Asia (ECA) region. These professionals can benchmark their PEM systems against one another and pursue opportunities for ‘peer’ learning, as a means to enhance knowledge transfer.

Training providers

- 5.33 Most training providers in the field of PFM are thought to be single-country based. However, international firms offer consultancy and training at all levels. There are also some regional providers, for example, the Eastern and Southern African Management Institute (ESAMI), a pan-African Regional Management Development Centre; and the Institute of Development Management (IDM), a partnership of the public sector, private organisations and industry in Botswana, Lesotho and Swaziland.

National bodies

Central government

5.34 Central government plays a leadership role in PFM, as a legislature, setting the legal framework for PFM, and as scrutineer, both by full Parliament and through parliamentary scrutiny committees such as a Public Accounts Committee. Central government's operational PFM functions are generally led by the Ministry of Finance.

Ministry of Finance

5.35 The functions of the Ministry of Finance have been described as four business lines:

- Macroeconomic coordination and policy.
- Budget formulation.
- Budget execution (including treasury, accounting policy, maintaining the public accounts, debt and cash management).
- Revenue policy and management.

5.36 Accompanying responsibilities may include financial sector regulation, standard setting, aid management, government personnel management, procurement, oversight of state owned enterprises, government internal audit and regional economic cooperation. Because of their oversight role they may also be the champions of PFM in their countries across the whole public sector. In some countries some of these functions may be exercised by other central government departments, such as the Ministry of Planning in relation to capital projects.

Central bank

5.37 A central bank is the entity responsible for the monetary policy of a country or of a group of member states. It is a bank that can lend to other banks in times of need. Its primary responsibility is to maintain the stability of the national currency and money supply, but more active duties include controlling subsidised-loan interest rates, and acting as a lender of last resort to the banking sector during times of financial crisis. It may also have supervisory powers, to ensure that banks and other financial institutions do not behave recklessly or fraudulently.

5.38 Functions of a central bank (not all functions are carried out by all banks) may include:

- Implementing monetary policy.
- Controlling the nation's money supply.
- The Government's banker and the bankers' bank ("lender of last resort").
- Managing the country's foreign exchange and gold reserves and the Government's stock register.
- Regulating and supervising the banking industry.
- Setting the official interest rate – used to manage both inflation and the country's exchange rate – and ensuring that this rate takes effect via a variety of policy mechanisms.

5.39 It is arguable that these functions are not directly related to financial management of public sector resources and that central banks should not form part of the Organisational PFM Architecture defined in this paper. They are included here because of their relevance to national budgeting and funding strategies. Their absence from the list would itself prompt question and their presence here allows room for that debate.

Professional Accountancy Organisations

- 5.40 Organisations equipped to support the professionalisation of finance specialists are those that perform the functions of awarding qualifications by examination, requiring continuous professional development and maintaining a code of ethics and discipline. Other functions include interpreting and maintaining uniform standards of accounting, enabling and supporting accountability. There is a very large number of country based accountancy organisations. The primary, if not sole, focus of most of these bodies is the private sector and in many there is little if any public sector expertise, although IFAC has sought to expand the profession to include the public sector and to provide guidance to accomplish this successfully, including publishing a toolkit on 'Establishing and Developing a Professional Body'. The South African Institute for Public Finance and Auditing (IPFA) is the only public sector specialist 'professional' institute outside the UK, and is being assisted by CIPFA to progress towards IFAC membership.
- 5.41 It is sometimes argued that accounting is a universal discipline and that the distinction between public sector and commercial accountancy is immaterial. This misses a very important point. Financial accounting in both sectors does share many concepts and practices. But accounting and public financial management are not at all the same. As the PFM Process model described earlier in this paper shows, accounting, reporting and providing assurance on financial statements are only a small part of PFM. Other PFM functions like resource management, poverty sensitive charging mechanisms and anti fraud controls are distinctive contributions to good quality affordable public services.

Internal audit: Institute of Internal Auditors (IIA)

- 5.42 The Institute of Internal Auditors is an IFAC Affiliate and has its headquarters in the USA. It issues International Standards for the Professional Practice of Internal Auditors, which are designed primarily for the private sector but are used in the public sector. It has 160,000 members in their country chapters.

Local training providers

- 5.43 There are a very large number of training providers, with some specialising in finance training although few have real centres of excellence or expertise in PFM. Universities and similar bodies play a significant role, many offering training and related services, including consultancy, to the public sector.

Supreme Audit Institutions (SAIs)

- 5.44 SAIs carry out the external audit of public sector bodies and are one of the key links in the formal system of financial accountability in most countries. The strengthening of partner country SAIs is therefore often seen as a lever for improvements to the effectiveness of PFM systems as a whole.

Sub-national bodies

- 5.45 Further down the organisational hierarchy the complexity and variety of the landscape increases greatly and generalisation becomes more problematic. Organisations funded by the public purse in order to provide public services can take a number of shapes, such as elected bodies with their own taxation and borrowing powers, including federal states or provinces. They may have different ranges of responsibilities, for example, whether they cover secondary education or health facilities, whether they are multi purpose or single service providers, whether they have general powers of competence or are more narrowly governed. There may be a number of tiers of sub-national authorities. They may take different legal forms, such as corporations or local governments. They may also be deconcentrated arms of the national administration. In the case of publicly owned commercial enterprises, their internal operations are not within the scope of this paper, although the public needs still to be satisfied that its ownership stake is being well managed.

glossary of terms used in this report

AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
ABWA	Association of Accountancy Bodies in West Africa
ACAG	Australasian Council of Auditor Generals
ACIIA	Asian Confederation of Institutes of Internal Auditors
AFAANZ	Accounting and Finance Association of Australia and New Zealand
ADB	Asian Development Bank
AfDB	African Development Bank
AFESD	Arab Fund for Economic and social Development
AFROSAI (-E)	African Organisation of Supreme Audit Institutions (English speaking)
AGA	Accountable Grant Agreement
AGAOA	Association of government Accounts Organisations of Asia
AISCCUF	Association of SAI's using French language (Associate member of INTOSAI)
ARADO	Arab Administration Development Organisation
ARABOSAI	INTOSAI working group for Arabian region
ASOSAI	INTOSAI working group for Asian region
CABEI	Central American Bank for Economic Integration
CABRI	Collaborative Africa budget Reform Initiative
CAFRAD	African Training and Research Centre in Administration for Development
CAPA	Confederation of Asian and Pacific Accountants
Caribank	Caribbean Development Bank
CAROSAI	INTOSAI working group for Latin America and Caribbean region
CIPFA	Chartered Institute of Public Finance and Accountancy
CREFIAP	Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l'Afrique Francophone Subsaharienne
DAC	Development Assistance Committee
DFID	Department for International Development (UK)
EBRD	European Bank of Reconstruction and Development

EC	European Community
ECA	Europe and Central Asia
ECIIA	European Confederation of Institutes of Internal Auditing
ECOSAI	Economic Cooperation Organisation Supreme Audit Institutions, currently comprises SAIs of Azerbaijan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, Turkey and Uzbekistan.
ECSAFA	Eastern Central and Southern African Federation of Accountants
EFISUR/EFISUL	Latin American Organisation of Auditor Generals
EIB	European Investment Bank
ESAAG	Eastern and South African Association of Accountants General
ESAMI	Eastern and Southern African Management Institute
FAAGWA	Federation of Accountants-General and Auditors-General of West Africa
FIGE	La Federation des Inspecteurs Generals de l'Etat
FECECOP	Central American Federation of Public Accountants
FEE	Federation of European Accountants
FIDEF	International Federation of Francophone Accountants (IFAC recognised)
FLAI	Federación Latinoamericana de Auditores Internos
GCCAAO	Gulf Cooperation Council Accounting and Auditing Organisation
IIA	Institute of Internal Auditors
IAASB	International Auditing and Assurance Board
IAESB	International Accounting Education Standards Board
ICAC	Institute of Chartered Accountants of the Caribbean
ICAEC	Institute of Chartered Accountants of the Eastern Caribbean
IDB	Inter-American Development Bank Group
IDM	Institute of Development Management
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS (B)	International Public Sector Accounting Standards (Board)
ISA	International Standards on Auditing
ISDB	Islamic Development Bank

MEFMI	Macroeconomic and Financial management Institute of Eastern and Southern Africa
MDBs	Multilateral Development Banks
OCCEFS	Central American and Caribbean Organisation of SAIs
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development: Development Assistance Committee (DAC); Centre for Tax Policy and Administration (CTPA); Senior Budget Officials Network (SBO).
OLAF	European Anti-Fraud Office
PAIB	Professional Accountants in Business
PASAI	Pacific Organisation of Supreme Audit Institutions (INTOSAI Working Group)
PEFA	Public Expenditure Financial Accountability
PEMPAL	Public Expenditure Management Peer Assisted Learning network
PFM	Public Financial Management
PIFC	Public Internal Financial Control
SAFA	South Asian Federation of Accountants
SAI	Supreme Audit Institution
SAIGA	Southern African Institute of Government Auditors
SCDI	Staff Capacity Development Initiative
UFAI	Union Francophone de l'Audit Interne
UK	United Kingdom
WSA	Whole System Approach



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