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C&AG ON STATEMENT ISSUED BY THE WORLD BANK

C&AG Lynn Pamment has commented on an article issued by The World Bank in relation to public financial management systems.

“The World Bank has issued an article on the action Governments need to consider in ensuring that their public financial management systems are best placed to support COVID-19 responses.

“Whilst it is in many ways aimed at developing countries, it does include a good checklist of areas that all Governments should be considering to ensure that public financial management systems are responsive and flexible whilst ensuring value for money and minimising fraud and corruption. I attach a link to the article below.”

<https://blogs.worldbank.org/governance/getting-government-financial-management-systems-covid-19-ready>

The key points to consider are:

- 1. Funding COVID response should be quick and clear.** A reallocation of existing resources may be necessary. Ministries of Finance and Health should work together to ensure that the total funding envelope is appropriately identified and based on quick costing estimates.
- 2. Controls should be reoriented, not diluted.** Some controls related to COVID-19 may need to be reoriented to delegate authority and expedite implementation. The guiding principles of controls need to be reoriented, based on a risk assessment. Wherever ex-ante controls are reduced, these need to be replaced with clear, explicit, and credible expectations of ex-post controls.
- 3. Efficient cash management is crucial.** It may be appropriate for the Ministry of Finance to quickly collect, aggregate, and establish processes to move funds into bank accounts.
- 4. Efficient and accountable procurement is needed.** The COVID-19 response could warrant more use of single-source procurement with known and trusted suppliers to expedite the process. In such situations, it would be prudent for the Ministry of Finance and/or the procurement regulator to issue additional guidance on how to manage this process, including the potential for change orders. Monitoring international and domestic markets for price comparisons and timely actions could be useful. To mitigate the risks of

fraud, it is especially important to maintain audit trails and acceptance of goods/services by responsible officials. In some cases, it may be necessary to do away with some standard requirements like bid securities and guarantees, though this needs to be documented with appropriate justification. Whenever possible, pre-existing framework contracts can be used. Posting all procurement information related to COVID-19 on government portals will enhance transparency and trust.

5. Payment management should be optimized. The emergency situation is likely to constrain liquidity. Hence greater emphasis on optimal use of cash float and credit lines is necessary. The normal payment processes of invoicing, goods / services receipts, and payments can be reviewed, to explore how best to use the time frame allowed by creditors in making payments. In other cases, additional or higher advances may be required by contractors or sellers of goods and services, for which limits need to be established.

6. Internal audit could compensate for some ex-ante controls. Internal audits could be used as a compensatory control to establish “concurrent post audit” to compensate for any pre-audit requirements that are modified. The internal audit function could temporarily reduce its role in systems reviews to focus on conducting post audit of transactions, with little time lag.

7. Financial reporting for timely assurance. Where separate budget lines are created for COVID-19 response, they need to follow the standard financial reporting system (IPSAS or national standards). Governments can benefit from more frequent interim reporting on the specific lines for decision-making.

8. The supreme auditing institution (SAI) needs to stand ready. Audit of emergency transactions by a government’s SAI provides broader reassurance on the value for money spent during emergency operations and helps identifies actions to strengthen systems for the future. SAI auditors need to independently decide on the nature, scope, and approach to COVID-19; and they should conduct their audit with minimal time lag after restoration of normalcy. To be able to conduct it, SAI needs to keep abreast of the modifications done to PFM systems and identify potential risk areas.

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