

**Governance**

# IFMIS implementation, Integration and Consolidation

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**WORLD BANK GROUP**  
Governance

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# Agenda

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1. IFMIS Rationale, Conceptual Framework and Implementation Issues
2. Integration of Budgeting, Accounting and Statistical Reporting
3. Consolidation and Analytics

# 1. IFMIS Rationale, Conceptual Framework and Implementation Issues

## ENSURING BETTER PFM OUTCOMES WITH FMIS INVESTMENTS

An Operational Guidance Note for FMIS Project Teams  
Designing and Implementing FMIS Solutions

Ali Hashim, Khuram Farooq, Moritz Piatti-Fünfkirchen

IBAG GROUP

# Key Issues in Budget Management

1. Commitment control: fiscal Crisis in Portugal – driver for reforms in commitment control
2. Cash planning through invoice and commitment reporting - Estonia, Finland
3. Treasury Single Account/Consolidated Fund coverage: Nigeria, Zambia
4. Budget management not linked to accounting: either no General Ledger in IFMIS or Accounting module is not integrated with payments
5. Timely financial reporting: Pakistan annual financial statements improved from 3 years to 9 months
6. Analytical tools for decision-making –Indonesia: Fiscal monitoring of expenditures at national and subnational levels: MOF monitors macro-fiscal targets through consolidation

# IFMIS is a tool for Budget Management



Budget compliance -  
No overspending



Cash planning –  
Enough cash to pay for  
obligations when due



Financial Reporting -  
Transparency and Decision-  
making

- Vendor invoices and payments
- Payroll and pension
- Social welfare payments
- Debt repayment
- Transfers to autonomous bodies and subnational governments
- Donor funded projects, trust funds, statutory funds

- Total amount of invoices to be paid in next 30/60/90 days
- Total Commitments are affordable - within authorized limits

- Budget execution report
- Monthly and Quarterly Financial Reports
- Fiscal Reports
- Annual Consolidated Financial Statements

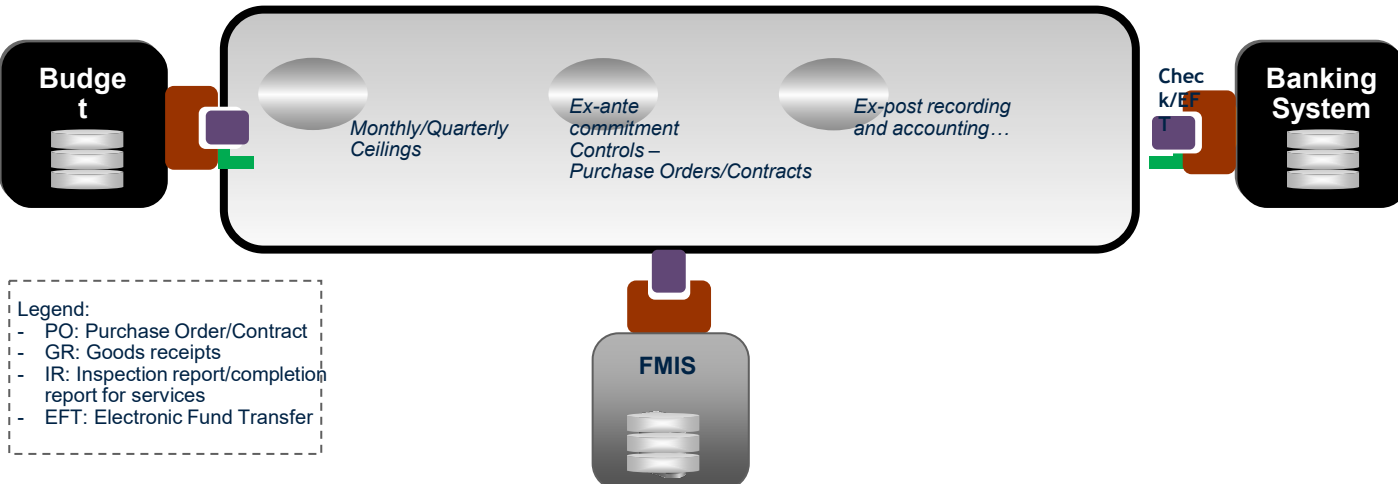
# Overspending will break fiscal deficit target – IFMIS tool for budget compliance

## PEFA and the budget cycle



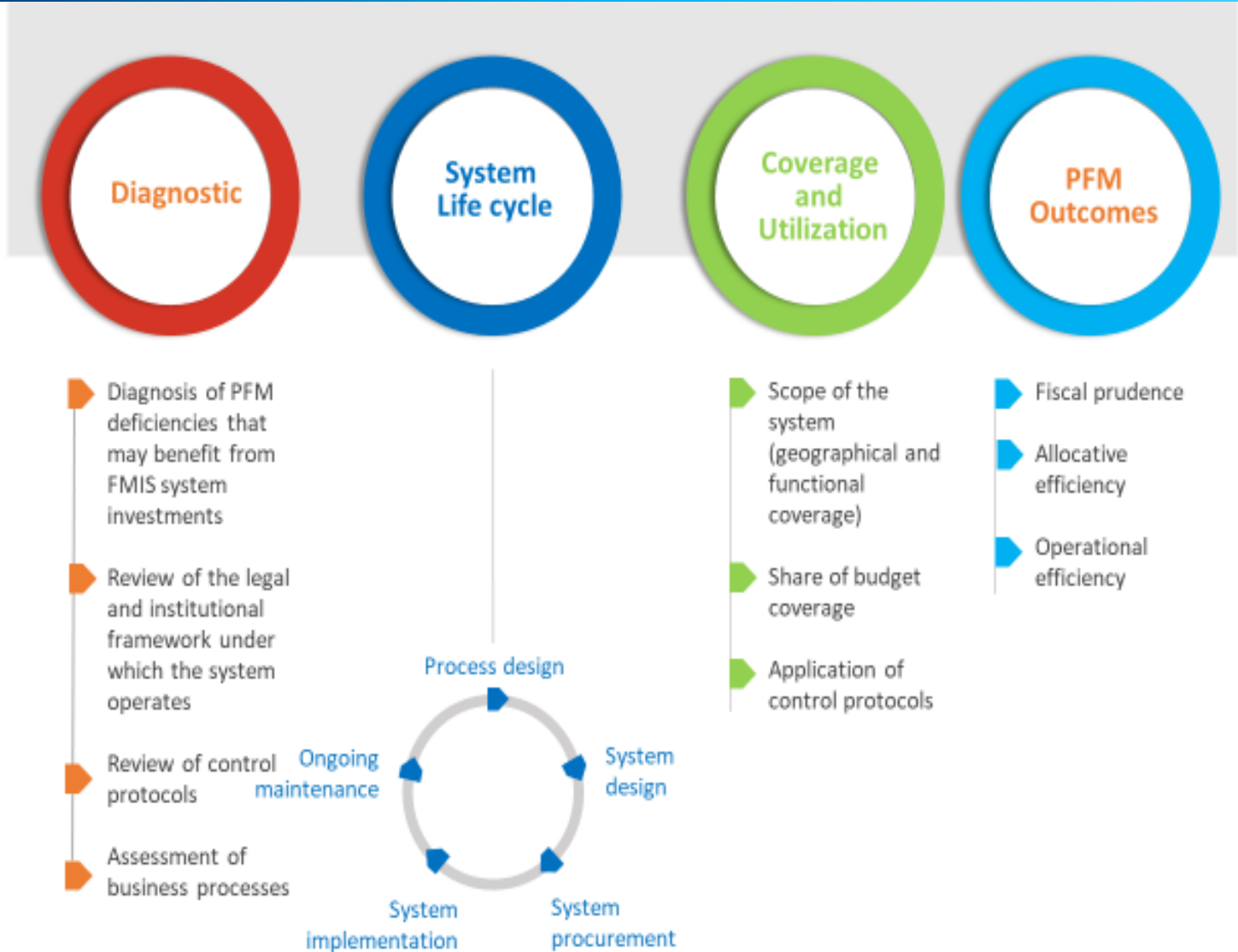
### Ex-ante control challenge in Hybrid Deployment

Release budget → Distribute releases → Issue PO/Record Commitment → Issue GR/IR → Approve Invoice → Approve payment



- Legend:
- PO: Purchase Order/Contract
  - GR: Goods receipts
  - IR: Inspection report/completion report for services
  - EFT: Electronic Fund Transfer

# IFMIS implementation and its impact on PFM outcomes



# Policies and People critical: IFMIS necessary but not sufficient

## Policies

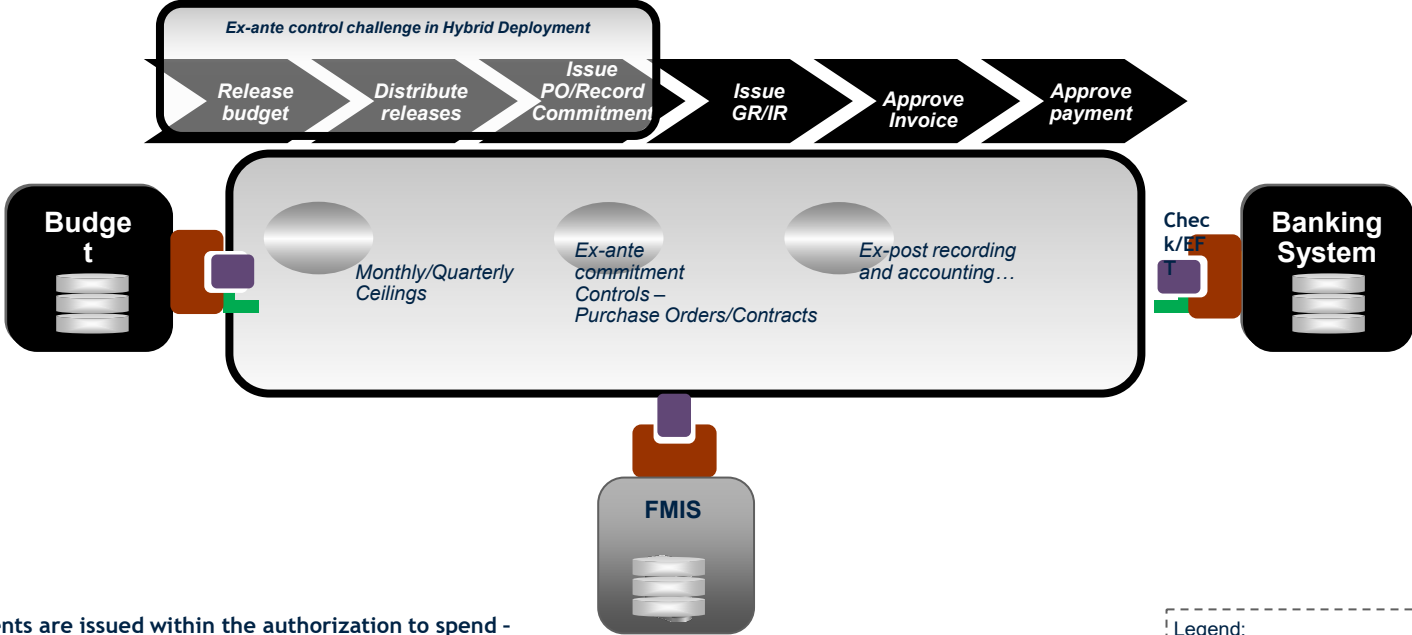
- PFM Law
- Treasury Single Account and Banking: Ghana
- Cash Planning: Estonia, Finland
- Budget classification and chart of accounts – GFS compliant: Indonesia
- Commitment control: Portugal, Serbia
- IPSAS Cash or accrual: Malaysia
- New Accounting Manual – incorporating overall controls framework: Pakistan

## People

- Top level leadership commitment – project sponsor and Steering Committee
- Core Group of Subject Matter Experts
  - Co-design
  - Master trainers
  - Technical support Tier 1
  - Change Agents
- Identification of winners and losers
- Consistent communication channels – from the Controller General to Treasury office to MDAs
- Local vendors collaborating with government officials could have a vested interest in the legacy system
- Change of habits and monopolies of expertise could be additional resistance points



# Overspending will break fiscal Deficit target – IFMIS tool for budget compliance



- ✓ Commitments are issued within the authorization to spend - budget release
- ✓ Invoices are linked to commitments and therefore, cannot exceed commitment
- ✓ Payments are made for the approved invoices
- ✓ Exceptions to this flow include salary, debt, utilities, advances, direct payments below the commitment threshold

Legend:

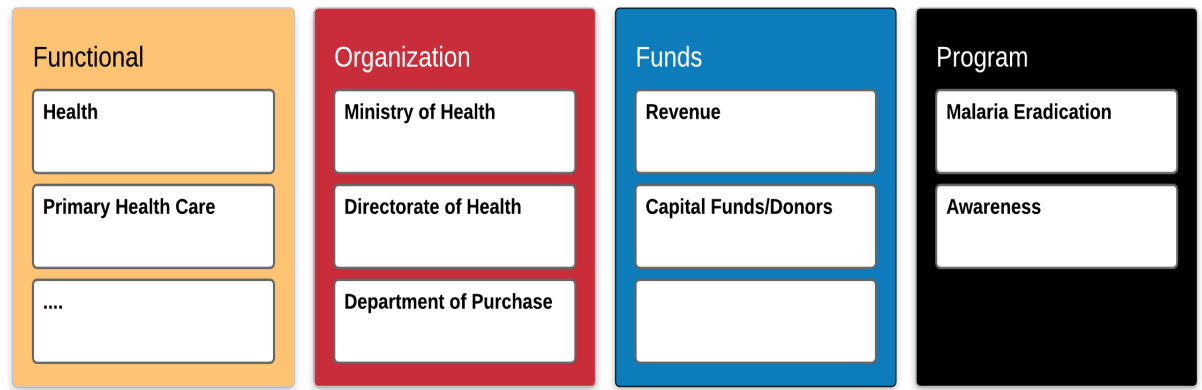
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## 2. Integration of Budgeting, Accounting and Statistical Reporting

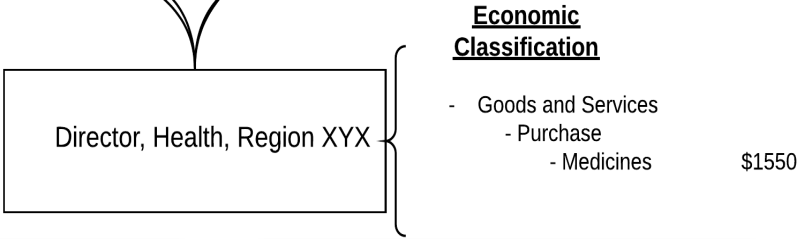


# Internal consistency of chart of accounts can enhance integration of budget, accounting and statistical reports

## Source of Statistical reporting is accounting data



- IPSAS does not prescribe any classification but requires disclosures.
- GFS Manual prescribes classification, but only for two segments: function and economic
- GFS economic classification can be tailored to ensure capturing information on codes necessary for IPSAS disclosures

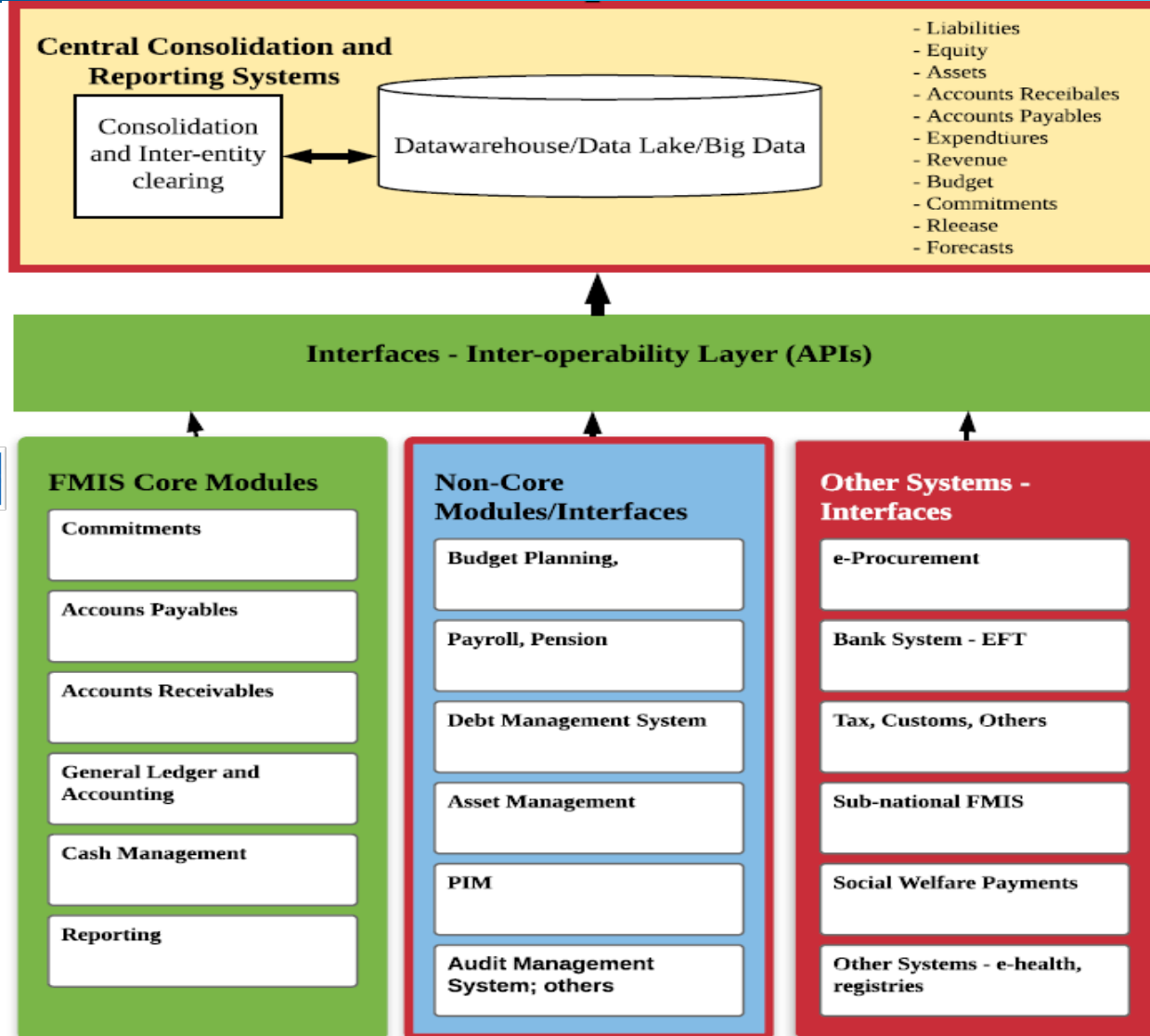


**Budget Execution Reports**  
(Budget Decisions)

**Fiscal Statistics Reports**  
GFS Manual  
(Fiscal Policy)

**Financial Statements**  
IPSAS  
(Transparency, Accountability)

# IFMIS – Key modules within a Broader Picture of PFM



# 3. Consolidation and Analytics



# Key Issues in Consolidation of SNG reports: Case Study

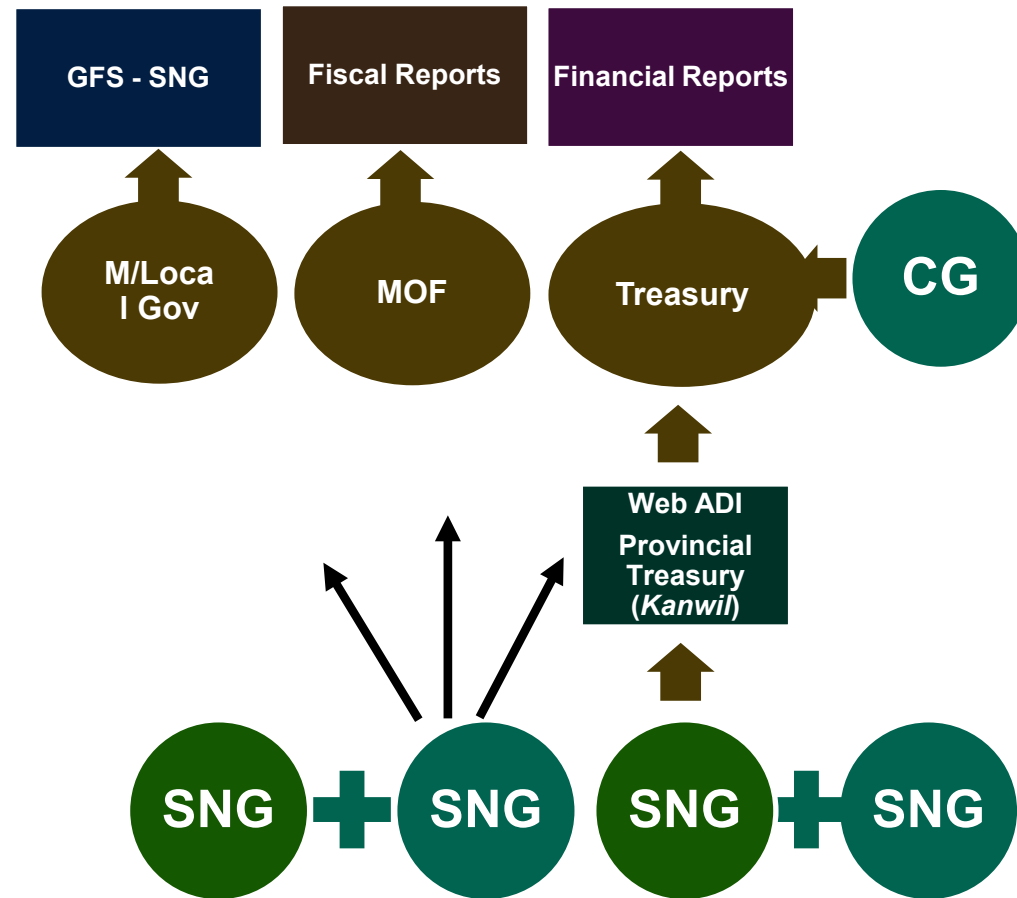
## Scope of consolidation

- What level of detail necessary for consolidation? Transaction-level information in the analytical systems could affect performance
- 70,000 villages and their corporations do not have capacity, accountants and consistent chart of accounts

## Data

- Standardization of chart of accounts at high level but codes at the lower level (level 3-6) could be non-standardized: Mapping required for GFS reports
- Same data is not used for unaudited, audited and analytical consolidation reports: multiple sources for consolidation – single source of truth?

SN IFMIS: lack information on assets, liabilities, commitments; Inter-entity elimination are not identified nor supported by SIPD



# Key Issues in Consolidation of SNG reports

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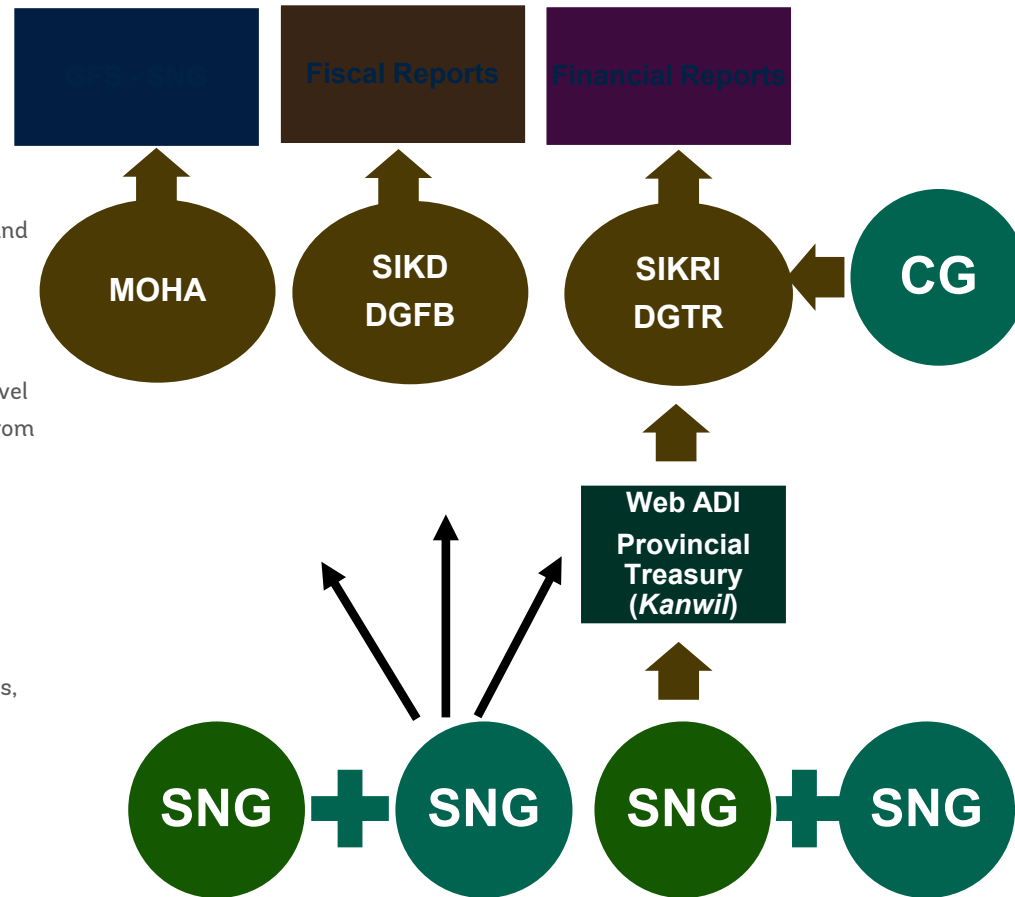
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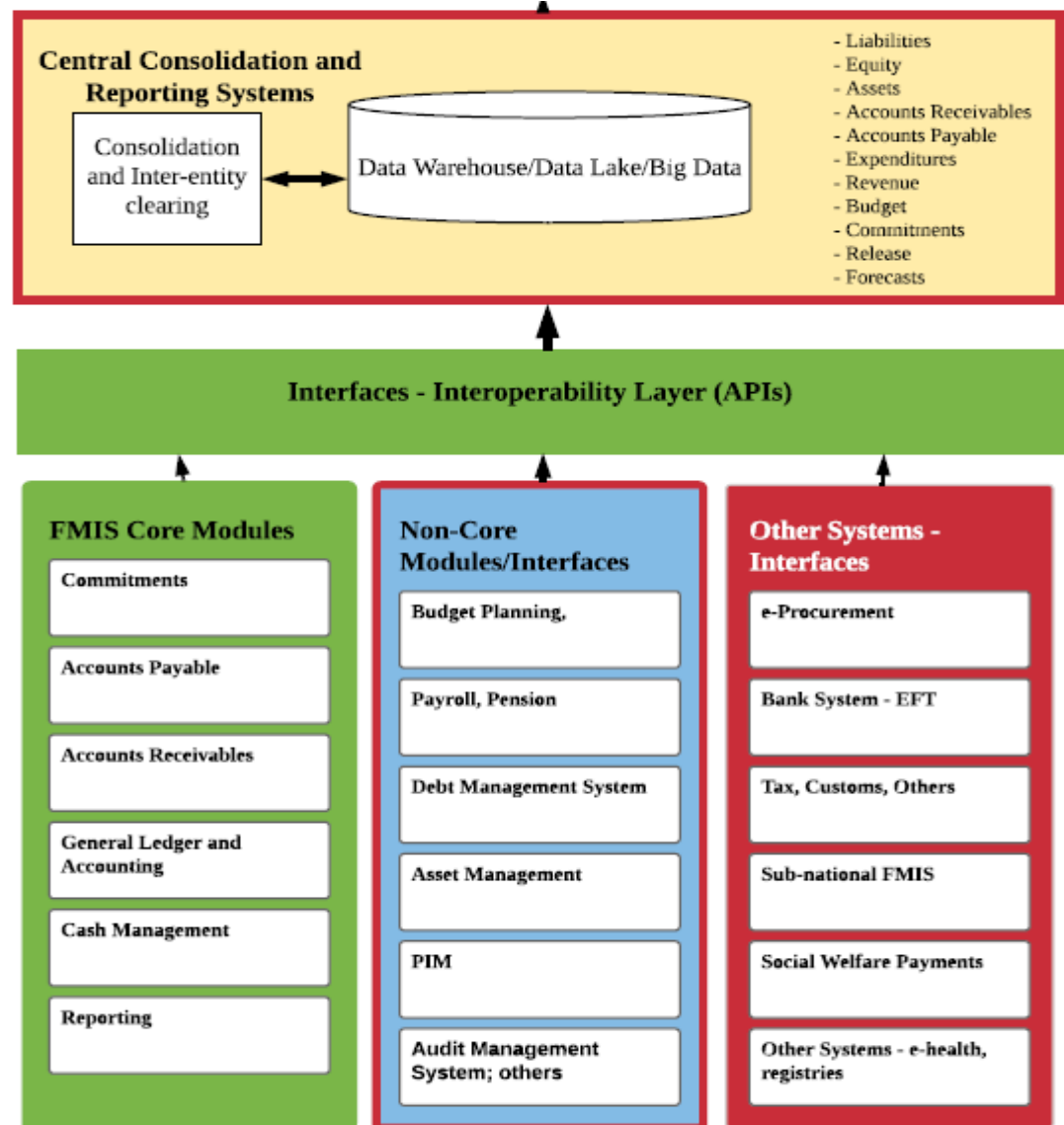
## SIPD

- SIPD lack important information necessary for accounting: assets, liabilities, commitments (based on SNG visit)
- Inter-entity elimination are not identified nor supported by SIPD



# Implement a Consolidation and Reporting System to Produce Fiscal and Financial Reports

1. Major ERP vendors have a separate consolidation system: SAP BPC, Oracle Hyperion, PeopleSoft GL for consolidation
2. These systems take the load off the underlying IFMIS and protect its performance
3. Also have special purpose functionalities like inter-entity clearing
4. Trail Balance from underlying source systems could simplify the consolidation: France, USA
5. Standardized Chart of Accounts at higher level critical for consolidation





# Analytics tools for decision making

Brazil Big Data project to track corruption in public expenditures and procurement

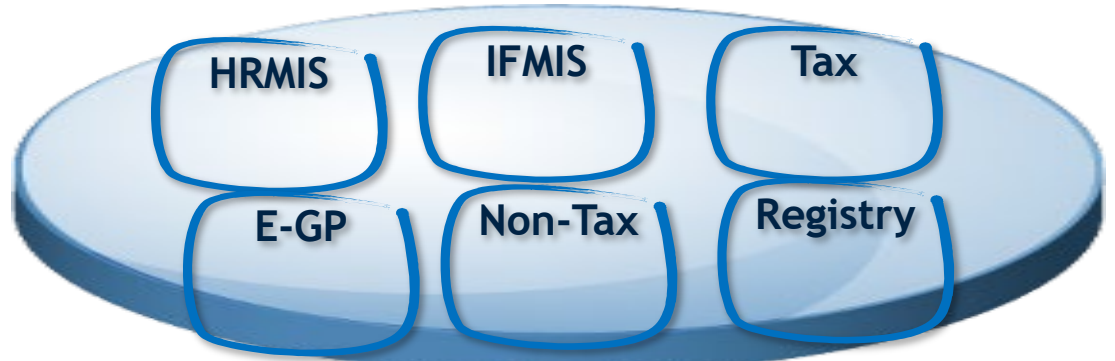
Indonesia data warehouse to track public expenditures to ensure alignment with policy objectives and macro-fiscal projections

Pakistan dashboard focusing on budget execution, cash position of government, and debt/liabilities in initial phase



Analytics

Streaming API - Open Source



# Discussion