Presentation at 2015 Accountants Conference

Topic:

Integrated Financial Management Systems: The Case of GIFMIS

By: Mac-Effort K. Adadey
28th April, 2015 at Cape Coast
Outline

1. Introduction
2. The Evolution of Financial Mgt. Systems
3. What is IFMIS
4. The GIFMIS
5. High Points for the Accounting Profession
Introduction

• Availability of timely and accurate information is critical to the management of government finances and public funds

• Considering the large volumes of Government transactions which are dispersed across multiple sites around the country it may simply not be possible to obtain the information required for economic management in a timely manner without some degree of automation.

• Thus, automation of Government Financial Management Systems, using IFMIS, is one of the core elements of PFM reform programmes in many countries including Ghana.
THE EVOLUTION OF FINANCIAL MANAGEMENT SYSTEMS

- Manual System
- Stand Alone Systems
- Integrated Systems
What is IFMIS?

1. Integrated financial management information systems (IFMIS) are computer-based systems that automate and store key financial information in large organizations like governments, multinational corporations and large nonprofit institutions.

2. The goal of these systems is to increase access to information while decreasing long-term costs.

3. The initial investment of time and money to implement IFMIS is high, but the improved financial transparency and information access usually offsets its initial expense.

4. An IFMIS can be off-the-shelf software or a custom-made system, depending on the size and needs of the organization using the system.
IFMIS (cont.)

- IFMIS consists of a number of modules which support the different functional processes associated with Government Fiscal Management (GFM).

- These include modules for
  1. Macroeconomic forecasting
  2. Budget preparation
  3. Budget execution (including cash management accounting and fiscal reporting)
  4. Managing the size of the public service establishment (HR) and its payroll and pensions
  5. Assets management
  6. Debt management
  7. Tax administration
  8. Auditing.
How different is IFMIS

The primary features that distinguish IFMIS from other computer systems are:

1. IFMIS can integrate accounting-related information, or larger organizational data management systems
2. The standardization of data classifications for financial events
3. The reduction in duplicate data entry
4. Implementation of internal controls for transactions
5. Multitude of Reports
Advantages of IFMIS

- IFMIS allow a central authority to regulate security access that increases overall data integrity and security.
- With all information in a single location, financial fraud is harder to perpetrate and easier to catch.
- Enhanced management of cash, debt and liabilities
- Ability to use historical information to provide better budget modeling processes and increased decision-making efficiency
- Reduced cost for financial transactions
Disadvantages

• Required continuous support and maintenance to ensure integrity and functional use of the system.

• High switching cost
THE GIFMIS
Before GIFMIS, & even PUFMARP, assessments carried on our Accounting and PFM systems highlighted several weaknesses:

- Weak budget formulation, preparation and lack of ownership
- Weak expenditure monitoring and budgetary control
- Lack of proper accounting and monitoring system
- Lack of quality and timely data on Government resources
- Outmoded regulatory framework.
To address these weaknesses, the Government decided to embark on BPEMS as part of a major PFM reforms agenda – PUFMAP (1998 – 2008) with the main goal of improving fiscal discipline and macro-economic stability.

Due to some problems encountered under BPEMS, renewed efforts led to repackaging of the BPEMS into the current GIFMIS which is now the flagship system of Ghana’s PFM reforms agenda.
WHAT IS GIFMIS?

- GIFMIS stands for Ghana Integrated Financial Management Information System

- It is an integrated computerized financial management system for:
  1. Budget Preparation
  2. Budget Execution
     - Accounting and Financial Reporting
     - Cash Management.
  3. Assets management
  4. Human resource and payroll management
The aim is to establish an **INTEGRATED ICT-based PFM Information Systems** in Ghana at the MDAs located at National, Regional, and District levels and MMDAs to improve efficiency in public financial management.
Specific PFM Problems to be Addressed by GIFMIS

1. Lack of interface/integration between various PFM Systems
2. Inadequate budgetary controls over public expenditure
3. Lack of transparency in budget execution
4. Poor record keeping on public financial transactions
5. Undue delays in processing transactions due to cumbersome manual processes
6. Lack of reliable data for effective fiscal planning due to weak accounting and fiscal reporting system
7. Delays in financial reporting, especially at the National level
The PFM Cycle in Ghana & GIFMIS

1. Strategic Planning
2. Budget Preparation & Approval
3. BUDGET EXECUTION
   a) Revenue Generation
   b) Expenditure Admin
4. Record keeping, Accounting & Reporting
5. M&E, Audit (IA, GAS, PAC)
GIFMIS as a Flagship System

GIFMIS: serves as the GoG’s official system for:

- RECORDING BUDGET
- DISBURSEMENTS
- INTERNAL CONTROL
- FINANCIAL ACCOUNTING
- FINANCIAL & FISCAL REPORTING
- AUDITING
GIFMIS Scope

**INSTITUTIONS**

- All MDAs and MMDAs at national, regional and district levels

**MODULES**

- Budget
- Financials
- HRMIS and Payroll
- (Expanded under the new PFMRS)

**RELATED SYSTEMS**

- CS-DMRS (DMD-MoF)
- E-Monitor
- TRIPS & GCMS
- T-24 & SWIFT (BoG)
- PIMS (PID-MoF)
- E-Procurement

**FUNDS**

- Consolidated Fund
- IGFs
- Statutory Funds
- Donor Funds
GIFMIS Budget Modules

1. **Hyperion Planning Plus** – For Strategic Planning aspect of the Budget preparation process as well as analysis of the budget, e.g Sensitivity and what if analysis.

2. **Hyperion Public Sector Planning and Budgeting** – for Costing.

3. **Hyperion Project Financial Planning** – for Project management including contract management.
GIFMIS Financial Modules

1. **Purchasing** - for Purchase Requisition, PO, SRA
2. **Accounts Payable** - for preparing PVs, creating accounting (i.e Dr & Cr.) and tracking liabilities.
3. **Cash Management** - for making Payments, Bank Reconciliation, cash forecasting, etc.
4. **Accounts Receivable** - for recording & tracking of revenue
5. **Fixed Assets Module** - for managing fixed assets register through recording, tracking and accounting for fixed assets
6. **General Ledger** - repository of all accounts which holds the budget and facilitates financial reporting
GIFMIS HRMIS Modules

1. **Employee Profile Management**
   - For maintenance of the main bio data of employees from appointment to attrition in the areas of Employee Appointment, Employee record maintenance and Employee promotion.

2. **Establishment Management**
   - For the management of Organisations, Locations, organizational hierarchies, Grades, Jobs, Positions and position hierarchies.
   - This facilitates position control at PSC level where no MDA/MMDA on the HRMIS will exceed the established/approved staffing levels without approval from their appointing authorities and the Public Services commission.

3. **Employee Cost Management**
   - For managing compensation of employees at all MDAs/MMDAs to ensure budgetary control over payroll cost.
GIFMIS BUSINESS PROCESSES
SUMMARY OF GIFMIS BUSINESS PROCESSES (P2P)

The standard Processes:

1. The approved Budget (by Parliament or local Assembly) for the year is first loaded and activated on the GIFMIS at the beginning of each year.

3. Requests are made on GIFMIS by end-users for release of Budget.

4. Budgets are released through Warrants that are issued on the GIFMIS
   
   • **NB: The Budget is controlled by the issuance of warrants. Expenditure cannot be processed on GIFMIS without budget**
5. When warrants are issued on the GIFMIS, users (at MDA/MMDAs) are then able to process expenditure on the system. The expenditure processes include:

- Purchase Requisition (for expenditure initiation)
- Purchase Order (when supplier is selected)
- Stores Receive Advice (when goods/services are taken on charge)
- Payment Voucher/Invoice (to pay for the transaction)
6. Run Cash requirement report to establish total bills due for payment

7. Run cash pooling report to establish total cash available on the bank accounts, as set-up on the GIFMIS

8. Effect payments on the system
   - Electronic Funds Transfer for 3rd parties transactions
   - System Cheques for moneys required for internal payments
EFT Process Flow on GIFMIS

1. **EFT on GIFMIS (CAGD/MDA/MMDA Treasury)**
   - GIFMIS E BUS FRONT END
     - Payment No 10001
     - Or Transfer No. 3101
     - MT 103

2. **GIFMIS SERVER**
   - CITRIX Tool
   - SWIFT Sever
     - MT940 - Bank Statement

3. **BOG (MDA’s Bank Acct)**
   - Payee’s Bank
   - MT 103

4. **Payee (Supplier/Contractor) bank acct**
1. Pay only when your bank account is funded

2. DON’T do EFT after 3.00pm and at weekends.
Name of MDA/Cost Centre: CAGD 603
Payee: CONTROLLER & ACCOUNTANT GENERAL
System-Seq. No.: 24686/334

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GHC 11,320.45

Payment Amount in Words: Eleven Thousand Three Hundred Twenty And Forty-Five Cedis

Signature
Name:

GIFMIS CHEQUE

Ghana Government Treasury
BANK OF GHANA

000534

Amount in Words: Eleven Thousand Three Hundred Twenty And Forty-Five Cedis
Key Users of GIFMIS

1. Budget Officers
2. Accountants
3. Procurement officers
4. Store officers
5. Internal Auditors
6. Treasury officers
7. Administrators and HR Managers
8. Spending Officers (Coordinating Directors, HoDs, etc.)
9. Vote controllers
10. External auditors
Some Controls to Note!

- The above processes are configured on Approval Hierarchies (at least 3 levels) to ensure segregation of duties.

- Matching rules (Invoice-to-SRA-to-PO) are applied to ensure payment for only goods received and accepted, except transactions requiring no PO (eg T&T, allowances, etc).

- Financial docs created (PV, PO, SRA, PR, etc) are also electronically available and can be printed our for reference. No fears for missing documents.
GIFMIS IMPLEMENTATION STATUS
GIFMIS Implementation Status

GIFMIS Implementation has three phases of deliverables:

1. System set-up
2. System rollout
3. System Security, Maintenance & Sustainability
System Set-Up

System set-up include the installation and deployment of the following components:

- Hardware
- Software
- Network Connectivity
- System interfaces
System Set-Up (cont)

Hardware
- Severs have been procured, installed and operationalized at the Data Centre to support the GIFMIS Financials, Budget, HRMIS, Payroll software and Disaster recovery site.

Software
- The Oracle EBS R.12 has been implemented for the GIFMIS Financials since 2012
- Oracle Hyperion has been implemented for budget preparation in 2014
- Installation of Oracle HR for the HRMIS is almost complete for piloting in 2015
Network Connectivity

- 205 Headquarters Spending Unit (out of a target of 250) have been connected in Accra and hooked to the GIFMIS Financials modules. *TPCs were set up for SUs with no network connectivity.*

- 12 Transactions Processing Centres at the 10 Regional Capitals have been connected and accessible by the 350 Regional Spending Units (SU) to process transactions on the GIFMIS.
  
  - The next step is to extend connectivity to all the 350 SUs at their office locations

- 7 MMDAs (out of 216) have been connected and hooked to the GIFMIS Financial Modules (AMA, KMA, TMA, CCMA; Ho, Obuasi and Tarwa-Nsuaem Municipal Assemblies.

- The connectivity is to also serve the deployment of Budget and HRMIS modules
**BoG System**

- Interface with T-24 and SWIFT completed and operationalized for electronic funds transfer (EFT) and automatic bank reconciliation (ABR).

- EFT is live at MDAs and ABR undergoing technical fine-tuning for full implementation.

- It also possible now for CAGD to view GoG consolidated cash position (for BoG accounts under the TSA) on real-time basis.
GRA Systems

- TRIPS (Total Revenue Integrated Processing System) and GCMS (Ghana Customs Management System) are being interface with the GIFMIS Financials as part of the cash management improvement processes.

- The aim is to automate the capturing of GoG tax revenue into the Oracle Financials to improve reporting and cash management.

- The interfaces are at advanced stages of completion.

- Technical fine-tuning is in-progress to complete the user acceptance test (UAT) before go-live in 2015.
E-Monitor System

- This system is for monitoring non-tax revenue collections and as a reporting tool through GIFMIS.

- The system is at the piloting stage

- Interface with GIFMS will be completed when it becomes fully operational
GIFMIS Financial Modules

- P2P Coverage for Consolidated fund resources is as follows:
  - All headquarters MDAs in Accra (covering over 230 Spending Units) since October, 2012.
  - All Regional MDAs (350 Spending Units) since November, 2012
  - Seven MMDAs since August 2013

- IGF implemented for Min of Education and Min of Health (ex-post) in March 2014

- Rollout for IGF and other funds at the 7 pilot MMDAs begun in Dec 2014 (ex-ante)

- The Fixed Assets module is live at 5 pilot MDAs (MoF, CAGD, MW&H, MoTr, MoT.)
Budget Reforms

- PBB was rolled out to all MDA in 2013
- The new budget software, Hyperion, was used for the 2015 national budget preparation

- HRMIS
  - 7 MDAs to be piloted in 2015
Business Continuity strategy has been developed for the GIFMIS.

Disaster recovery site is also operational and being upgraded to accommodate the entire GIFMIS set-up including Payroll, HRMIS and Budget systems.

RAC (Real Applications Cluster) has been implemented to achieve system scalability, high availability and processing efficiency.

Non-Oracle tools have been installed for system security monitoring, help desk, messaging and collaboration.
A pool of 12 technical and functional GoG staff have been trained on the Oracle applications to support the implementation.

Technical trainings have also been provided to other GoG staff to support implementation of the Budget & HRMIS modules, etc.

A pool of trainers (TTTs) and user-support (Advocates) staff are available to ensure sustainable end-user comfort on the system usage.
Some Achievements of GIFMIS Implementation

1. Improved and easy consolidation of financial data across MDAs and MMDAs as result of the adoption of a GFS 2001 based Harmonised Chart of Accounts

2. Timely production of public accounts of the Consolidated Fund by CAGD

3. Savings in interest payments on domestic borrowings from BoG as a result of the Loan and Fiscal Agency Agreement (LFAA)

4. Improved transparency and record keeping of public financial transactions as a result of the P2P rollout

5. Improved budgetary control over public expenditure processed through the GIFMIS
Outcomes of GIFMIS Implementation (cont.)

6. Efficiency in payment processes resulting from the implementation of EFT
7. Electronic database for government assets located at the various MDAs and MMDAs (5 pilot MDAs as of now)
8. Alignment of public expenditure to verifiable Programmes at MDA level as a result of the implementation of PBB
9. Seamless loading of budget onto the GIFMIS Financial module for execution through installation of the Hyperion. This has eliminated the burden of at least 3-weeks off-site technical sessions to manually load the budget on GIFMIS, thus saving time and cost.
10. Host of Budget Execution reports are available on the GIFMIS
What is Next…?

- Full Implementation of fixed assets module.
- Bringing on-board other public funds including IGFs, Donor funds and Statutory funds across MDAs and MMDAs
- Full implementation of HRMIS
- Extension of PBB to MMDAs
- GIFMIS deployment to the remaining 209 MMDAs
- Completion of interfaces with all key PFM systems under the new PFM Strategy:
  - Internal & External Audit systems
  - Procurement systems
  - Parliamentary Oversight
  - Revenue systems
  - Etc.
Some Challenges

- Legislative limitations: There is the need to review the financial laws to support the changing business processes occasioned by the GIFMIS. The process has started.

- Inadequate ICT infrastructure in the public sector of Ghana, especially Network connectivity. NITA must be supported for this.

- Relatively low computer literacy in the public sector.

- Change management: expectation by end-users that the system should support old ways instead of current best practices.
What is Working Well for GIFMIS

- Strong political support
- High level administrative support
- Strong local technical team
- Consciousness of past PFM experiences
- Donor Review and technical advice
HIGH POINTS FOR THE ACCOUNTING PROFESSION

1. The public sector accountant
2. The private sector accountant
3. The auditors
4. Consultants
5. The ICAG
Opportunity to learn and be relevant

- Use the harmonized CoA
- Utilise Financial Reporting capabilities of the GIFMIS
- Appreciate the GIFMIS controls (budgetary controls, SoD, etc)

GIFMIS makes work easier
- Easier reporting and data extraction for financial analysis
- Cash requirement reports to see outstanding bills at a glance
- BRS
- Fixed assets tracking
- Etc

You can access GIFMIS outside your office environment.

IPSAS has been adopted and GIFMIS is the platform for its implementation

Support the GIFMIS!
Private Sector Accountant

- Government is the biggest customer
- Understand the P2P process for your dealings with MDAs and MMDAs
  - GIFMIS PO
  - Supplier set-ups
  - Bank account set-ups
  - EFT
- VAT and withholding Tax are tracked on GIFMIS
- Provide accurate company details for set-up on GIFMIS
- Assist you managers and staff to understand the GIFMIS processes so they can relate to it well
- Support the GIFMIS!
Auditors

- Electronic means of verification on GIFMIS, i.e. PR, PO, SRA, PV and Payments
- Capacity building in CAATs is critical
- Test the GIFMIS controls to ensure they are adequate & effective
- Read only access available to all auditors
- You can work independent of location once access is granted

**Support the GIFMIS!**
Consultants & Service Providers

- The new PFMR Strategy of Ghana offers a lot of business opportunities for consultants and service providers. The reforms areas include:
  1. Accounting and Financial reforms at CAGD
  2. Budget reforms at MoF
  3. HR Management reforms at PSC
  4. Payroll reforms at CAGD
  5. Procurement reforms at PPA
  6. Revenue reforms at GRA
  7. Internal Audit reforms at IAA
  8. External Audit reforms at GAS
  9. Parliamentary Oversight reforms at Parliament

- Focus areas are: Supply of hardware/software and TAs for Systems, Development Manuals and Training

- Position yourselves to compete with international consultants and service providers
1. Take interest in the new PFM reform strategy
2. Support implementation of IPSAS
3. Need to review the Public Sector Accounting Manual in line with the new syllabus and emerging trends in PFM
4. Consider collaboration with tertiary institutions to include public financial management in their curricula
5. Refresher courses on PFM, specifically for PSA Lecturers should be considered as part of the CPD programmes.
The End

Thank you for Your attention !!!