

2025 ANNUAL INTERNAL AUDIT CONFERENCE



TOPIC: "Automating the PFM Cycle of Ghana for Fiscal Discipline and Value for Money: Challenges and the Way Forward".

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Venue: Accra International Conference Centre

Dates: 3RD November, 2025



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Introduction

What is Automating

“Using machines and computers instead of people to do job or task.”

(Oxford Advanced Learner’s Dictionary - 10th Edition)

“using a computer, a system or a machine such as a robot, to undertake repetitive or intricate tasks normally done by or controlled by people. This can, for example, be large scale processing of data.”

(the complete A-Z ICT & COMPUTING handbook by: Bob Penrose & Bill Polland)





Introduction cont'd.

What is PFM?

Public Financial Management, involves a country's laws, systems, and processes for managing its funds.

Public Financial Management ACT

A PFM Act, or Public Financial Management Act, is a law that regulates the financial management of a government's public sector. It establishes a framework for how public funds, assets, and liabilities are handled, focusing on **fiscal discipline**, transparency, and accountability. Key aspects often include budget development and implementation, expenditure control, accounting, and auditing of public funds.



Introduction cont'd.

History of PFM in Ghana

The Public Financial Management Reform Programme (PUFMARP) started from 1997 to 2003. It aimed to improve Public Financial Management and included components like the Medium-Term Expenditure Framework (MTEF) and the introduction of the Budget and Public Expenditure Management System (BPEMS) as its core component.

BPEMS was implemented between 2003 and 2007 to reform Ghana's Public Financial Management. While it was a significant effort, the program faced challenges with implementation, which led to its replacement by the Ghana Integrated Financial Management Information System (GIFMIS).





Introduction cont'd.

The preamble of the PFM ACT 2016, Act 921 summarizes the entire PFM system;

“AN Act to regulate the financial management of the public sector within a macroeconomic and fiscal framework; to define responsibilities of persons entrusted with the management and control of public funds, assets, liabilities and resources, to ensure that public funds are sustainable and consistent with the level of public debt; to provide for accounting and **audit** of public funds and to provide for related matters.”





Introduction cont'd.

Core functions and purpose of the PFM ACT:

- Defines responsibilities
- **Ensures fiscal discipline**
- Promotes transparency and accountability
- Provides a coherent framework
- Guides budget implementation

Examples of PFM Act provisions

- Fiscal rules
- Debt rules
- Sanctions for non-compliance

Internal audit and reporting





Introduction cont'd.

The PFM ACT 2016, Act 921 section 83 provides detail roles of the Internal Auditors.

Why the emphases on the Internal Auditor? It's because they are key stakeholders in the government business process.

➤ Sub-session 3(a-d)

- (a) appraise and report on the soundness and application of the system of controls operating in the covered entity;
- (b) evaluate the effectiveness of the risk management and governance process of a covered entity and contribute to the improvement of that risk management and governance process;
- (c) provide assurance on the efficiency, effectiveness and economy in the administration of the programmes and operations of a covered entity; and
- (d) evaluate compliance of a covered entity with enactments, policies, standards, systems and procedures.



What is Fiscal Discipline?

There are many definitions for fiscal discipline and value for money but for the purpose of our discussion today, and to meet the context of topic;

Fiscal discipline is a government's commitment to manage its spending and revenue to maintain fiscal health and macroeconomic stability. It involves controlling expenditures, avoiding excessive borrowing and debt accumulation, and ensuring government finances are sustainable over the long term.

Key components of fiscal discipline:

- Budgetary control
- Debt management
- Multi-year perspective
- Strategic resource allocation
- Sound financial practices





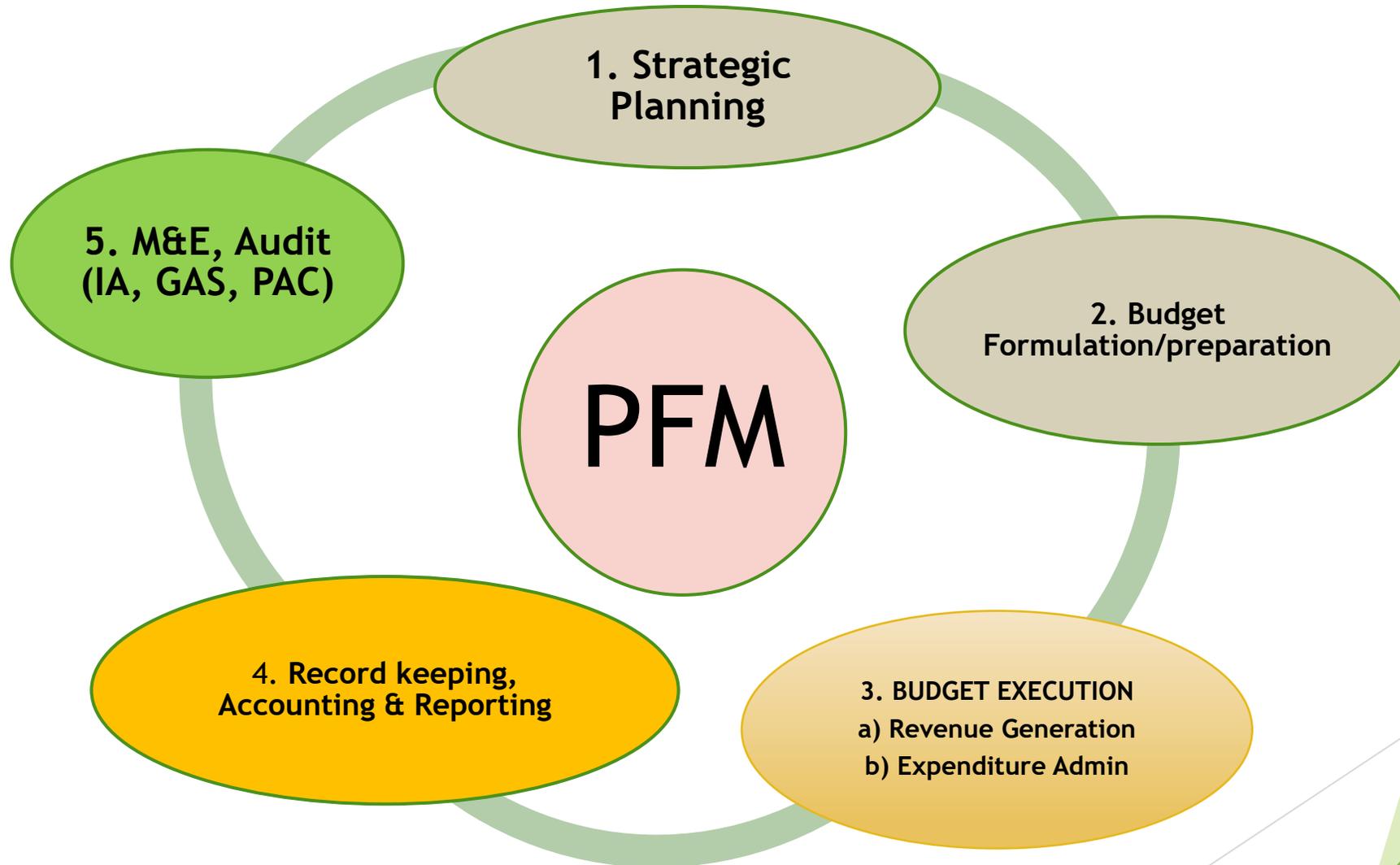
What is value for money?

Value for money is the effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits along with an assessment of risks, nonprice attributes, and/or total cost of ownership as appropriate.

In this respect, three important aspects of performance to measure are: economy, efficiency and effectiveness (the 'three Es').



The PFM Cycle in Ghana



The PFM Act 2016, ACT 921 & GIFMIS

It is a legal requirement to use GIFMIS for processing public financial transactions under section 25(6) of the PFM Act, 2016 (Act 921).

The use of GIFMIS for processing financial transactions at MDAs and MMDAs started in 2012.

Penalty for contravention of this Act - A person who issues a local **purchase order** outside the Ghana Integrated Financial Management Information System or any other electronic platform in use by Government (PFM Act 2016, ACT 921 Section 98 (1) (b))

Government decision to deploy GIFMIS for the management of all public funds (CF, IGF, SF and DF) across Covered Entities in the country, as part of the broader PFM reforms programme.



What is GIFMIS?

Ghana Integrated Financial Management Information System (GIFMIS) is an **integrated computerized financial management system** used in:

- Budget preparation & execution
- Accounting and Financial Reporting
- Cash Management.
- Assets management
- Human resource and payroll management
- Among others

The aim of GIFMIS is to establish an **INTEGRATED ICT-based PFM Information Systems** in Ghana at the Treasuries, MDAs and MMDAs located at National, Regional, and District levels.



The Scope of GIFMIS?



- All MDAs and MMDAs at National, Regional and District levels
- SOEs

- Budget
- Financials
- HRMIS and Payroll

INSTITUTIONS

MODULES

RELATED SYSTEMS

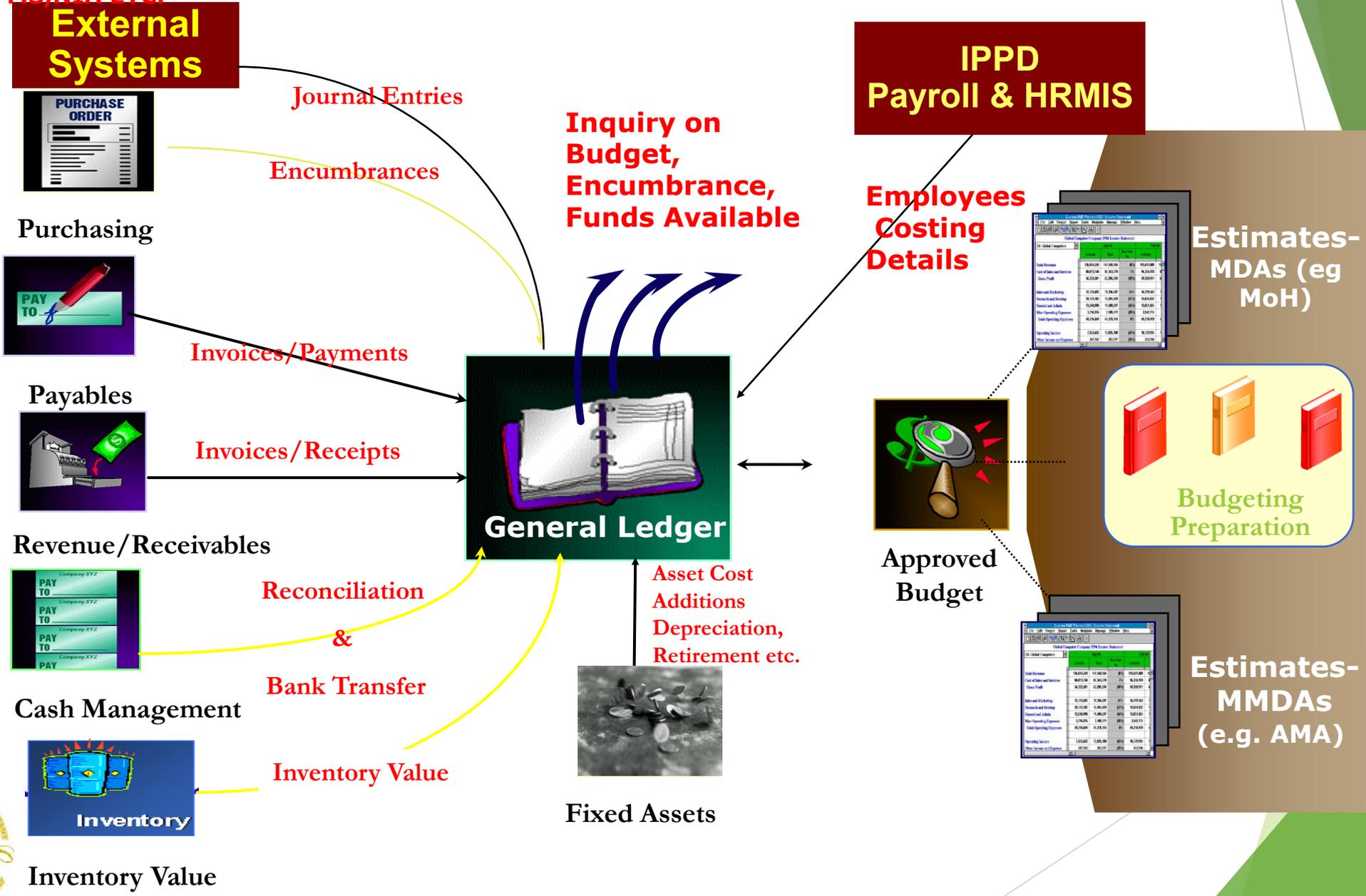
FUNDS

- ICUMS (GRA)
- GhIPSS
- T-24& SWIFT (BoG)
- PIMS (PIAD- MoF)
- GHANEPS (PPA)
- CLAIMS (NHIA)
- HYPERION (MoF)
- NIA
- GHANA.GOV

- Consolidated Fund
- Donor Funds
- Statutory Funds
- Internally Generated Fund

GHANEPS, HYPERION, ICUMS, CLAIMS, NIA ETC.

Architectural Overview of GIFMIS & Modules





Status of System interfaces/Integrations

Institutions - Systems	Status
1. MoF - Hyperion System	Completed
2. PSC - Human Resource Management Information System (HRMIS)	Not completed
3. CAGD - Payroll System	Not completed
4. BoG - Society for Worldwide Interbank Telecommunications (SWIFT)	Completed. Upgrade on-going
5. Commercial/Rural Banks - Ghana Interbank Payment and Settlement Systems (GhIPSS)	Completed. Require SLA, upgrade and rollout
6. PPA - Ghana Electronic Procurement System (GHANEPS)	Implementation on-going
7. NHIA - CLAIMS System	Implementation on-going
8. NIA - National Identification System	Interface with payroll on-going
9. GRA - Integrated Custom Management System (ICUMS), Ghana Integrated Tax Management Information System (GITMIS), GHANA.GOV	Yet to start
10. MoF - Public Investment Management System (PIMS)	Yet to start
11. KORLE-BU - Receivable system	Yet to start
12. Public Universities - Receivable systems	Yet to start
13. MoF - Debt Management system	Yet to start



Benefits of Automating PFM Systems

Automation benefits fiscal discipline by improving accuracy and efficiency through reduced errors and faster processing, lowering costs by decreasing manual labor and enhancing decision-making with real-time data and better forecasting. It also helps maintain budget adherence by providing clearer spending insights and timely cash flow management.





Benefits of Automating PFM Systems- cont'd

- **Accuracy and efficiency**
 - Reduces errors
 - Increases speed
 - Streamlines workflows
- **Cost savings**
 - Cuts operational costs
 - Prevents penalties
- **Better decision-making**
 - Provides real-time insights
 - Improves forecasting
 - Enhances cash flow management
- **Budget and spending**
 - Increases visibility
 - Supports strategic planning



Other Benefits of Automating PFM Systems

- ▶ Improved the consolidation of financial data across MDAs and MMDAs as result of the Harmonized Chart of Accounts
- ▶ Timely production of public accounts of all fund sources by CAGD
- ▶ Improved transparency and record keeping of public financial transactions as result of the P2P rollout
- ▶ Improved budgetary control over public expenditure processed through the GIFMIS
- ▶ Efficiency in payment processes resulting from the implementation of EFT
- ▶ Alignment of public expenditure to verifiable Programs at MDA level as a result of the implementation of Program Based Budgeting (PBB)
- ▶ Able to interface with other systems to achieve seamless consolidation
- ▶ Comprehensive management and financial reports



GIFMIS Rollout Status

➤ Institutions & Fund Sources

MDAs (Consolidated Fund)

MDAs (IGF)

Statutory Fund

MMDAs (Consolidated, IGF,
Statutory & Donor Fund)



The Internal Audit Agency and GIFMIS



The role of the Internal Audit Agency (IAA) in relation to the Government Integrated Financial Management Information System (GIFMIS) are oversight, coordination and ensuring compliance with the Public Financial Management (PFM) laws and procedures that GIFMIS is designed to enforce. Also, their have supervisory role in Business processes, system integrity and accuracy of reporting.

As the central regulatory body for internal auditing in Ministries, Departments, and Agencies (MDAs) and Metropolitan, Municipal, and District Assemblies (MMDAs), the IAA's involvement with GIFMIS focuses on the following key areas:

- **Ensuring GIFMIS Compliance and Usage**

The IAA and the Internal Audit Units (IAUs) under its supervision play a critical role in enforcing the proper use of GIFMIS across all public entities.

- **Enforcing GIFMIS Transactions:** The IAA must issue directives to ensure that all financial transactions, including revenue collection and expenditure processing, are done exclusively through the GIFMIS platform as required by the Public Financial Management ACT 2016, Act 921.

- **Compliance Monitoring:** Internal auditors are required to assess and ensure that MDAs and MMDAs are in full compliance with the laws, policies, standards, and procedures—many of which are automated and enforced by GIFMIS.

Commitment Control: IAUs are responsible for certifying the Commitment Control Compliance Checklist (CCCC), which is a key procedure tied to expenditure commitments within the GIFMIS framework, helping to prevent unauthorized spending and the accumulation of arrears.



The Internal Audit Agency and GIFMIS - cont'd



➤ Auditing the GIFMIS Environment

The IAA guides and monitors IAUs to perform audits on the financial processes and the system itself.

- ▶ **System Integrity:** Internal audit has a crucial function in verifying and authenticating transactions and processes and reporting on the state of the software or system and protecting data integrity within GIFMIS.
- ▶ **Audit Programmes:** The IAA facilitates the development and deployment of specific GIFMIS Audit Programmes for Internal Audit Units (IAUs) to audit processes like Procure-to-Pay, Fixed Assets, Cash Management, and General Ledger, in addition to auditing general IT Controls.
- ▶ Risk base Auditing and Read only Access
- ▶ Running of Report for analytical purpose and taking critical decision
- ▶ They are also required to validate and certify salary arrears and other payroll activities before submission, a process often tied to GIFMIS payroll modules.



The Internal Audit Agency and GIFMIS - cont'd



➤ Capacity Building

The successful implementation of GIFMIS requires skilled personnel, which falls under the IAA's general mandate.

- ▶ **Quality Assurance:** The core object of the IAA is to co-ordinate, facilitate, and provide quality assurance for internal audit activities. This includes ensuring IAUs have the necessary competence and capacity to audit in an electronic environment like GIFMIS.

The last approver on the SRA Process, Delivery results

- ▶ **Providing Guidelines:** The IAA is mandated to prepare and publish directives and guidelines for the conduct of internal audit in public institutions. These guidelines are essential for internal auditors to effectively perform their duties related to the new, integrated PFM processes under GIFMIS.
- ▶ **Promoting Effectiveness:** The IAA works to promote economy, efficiency, and effectiveness in government operations.

Since GIFMIS is a tool for enhancing these very principles in public financial management, the IAA's role is to ensure IAUs are effective in leveraging and scrutinizing the system to achieve its intended objectives.



Challenges and Way forward of using GIFMIS for Fiscal Discipline and Value for money.



Challenges

Non usage of GIFMIS leading manual journals

Way forward

- Parliament directive to some institutions to start using GIFMIS
- Incorporate the use of GIFMIS in the performance agreement of Chief Directors and Coordinating Directors
- Change management
- Internal Auditors must enforce usage of GIFMIS in their respective institutions
- Rollout of GIFMIS-GhIPSS Electronic Funds Transfer (EFT) and retrieve manual cheque books

Challenges and Way forward of using GIFMIS for Fiscal Discipline and Value for money cont'd



Challenges	Way forward
Only one single source of connectivity for most institutions	Government should provide alternative network connectivity (Fiber to offices)
Excessive use of legacy systems	Managing, maintaining or retiring legacy systems
Siloed systems Most systems are not integrated. They operate independently	Integrate all systems
Capacity of Internal Auditor	Internal Auditors must be trained in how to use audit tools to audit GIFMIS and other automated systems in their institutions. Example - > Electronic Work papers > Data Extraction/ Data Analytics Tools > Automated Self Assessments Tools > Online Audit Management Software > Continuous Monitoring Tools/ Business Intelligence
Capacity of GIFMIS support team	The GIFMIS support team should build capacity to meet the frequent changes in ICT environment.
Non availability of other important modules	Enhance GIFMIS by adding inventory, Fixed Asset and full Cash Management modules



Conclusion

In our quest to automate the PFM cycle in Ghana for fiscal discipline and value for money, we must also focus on the security of the systems we implement. We must implement cyber security tools, educate end-users (weakest link) frequently on security issues and work closely with the Cyber Security Authority to protect our data from hackers.





Thank You

