Integrated Financial Management Information Systems (IFMIS)
Public Finance Management (PFM) Reform

As African countries continue their journey of growth and development, pressure on governments to deliver basic services and improve living conditions for their people is steadily mounting. One of the factors often touted as being imperative to improving overall governance and the lives of citizens in general is Public Finance Management (PFM) reform.

In the past, PFM reform in Africa has often been driven by the need to comply with the requirements of international donors and development partners. Increasingly, though, African governments are seeing the broader value in improving the management of their public finances.

Integrated Financial Management Information Systems (IFMIS)

Part 1: An introduction to IFMIS, and its Role in Public Finance Management Reform

PFM reform is a process that different countries will conduct in different ways, depending on their varying levels of maturity. PFM reform may start with ensuring the production of a regular and accurate set of national accounts, and range to the implementation of a comprehensive Integrated Financial Management Information System (IFMS) covering all tiers of government.

The key elements for PFM reform need to work in a collaborative way. This collaborative governance underpins the development of an Integrated Financial Management Information System (IFMS), which in turn supports better governance and decision-making...

...and to Sustain the Reform, the Government needs to ensure Commitment, Capacity and Change
Without the basic PFM reform building blocks highlighted above, an effective implementation of an IFMIS is unlikely. These reforms are required to ensure that the data recorded by the IFMIS is reliable and useful to the government.

What is an IFMIS?
An IFMIS is a standardised monitoring and reporting system, which consolidates all the information needs of a government into one information database. It facilitates consistent recording and reporting of information, to enable a government to take macro decisions that affect the country as a whole.

IFMIS would integrate across several disciplines. This could include budget, payroll and HR management, procurement, financial reporting and performance information (non-financial reporting on key performance indicators). The level of integration would depend on the needs and maturity of the individual government’s PFM system.

Monitoring the financial performance of individual government institutions by National Government is a challenge as many intuitions may have their own legacy finance functions and systems in place.

The integrated information will allow governments to be more transparent about their processes and increase accountability. An integrated system would also facilitate effective “whole of government” reporting and preparation of consolidated financial statements.

The standardisation of information across government institutions can also contribute to fighting corruption, by incorporating both preventive and detective controls, including exception reporting and trend and data analyses.

In summary, an IFMIS provides government with reliable management information to assist with decision-making. The information is also easily accessible, as the information is centralised into one database.

The more integrated the IFMIS the more valuable and useful the information and reports generated from the system would be.

Part 2: Developing a Sustainable IFMIS Strategy as part of PFM reform

Due to the complexity behind the design and implementation of an IFMIS, one of the key considerations should be the sustainability of the proposed system. This includes the flexibility of the system to respond to changes in legislation, requirements, technology, and system maintenance.

Furthermore, to ensure the sustainability and success of the system in the long-term, all relevant stakeholders should be involved at the design phase of the IFMIS. Their input will ensure that the proposed system responds to their needs and adds value to the PFM environment. Strong political leadership is also a cornerstone to the successful implementation and sustainability of the IFMIS.
Governments should also invest substantially in building capacity and expertise with regards to the operation and maintenance of the IFMIS to ensure the benefits of the system continue to be realised long after the implementation has been completed.

The success of an IFMIS is therefore dependent on a detailed strategy established through effective planning which should include the following steps:

- Evaluate the maturity of the government / organisation against a benchmarking tool such as EY’s Maturity Model
- Establish process frameworks based on good practice
- Identify and procure a robust and scalable technology platform (IT environment)

In general, “FMIS implementation is an art, not a science”—emblematic of complex systems that constantly evolve and expand, paralleling changes in PFM needs and advances in technology. As with the design and implementation of any complex system, leadership, collaboration and innovation are important to the process

- World Bank Report

It is imperative for governments to assess their maturity in the journey. This is followed by Process, Controls and Reporting framework, and finally leveraging a leading and integrated technology platform to deliver

Sustainable IFMIS Strategy

 Assess against Maturity Model

 Establish Leading Process Frameworks

 Robust and Scalable Technology Platform
Typical Maturity Model - A Journey towards adopting Leading PFM Practices

To ensure resources are used effectively during the development of the IFMIS strategy, it is important to identify the maturity level of the relevant government. The figure below provides an example of a typical maturity model specifying the leading PFM practices expected at each level. The IFMIS would be the overarching reform aligning all these practices to deliver consistent consolidated information to government.

Any Technology Platform, adopted by government, towards automating their financial and associated processed need to address all the functions (as demonstrated in the adjoining diagram), in an integrated manner.

Most established Global ERP/Technology Platforms (e.g. SAP and Oracle) help address these areas effectively and in a scalable manner.

Criteria of a Mature IFMIS Technology Platform

- Real-time Integration within Core Functions
- Single Database
- Integrated Planning and Budgeting Capabilities (Top down and Bottom Up)
- Analytics (what if analysis, scenario planning etc.)
- Workflows
- Multi-tier architecture
- Role based authorizations
- Treasury and Fund management functionality
- Robust Integration frameworks to connect legacy and third party systems
- Portal and Mobile capabilities for internal and external stakeholders ease of use
A snapshot of IFMIS in Sub-Saharan Africa

The following table provides a snapshot of the IT platforms adopted by several countries in Sub-Saharan Africa. The choice of platform would be dependent on the maturity of the environment and the complexity of the IFMIS implemented.

<table>
<thead>
<tr>
<th></th>
<th>SAP</th>
<th>ORACLE</th>
<th>EPICOR</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa Experience</td>
<td>Zambia, Zimbabwe</td>
<td>Uganda, Ghana, Kenya, Ethiopia</td>
<td>Tanzania, Gambia, Malawi, Swaziland, Lesotho</td>
<td>South Africa, Nigeria</td>
</tr>
</tbody>
</table>

The impact of the IFMIS reform is dependent on the selection of an appropriate platform. The more complex systems such as SAP and ORACLE provide the user with more functionality and customisability, however, these systems are often expensive to set up and maintain in the long-term. The additional functionality offered by these systems may not always be needed - it is therefore important to conduct careful needs and cost-vs-benefits analyses before committing to a particular solution.

Conclusion:

It is clear from the discussions above that the successful implementation of an IFMIS is a major component, if not one of the goals, of PFM reform. Although it may not fully prevent fraud and corruption in government institutions, the standardised information that management receives should assist in identifying and investigating unusual transactions or activities, which may increase Government’s ability to root out corruption.

The success and sustainability of the IFMIS is dependent on a an effective sustainable strategy and the effective implementation of other PFM reforms such as a review of the country’s PFM Act, review of budgeting process, development of a Standard Chart of Accounts etc. These aspects should be supported with clear political leadership and commitment and the appropriate resources, capacity building and change management strategies.

The IFMIS is considered to be the over-arching reform which aligns all other PFM processes. It gives effect to the overall objective of PFM and is a valuable tool for decision-making in the public sector. However, it is important for governments to realise that there is no “one-size-fits-all” solution where IFMIS is concerned. Each country is unique and consequently a tailored solution is required to address the specific system requirements, information needs and users.
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