

PUBLIC EXPENDITURE FINANCIAL ACCOUNTABILITY (PEFA)

VALIDATION WORKSHOP

The Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom. Since 2001 PEFA has become the acknowledged standard for PFM assessments.

The PEFA program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. PEFA is a methodology for assessing public financial management performance. It identifies **94 characteristics (dimensions)** across **31 key components** of public financial management (**indicators**) in **7 broad areas of activity (pillars)**.

An official launching ceremony of Public Expenditure and Financial Accountability Assessment (PEFA+++) has been conducted virtually on 27 October 2021 at 2:30 PM through the Zoom platform organized jointly by the World Bank, ADB and SPFMS program. Ms. Nazma Mobarek National Program Director, SPFMS, and Additional Secretary, Finance Division, Ministry of Finance gave her keynote address and launched the PEFA Assessment. Various aspects of PEFA assessment including an overview, scope, and objectives, PEFA framework and methodology, etc. were discussed by the distinguished senior representatives from the World Bank, Asian Development Bank (ADB), European Union (EU), and PEFA Secretariat. Mr. Kabirul Ezdani Khan, Additional Secretary, Finance Division addressed his valuable closing remarks at this ceremony. After the official launching ceremony, several technical sessions were conducted related with online questionnaire fill-up, evidence collection etc. Seminars/workshops are another important part of a PEFA evaluation. These are used to inform the relevant partners and familiarize them with the PEFA methodology as well as for confirming the information shared, the interpretation of the data and consequent scoring given to each dimension. In light of this, several seminars already took place; firstly, the PEFA launching seminar was held in October 2021 followed by the Technical Level Validation Seminar held in the first week of November 2021. During the second seminar that took place in November 2021, the PEFA consultants made a brief presentation on the following,

- Assessment Objectives
- Implementation schedule
- Assessment team
- Method of work
- The PEFA +++ assessments that includes PEFA+ Climate Responsive Public Financial Management (PEFA Climate), PEFA++ Gender Responsive Public Financial Management (GRPFM), PEFA++ PFM Readiness for Disaster Management (PFM-RDM)

In this regard, the World bank also facilitated PEFA self-paced E-Course which was highly recommended and helpful for the Government Assessment Team.

After preparation of the Draft assessment report, a three days validation workshop of Bangladesh PEFA 2021 and three supplementary assessments: Climate Responsive Public Financial Management (PEFA Climate), Gender Responsive Public Financial Management (GRPFM) and PFM Readiness for Disaster Management (PFM-RDM) was conducted from June 26, 2022 to 28, 2022 at Hotel InterContinental Dhaka. Nominated officials from different Ministries and Departments, representation from World Bank, Asian Development Bank (ADB), European Union and High Commission of Canada attended the validation workshop. The main objective of this validation workshop was to discuss the draft report jointly with Government Assessment Team (GAT), validate the scores and corroborating evidence against each PEFA pillar, indicator, and dimension. This validation workshop also expedited in-depth discussion on scoring criteria and narratives, and explained the conclusions reached by the assessors as well as addressing any remaining gaps in data collection or evidence.

PEFA consists of 7 pillars and 31 performance indicators that measure the operational performance of the key elements of the PFM systems, processes, and institutions. PILLAR 5 assesses the **Predictability and control in budget execution**. Under activity # 5, PI 26 shows the overall progress of Internal Audit. This indicator (PI 26) assesses the standards and procedures applied in internal audit. It contains the following four dimensions and uses the M1 (WL) method for aggregating dimension score:

- Dimension 26.1. Coverage of internal audit
- Dimension 26.2. Nature of audits and standards applied
- Dimension 26.3. Implementation of internal audits and reporting
- Dimension 26.4. Response to internal audits

During the session nominated officials responsible for PI 26 has mentioned various activities which is ongoing under Internal Audit and Audit Followup scheme of SPFMS program (Strengthening Public Finance Management Program to enable Service Delivery) 2018/19-2022/23.

The latest phase of the SPFMS (Strengthening Public Finance Management Program to enable Service Delivery) Project 2018/19-2022/23 highlights the establishment of fully functioning Internal Audit for the first time in the GoB. There is a Scheme of Internal Audit and Audit Follow-up under this project which began in August 2021. The scheme has already achieved several important milestones which include among others sensitization workshop on internal audit in the public sector, setting up an internal audit unit within the Finance Division, holding short training courses on the fundamentals of internal audit and holding series of workshops on the Process of Internal Audit and Financial Reporting with the major spending departments of the government. It notes the Internal Audit responsibilities are not currently comprehensive and focused almost exclusively on ex-post financial compliance. Internal Audit Reports were not envisaged until 2022/23. Overall, internal audit is passing through a phase of transition.

The PEFA consultants have also highlighted That there are pockets of an Internal Audit function in some ministries (e. g. Ministry of Education, Ministry of Roads and Highways, Ministry of Housing and Public Works, Ministry of Health). Where it exists, it has few qualified auditors. The nominated officials under this PI26 have also informed participants that the Internal Audit Charter and Risk-Based Internal Audit Manual are in process of finalization.

At the end of the session PEFA consultants commented that, Internal Audit is a significant element of the reform programme as the government introduced financial management reforms in the

public sector, internal audit has gained increasing acceptance as a provider of services to heads of ministries, departments and agencies (MDA) in their efforts to improve service delivery, efficiency and economy of government operations.

Snapshot from the PEFA Validation Workshop:



