

**REPUBLIC OF MOZAMBIQUE
TRIBUNAL ADMINISTRATIVO**



**REPORT
ASSESSMENT OF THE PUBLIC FINANCE MANAGEMENT
SYSTEM IN MOZAMBIQUE USING THE PFM RF**

Maputo, April 2019

ACRONYMS

Acronym	Meaning
AFROSAI-E	African Organization of Supreme Audit Institutions of English-Speaking Countries
AT	Tax Authority
GFG	Good Financial Governance
MTEF (CFMP)	Medium Term Expenditure Framework (<i>Cenário Fiscal de Médio Prazo</i>)
CGE	General State Accounts (<i>Conta Geral do Estado</i>)
PFM	Public Finance Management
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (German Cooperation)
IDI	INTOSAI Development Initiative
SAI	Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
INCOSAI	INTOSAI Congress
ISSAI	International Standards of Supreme Audit Institutions
MDA	Ministries, Departments and Agencies
MoEF / MEF	Ministry of Economy and Finance
MDG	Millennium Development Goals
SDG	Sustainable Development Goals
OE	State Budget
UN	United Nations
OISC/CPLP	Organization of Portuguese Speaking Supreme Audit Institutions
PES	Economic and Social Plan (Annual Plan)
PFM RF	Public Financial Management Reporting Framework
PND	National Development Plan
UNDP	United Nations Development Program
PQG	Government's Five-Year Plan
RPCGE	Report and Opinion on the General State Accounts
PFMS	Public Financial Management Systems
TA	Administrative Tribunal

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EXECUTIVE SUMMARY

When the United Nations (UN) approved the Agenda 2030 the African Organization of Supreme Audit Institutions of English-Speaking Countries (AFROSAI-E) endeavored to develop the **Public Financial Management Reporting Framework (PFM RF)** tool which would serve as a shared tool for Supreme Audit Institutions (SAI) within this INTOSAI sub-region as a way to assist member SAIs in monitoring SDGs.

During a meeting held in Pretoria, in which the Administrative Tribunal (TA) participated, it was agreed that some SAIs would pilot the tool. The TA was amongst the selected SAIs as it was the only jurisdictional SAI present. SAI Ghana and Kenya were also amongst the selected SAIs.

On this context, the tool was tested by Ghana, in March 2018, by the TA (pilot assessment), in April 2018 and, later, by Kenya, in July 2018. The results of the assessments by these three SAIs served to introduce improvements that led to the current PFM RF's design.

In September 2018, on the grounds of the Declaration of Dili, the X General Assembly of OISC/CPLP decided to adopt the Public Finance Management (PFM) Reporting Framework as the tool to follow-up on progress in the implementation of SDGs within the CPLP region.

In October 2018, pilot assessments were carried out by the Auditor Generals of Rwanda and Zimbabwe and, in November of that year, it was applied by the Court of Accounts of the Union (TCU)-Brasil and, in January 2019, by the Court of Accounts of Portugal (TCP).

This Report is the first of the kind that the TA issues using the PFM RF, and it is aimed at assisting the Government to improve Public Finance

Management Systems (PFMS), through better government accounting and auditing practices.

The tool was designed to test National Systems. It also helps SAIs to, amongst other, provide specific recommendations to the Government about the implementation of policies that contribute to SDGs.

The tool is based on a holistic assessment of the PFM system and focuses on three key institutions: The Ministry of Economy and Finance, Tax Authority and Parliament, as a first set of institutions, and Ministries, Departments and Agencies (MDA), as the second set.

The assessment was carried out using a mixed approach: a workshop was held, and target institutions were visited to gather additional information. Its scope was 2017's financial year and it focused on the areas that are relevant for achieving SDGs.

In terms of benefits, the platform provides simplified methodologies for analyzing issues and it constitutes an advantage when assessing the inclusion of SDGs in government agendas. However, it does not include an analysis that measures the progress of SDG-related programs. This would allow the tool to provide a more continuous, permanent and systematic monitoring.

The tool is useful when planning TA audits looking at areas and processes at risk, in one hand. On the other, it can be useful for identifying areas of risk within the TA and provide recommendations for their respective mitigation.

Undertaking a PFM consolidated assessment around key institutions and MDAs makes the process simpler and more flexible. The tool also seeks

to understand the alignment between the targets contained in main macroeconomic management and operationalization tools.

It makes it easy to identify global risk areas within each process and institution which enables institutions and government to direct their attention to areas that have been identified as most critical.

The implementation of this tool by the TA will enable the government to obtain an additional and credible source of data for supporting decision making processes.

The assessment concluded that the country's PFM performance is satisfactory. However, there are challenges related to Governance and Oversight, Regulation, the Political and Legislative Framework and Organizational Structure and Human Resources.

We also found that the PFM RF tool indicates that the TA needs to invest more in auditing National Systems in order to contribute for SDG monitoring.

Its integration into the RPCGE may contribute to strengthen PFM institutions and improve the provision of services to citizens.

I. INTRODUCTION

When Agenda 2030 was approved by the United Nations (UN) in September 2015, it noted that governments have the main responsibility to implement, follow-up and carry out national, regional and global reviews of the Sustainable Development Goals (SDG), with relation to the progresses achieved over the subsequent fifteen years.

On this context, the African Organization of Supreme Audit Institutions of English Speaking Countries (AFROSAI-E) decided to develop a tool, the Public Financial Management Reporting Framework (PFM RF), to be commonly used by Supreme Audit Institutions (SAI) in this INTOSAI sub-region ¹, with the objective of contributing for monitoring SDGs.

The Administrative Tribunal (TA) was part of the group of SAIs that, in Pretoria, together with AFROSAI-E and with GIZ support, determined the first version of the PFM RF tool.

In that meeting it was agreed that the tool would be implemented, as a pilot, by some SAIs, amongst which, the TA, as it was the only jurisdictional SAI present, and the Auditor-Generals of Ghana and Kenya.

On this context, the tool was tested by the Auditor General of Ghana, in March 2018. Following to that, the TA carried out a pilot assessment in April 2018 and later, the tool was tested by the Office of the Auditor-General of Kenya, in July 2018.

The results of the assessments and the experiences collected during the pilots by SAIs of different systems (Westminster and Roman-German /

¹ INTOSAI – International Organization of Supreme Audit Institutions

Court of Accounts), served to introduce improvements to the tool and paved the way for the PFM RF tool's current design.

During its X General Assembly the OISC/CPLP² resolved to deepen its collaboration with AFROSAI-E, GIZ and UNDP regarding the use, by interested member SAIs, of the Public Finance Management (PFM) Reporting Framework to monitor the implementation of SDGs (Point 3 of the Declaration of Dili, of 28 September 2018).

This Report is the first of the kind issued by the TA as a result of an Assessment of the Public Finance Management System in Mozambique using the PFM RF, on the context of its monitoring of the implementation of the SDGs.

II. CHARACTERISTICS OF THE TOOL

III. BACKGROUND

On September 27, 2015, during the UN General Assembly, Heads of State and Government adopted the Resolution “**Transforming Our World: Agenda 2030 for Sustainable Development**”, comprised of 17 goals, further broken down into 169 targets.

According to then UN's Secretary-General, Ban Ki-Moon, “The 17 SDGs are our shared vision of humanity and a social contract between the world's leaders and the people. SDGs function as a list of things to do on behalf of people and the planet, as a plan for success”.

² OISC/CPLP – Organization of Portuguese Speaking Supreme Audit Institutions

The XXIII UN - INTOSAI Symposium on the agenda post-2015 recommended, amongst other actions, the need to improve the availability and quality of government data used for auditing, as well as, encouraged INTOSAI to assure capacity development for sharing knowledge amongst SAIs and other initiatives that would be effectively coordinated to collectively support SAIs' individual efforts to monitor and assess national development goals and related SDGs.

Thus, INTOSAI assumed and adopted the SDG targets as a cross-cutting priority within its Strategic Plan, 2017 - 2022. This instrument was approved during the XXII General Assembly of INCOSAI³, held in 2016, in Abu Dhabi.

One must note that the inclusion of the theme "**How INTOSAI can contribute to the UN 2030 Agenda for Sustainable Development, including good governance and strengthening the fight against corruption?**" as the one of the main themes for INCOSAI 2016.

INCOSAI 2016 defined four (4) different approaches through which SAIs can contribute to monitoring SDGs, namely:

- **Approach 1: National Systems** – Assessing the preparedness of national systems to report progress about the implementation of SDGs and, posteriorly, audit their functioning and the reliability of the data produced;
- **Approach 2: Performance Audits** – Undertaking audits to check economy, efficiency and effectiveness of key government programs that contribute to specific SDG aspects;

³ INCOSAI – INTOSAI's Congress

- **Approach 3: Assessing and Supporting SDG 16** - Assessing and supporting the implementation of SDG 16, which envisages effective, accountable and transparent institutions;
- **Approach 4: Transparency and Accountability** – SAIs being models of transparency and accountability in their own operations, including audits and reports.

By focusing on approach 3, SAIs shall understand their countries' general PFM environment on a holistic manner and shall be actively engaged in their improvement to contribute for achieving SDG 16.

SDGs require public services and infrastructure which take-up a significant amount of resources. Therefore, a sound PFM system is fundamental for implementing SDGs.

In 2017, with GIZ support, AFROSAI-E decided to develop a tool designated PFM RF, to be used by the SAIs in this INTOSAI sub-region, aimed at contributing for monitoring SDGs.

The design of the tool had the following assumptions:

- The need for a common framework for reporting on PFM;
- A simple concept that includes guidelines for a common understanding of PFM;
- Categorization of findings and aggregation and comparison of results amongst SAIs;
- Emphasis on the value and benefit of SAIs in the life of citizens (ISSAI 12).

During its V Seminar, in the City of Funchal, Madeira, Portugal, the OISC/CPLP resolved, subject to deliberation by its General Assembly, to promote, with support from the organization and other partners, such as

IDI, UNDP and GIZ, to undertake actions to follow-up on the state of preparedness of countries to implement SDGs, aimed at performing a diagnosis [line a) of para. 1 of the Declaration of Funchal, 15 September 2017].

In March 2018, the tool was piloted by the Office of the Auditor General of Ghana. Following to that the TA carried its pilot-assessment in April.

The results of the assessments and experiences collected on the ground during the pilot in Ghana and Mozambique were used to improve the tool and led to the current design of the PFM RF tool, as approved by the Governing Board of AFROSAI-E, in May 2018.

In July 2018, the new version of the tool was tested by the Office of the Auditor General of Kenya.

In September 2018 a Training of OISC/CPLP Trainers was undertaken in Lisbon, Portugal.

During its X General Assembly in Dili, East Timor, the OISC/CPLP resolved to deepen cooperation with AFROSAI-E, GIZ and UNDP regarding the use of “Public Finance Management Reporting Framework” tool in order to promote monitoring of the SDGs within the community (Point 3 of the Declaration of Dili, of 28 September, 2018).

In October 2018 the Auditor Generals of Rwanda and Zimbabwe carried out pilot assessments using the PFM RF tool.

In November, the PFM RF tool was applied by the Court of Accounts of the Union (TCU)-Brazil.

Finally, in January 2019, the tool was applied by the Court of Accounts of Portugal (TCP).

3.1. PURPOSE AND AGGREGATE VALUE

SAIs need to understand their countries' PFM environment in a holistic manner and must actively engage on their improvement as a contribution for achieving SDG 16.

Considering that SDGs require public services and infrastructure which take-up significant resources, thus, a Sound PFM system is fundamental for implementing SDGs.

The PFM RF tool is intended to support each government in improving its PFMS through, for instance, better government accounting and auditing practices.

Differently from other assessment tools, this was designed to test National Systems from within, using information daily handled by SAIs. This:

- Provides invaluable advantages in collecting information on the country's PFMS;
- Enables the introduction of modifications within audit programs taking into consideration good Public Financial Management practices;
- Helps SAIs in providing specific recommendations to government on the implementation of policies aimed at reaching SDGs.

In addition to the above referred aspects the use of this tool promotes the development of a healthy PFM system considering that the African continent faces challenges in terms of strengthening accountability, improving PFM, transparency and fighting corruption. Thus, SAIs engagement needs to be considerably increased to ensure that governments successfully implement SDGs.

Regarding the main SDGs at the level of selected institutions, we have found that these objectives are reflected in their respective annual budgets, however, at sector level (MDA) it is not possible to measure SDGs, as sectors have not yet defined specific targets associated with the SDGs targets.

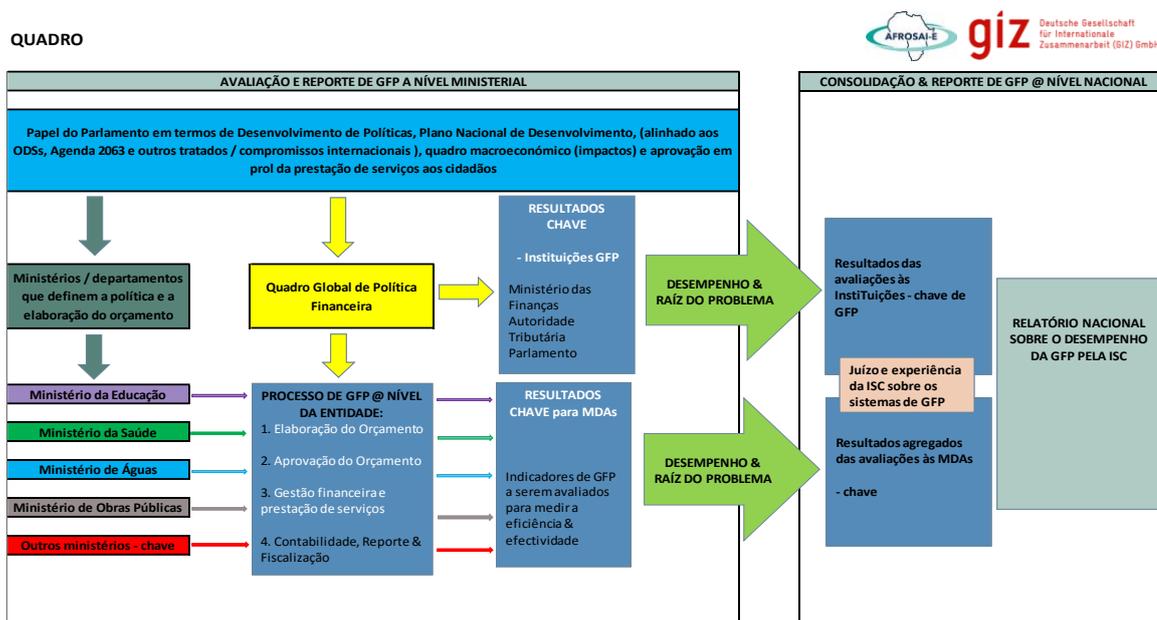
3.2. STRUCTURE OF THE TOOL

The PFM RF tool is based on a holistic assessment of the PFM system, centered around two groups of institutions, namely:

- **Key PFM Institutions: Ministry of Economy and Finance** (it is the institution that coordinates public finance and is responsible for the budget process); **Tax Authority** it is responsible for collecting revenue and it is relevant for the execution of the State Budget; and **Parliament** who approves the State Budget and carries out the political oversight over budget execution.
- **Ministries, Departments and Agencies (MDA):** These are responsible for PFM at sector level.

The figure below summarizes the functioning of the PFM RF tool.

Figure 1– Structure of the PFM RF Tool



Source: PFM RF Tool

It is important to note that the PFM RF analyzes the five (5) key PFM processes, namely: (i) macroeconomic and budgeting policy and strategic budgeting; (ii) budget preparation; (iii) budget approval; (iv) financial management and service provision; (v) accounting, reporting and oversight.

Of the above mentioned processes the following subprocesses were analyzed: (i) macroeconomic and budget policy and strategic budgeting; (ii) budget preparation; (iii) budget approval; (iv) procurement; (v) Payroll; (vi) information systems; (vii) Tax policy and management; (viii) cash management; (ix) controls and internal audit; (x) monitoring of service provision; (xi) accounting and (xii) financial reporting.

The application of the tool is structured into an excel spreadsheet with key questions and typified answers, with five response options, classified from 0 to 4. When points range from 0 to 3 it translates into the existence of flaws in procedures. It is, thus, necessary to identify the root cause. A

classification of 4 means there are no significant flaws and it represents the ideal scenario. For each question the auditors are requested to indicate the basis of their assessment (by referring to the work carried out, the sources of information used, the robustness of the evidence) and must present evidence of the analysis carried out.

The conclusions reached are subject to the “5 Why model” which aims to identify what is the main problem that hinders optimum performance. The roots of the problem were framed into 5 main areas: (i) legislative and policy framework; (ii) organizational structure and human resources; (iii) information systems; (iv) governance and oversight; (v) communication and stakeholder management.

After all the questions have been responded the tool summarizes the results into summary tables and graphs: (1) for global analysis; (2) by process and subprocess; (3) by institution.

Objectively speaking, the results should enable auditors to conclude on the quality of the PFM system and whether SDGs are included in being monitored.

3.3. NECESSARY RESOURCES

For assessing the PFM system using the PFM RF tool we used a group of well-trained auditors who were experienced in auditing the selected institutions. The team included financial⁴ and performance auditors, as well as macroeconomic data analysts. All of them received training on the use of the PFM RF methodology.

⁴ To be understood as regularity auditors

For the assessment, we created 2 subgroups of two or three auditors for each of the entities considered, and each subgroup had a Coordinator.

IV. PROCESS WITHIN THE ADMINISTRATIVE TRIBUNAL

4.1 METHODOLOGY

In April 2018, a PFMS pilot-assessment was carried out in Mozambique. The process focused on the key PFM sectors in the areas that contribute for achieving SDG's namely: Ministry of Economy and Finance, Tax Authority, Assembly of the Republic/Parliament, Ministry of Education and Human Development, Ministry of Health, Ministry of Agriculture and Food Security, Ministry of Public Works, Housing and Water Resources, Ministry of Science and Technology, Higher and Technical-Professional Education. The pilot exercise engaged about twenty (20) auditors with training and experience in auditing the selected institutions.

In September 2018, SAI Mozambique, through 3 of its auditors, participated in the OISC/CPLP Training of Trainers around the use of the PFM RF tool in Lisbon, Portugal.

In January 2019, the TA was authorized to assess Mozambique's PFMS. Thus, in programming this assessment, the TA prioritized the experience from the pilot stage and paid special attention to the selection of the assessment team, as well as the selection of the institutions to be assessed. Under these terms, it was agreed that the same resources and the same workshop model would be used during the pilot assessment.

During the preparations of the PFMS assessment in Mozambique, an internal workshop was held from 11 to 15 March 2019 involving the assessment team and the coordinator to introduce the tool to the teams and

for a preliminary filling-up of the excel spreadsheets in a context of a *training of users*, as well as for gathering evidence.

Thus, the PFMS assessment using the PFM RF tool was undertaken using a mixed format, through a workshop from 18 to 22 March. The workshop was complemented by visits to the institutions under assessment, from 18 to 22 April, in order to collect additional information.

The objective of the PFMS assessment using the PFM RF tool was to issue a position on the effectiveness of PFM processes with focus on the relevant areas for achieving SDGs.

The basis of assessment was 2017's financial year. The selection of the scope of the assessment was because, at the time of the works, the Report and Opinion on the General State Accounts (RPCGE) had already been approved by the TA and submitted to Parliament.

The filling-up of the excel spreadsheets involved twenty-two (22) auditors spread across the selected institution as shown by the table below:

Table 1- Institutions under assessment vs number of auditors

Institution under assessment	Type of institution	No. of Auditors
Ministry of Economy and Finance (MoEF)	Key PFM Institutions	3
Tax Authority (AT)		2
Assembly of the Republic / Parliament (PAR)		2
Ministry of Agriculture and Food Security (MDA 1)	MDA	2
Ministry of Health (MDA 2)		3
Ministry of Education and Human Development (MDA 3)		3
Ministry of Public Works, Housing and Water Resources (MDA 4)		2
Ministry of Science and Technology, Higher Education and Technical Professional (MDA5)		2
Consolidation of Excel sheets		3
Total		22

4.2 RELEVANCE FOR THE TA

For the PFM RF assessment, 275 questions were considered. Of these, 201 (73%), were classified as relevant with complete information, 66 (24%), relevant with incomplete information and, 8 (3%), not applicable as per the table below.

Table 2- Classification of questions

Institutions		Classification of questions			
		Relevant and Pertinent		Non - Applicable	Total
		Complete Information	Incomplete Information		
Ministry of Economy and Finance	MoEF	25	17	0	42
Tax Authority	AT	36	4	1	41
Assembly of the Republic /Parliament	Par	6	1	0	7
Ministry of Agriculture and Food Security	MDA1	28	8	1	37
Ministry of Health	MDA2	26	9	2	37
Ministry of Education and Human Development	MDA3	26	9	2	37
Ministry of Public Works, Housing and Water Resources	MDA4	25	11	1	37
Ministry of Science and Technology, Higher and Technical-Professional Education	MDA5	29	7	1	37
Subtotal		201	66	8	275
Subtotal (%)		73%	24%	3%	100%

The above table shows that 97%⁵ of the questions are relevant and pertinent for the purposes of Assessing PFM key sectors.

⁵ 73%+24%

V. POSSIBLE USES AND BENEFITS FOR THE ADMINISTRATIVE TRIBUNAL

The benefits arising from the use of the PFM RF tool may be measured through the undertaking of two major purposes of SAIs⁶, namely: (1) strengthen Accountability, Transparency and Integrity of government and public sector institutions; and (2) Demonstrating continuous relevance for citizens, the legislative and other stakeholders.

Thus, the platform embodies questions about distinct and relevant themes for the assessment of Public Finance Management and provides simplified methodologies for its analysis. This has the potential of aggregating value to PFM oversight and control functions which are, by law, reserved to the TA.

5.1 MONITORING OF SDG

Lately, sustainable development has been gaining significant acceptance and understanding. It is now considered by the government in planning and formulation of policies.

Data collected from the Ministry of Economy and Finance (MoEF)⁷ shows that Mozambique is a signatory of the Agenda 2030, which integrates 17 SDGs, built on the legacy of the Millennium Development Goals (MDGs), particularly on the targets which were not reached, but also on the gains achieved thereon.

The same source shows that a linkage was established between MDGs and SDGs, and that a linkage exists between the latter and the Strategic Objectives of the Government's Five-Year Plan (PQG) 2015-2019.

⁶ ISSAI 12: "Value and Benefit of Supreme Audit Institutions – Making a difference in the life of citizens".

⁷ Official Page. Document: "*Transforming our world: Agenda 2030 for Sustainable Development*".

The source also refers that the linkage between the SDGs and the PQG Strategic Objectives was made possible as the latter reflects within its priorities the 3 sustainable development dimensions: economic, social and environmental. It represents a first step towards integrating Agenda 2030 within the National Public Planning System in order to facilitate the process of the implementing, monitoring and assessing sustainable development commitments. For that, it is necessary that the Government, Civil Society, Parliamentarians, Private Sector, Academia and all other national and international relevant forces engage with one another⁸.

The government establishes its governance policies in line with the SDGs which are translated into the government annual programs: the Economic and Social Plan (PES) and the State Budget (OE). These documents are key to the process of monitoring and evaluating the country's Public Finance Management.

The PFM RF, in particular, within the macro-process of “Budget Preparation”, and its execution, includes questions on the integration of SDGs in the process of assessing Public Finance⁹, such as, for instance, the incorporation within the budget, its alignment with Government programs and respective monitoring, which represents an advantage for evaluating the process of inclusion of SDGs in government agendas.

However, the PFM RF does not include an analysis that measures accomplishment of SDG related programs. Would it be possible the tool would enable a continuous, permanent and systematic follow-up of Government actions leading to the achievement of the defined targets. It would also help to check the progress made during the implementation of

⁸ SDG 16.7

⁹ Including the definition of the Methodology for achieving a response that is more adjusted to reality.

programs and determine the extent to which government performance is leading to the materialization of SDGs and, through that, suggest more adequate recommendations. This adds up to the relevance of the tool in assessing Public Finance Management.

When following up on the quality of the functioning of MDAs¹⁰ and key Institutions (AT, Parliament and MoEF), issues will be identified and/or constraints will be faced while implementing public policies; and new strategies or public policies will be proposed aimed at achieving the targets defined.

5.2 BENEFITS FOR RISK ANALYSIS

In the process of undertaking government programs, as well as in budget execution, institutions are subject to risks that may compromise the success of programs and the efficient and effective management of public monies.

It is through risk analysis that professionals help their institutions and government in obtaining important data for the definition of strategies that respond to such risks.

In accordance with ISSAI 1315, it is recommended that one proceeds to the identification and assessment of risks of material errors through understanding the entity and its environment. In fact, the PFM RF methodology includes essential questions which facilitate the analysis of audit risks.

Through its different dashboards¹¹ the tool indicates the risk areas and processes. This information can be easily identified and interpreted.

¹⁰ Ministries, Departments and Agencies

¹¹ Global Dashboard and process dashboards 1 to 5.

Therefore, the tool is very useful in assisting in the planning the audits of the TA while selecting the entities to be audited based on the risk areas and processes. On the other hand, it may also be useful in identifying areas of risk for the TA itself and in proceeding to their respective mitigation.

However, it is important to note that the risk analysis cannot be sufficiently be responded by the solutions provided by the tool. It requires the auditor to include and analyze other variables not foreseen by the tool.

5.3 PUBLIC FINANCE MANAGEMENT CONSOLIDATED ASSESSMENT

The PFM consolidated assessment contributes for achieving the SDGs considering that a GFF is a fundamental condition for successfully implementing SDGs.

The use of the PFM RF on a consolidated manner and using key Institutions and the selected MDAs makes it simpler and more flexible.

This tool seeks to identify the synchronization between the targets contained in main macroeconomic management tools such as the PQG, the PES, the OE and their annual operationalization (effectiveness of activities).

The consolidated assessment using the PFM RF simplifies the production of reports, reduces time and effort, and produces systematized and easy to control information that can support the government in decision making. It Also helps the TA in analyzing the CGE for the purposes of preparation of the RPCGE.

5.4 IMPROVING THE QUALITY OF RECOMMENDATIONS

The PFM RF makes an assessment based on factual PFM performance. It is an important tool because from the identification of the root causes of low performance it becomes possible to produce more appropriate recommendations, suggest adequate corrective measures based on the "5 Why Model" in order to improve performance and to promote the use of good PFM practices while enabling the achievement of the established goals.

The PFM RF tool provides a global view of the performance of main institutions, as well as the details on how they influence each PFM process.

The tool also helps in identifying global risk areas for each process and institution. This may enable institutions and the government to direct their attention to the areas identified as being the most critical.

5.5 PERFECTING AUDIT PROCEDURES

The use of the tool brings challenges to the TA. It is an opportunity to improve planning and execution methods and it contributes for improving audit procedures. The tool assumes an important role as it forces SAIs to create conditions that seek excellence and quality on the services rendered by its technicians¹².

The PFM RF is pertinent for improving working methodologies if consider the objective manner by means of which questions are made. This forces the TA to reform its planning an execution processes especially with regards to the subject matter by giving emphasis to relevant and

¹² ISSAI 12, paragraph 11.

pertinent questions which have not been fully or partially responded to due to insufficient information.

As a result of improving audit procedures the TA will improve trust, independence, objectiveness in knowledge and in providing guidance for supporting positive change within the public sector¹³.

With the support of PFM RF, auditors increase their probability of providing adequate backing-up to their reports, their opinions will be evidence-based. They also ensure that the evidence they collect is reliable, relevant and useful in providing a solid base for conclusions and recommendations for a good PFM system.

There is a need to improve techniques used for identifying root causes and to streamline the practice within all audit processes.

The TA needs to undertake annual audits to selected MDAs and key institutions (AT, Parliament and MoEF) to ensure regular monitoring and evaluation of their performance in achieving SDGs. Such MDAs shall be defined within the planning process.

5.6 POTENTIAL OF COMMUNICATION WITH STAKEHOLDERS

As this is a tool in which assessments are made through matrices and simplified dashboards the information that is generated is easy to be understood and does not require the user to be an expert on the subject matters to understand the reports being presented. This feature facilitates engagement and participation of different stakeholders.

¹³ ISSAI 12, paragraph 7.

Stakeholder engagement may contribute to achieving SDG targets as stakeholders have capacity and knowledge which can be shared ¹⁴ in order to capitalize actions intended for achieving SDGs.

By recognizing stakeholders' different roles and taking their perspectives into consideration without compromising the independence of the TA¹⁵, the tool enables stakeholders to, in one hand, check the extent to which policies, plans, laws, regulations and programs are being implemented, and, on the other, to check whether they effectively benefit citizens.

5.7 SUGGESTION FOR IMPLEMENTATION IN COUNTRY

On the context of SDGs, the PFM RF tool is important for monitoring MDAs and key sectors contributing to make them more effective, accountable and transparent, at all levels¹⁶.

The implementation of this tool by the TA will provide the government with an additional and credible source of information to support making decisions on the most appropriate strategies which lead to the achievement of development objectives, to the correct implementation of public policies laid out on the PES and PQG 2015-2019, through an efficient and effective management of public finance.

The tool will assist the PFM process and will contribute to make strategic planning more dynamic and efficient.

Considering that the PFM RF report is a “new product” that has to be introduced By SAIs, including by the TA, and that it is not foreseen by the

¹⁴ For instance through Civil Society interventions.

¹⁵ ISSAI 12, paragraphs 1 and 6.

¹⁶ SDG 16.6

regulations that guide the TA activities, it is important to consider putting this report in context with the various regulatory tools in force at the TA.

VI. PRELIMINARY CONCLUSIONS

6.1 MAIN MESSAGES

Public Financial Management performance in Mozambique is satisfactory, however, we would like to point out to the following situations:

Process 1: Macroeconomic Policy, Fiscal Policy and Strategic Budgeting

The result of this process indicates a scoring of 1.9. This scoring represents an area of risk because it is below the scoring of 2, and, it arises from the low degree of performance in the forecasting of key fiscal and macroeconomic indicators, which present significant divergences:

- A deviation of 0.4% percentual points (p.p) in forecasting the average annual inflation, as pointed out by the CGE¹⁷, regarding the forecasting made by the Medium-Term Expenditure Framework (CFMP) 2017-2019¹⁸ and by the annual Economic and Social Plan (PES).
- A deviation of 25.023 million Meticaís between the alignment of expenditure by the CFMP and PES 2017 in the amount of 272.289 million Meticaís, against 247.266 million Meticaís during execution, as per the CGE.
- A deviation of 51.913 million Meticaís between the forecasting of the budget deficit within the PES and OE in the amount of 85.955

¹⁷ Report and opinion on the General State Accounts 2017

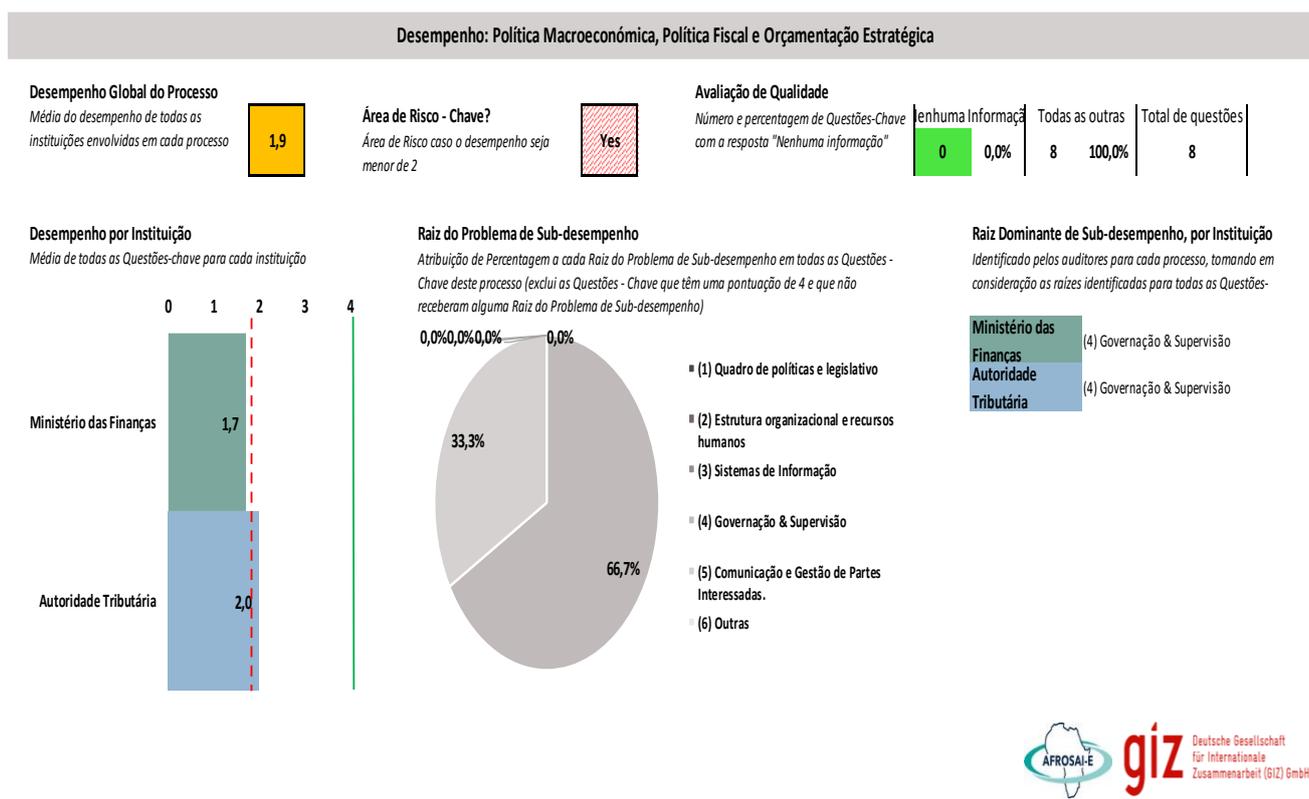
¹⁸ CFMP 2017-2019 – Reconciles the total amount of revenue in the medium term with the expenditure foreseen for implementing the main lines of action provided for by sector / government strategic plans.

Million Meticaís, against 34.043 million Meticaís, as presented by the CGE/2017.

The result obtained was (1,9) and this score also arises from divergences in the estimations at 14,4%¹⁹ between public revenue foreseen by the OE 2017 (186.334 million Meticaís) and public revenue collected in 2017, as per the CGE 2017 (213.223 million Meticaís).

Therefore, for the resolution of these PFM problems at the level of this process regulation and oversight need to be improved.

Figure 2 - Summary of results for Macroeconomic Policy, Tax Policy and Strategic Budgeting



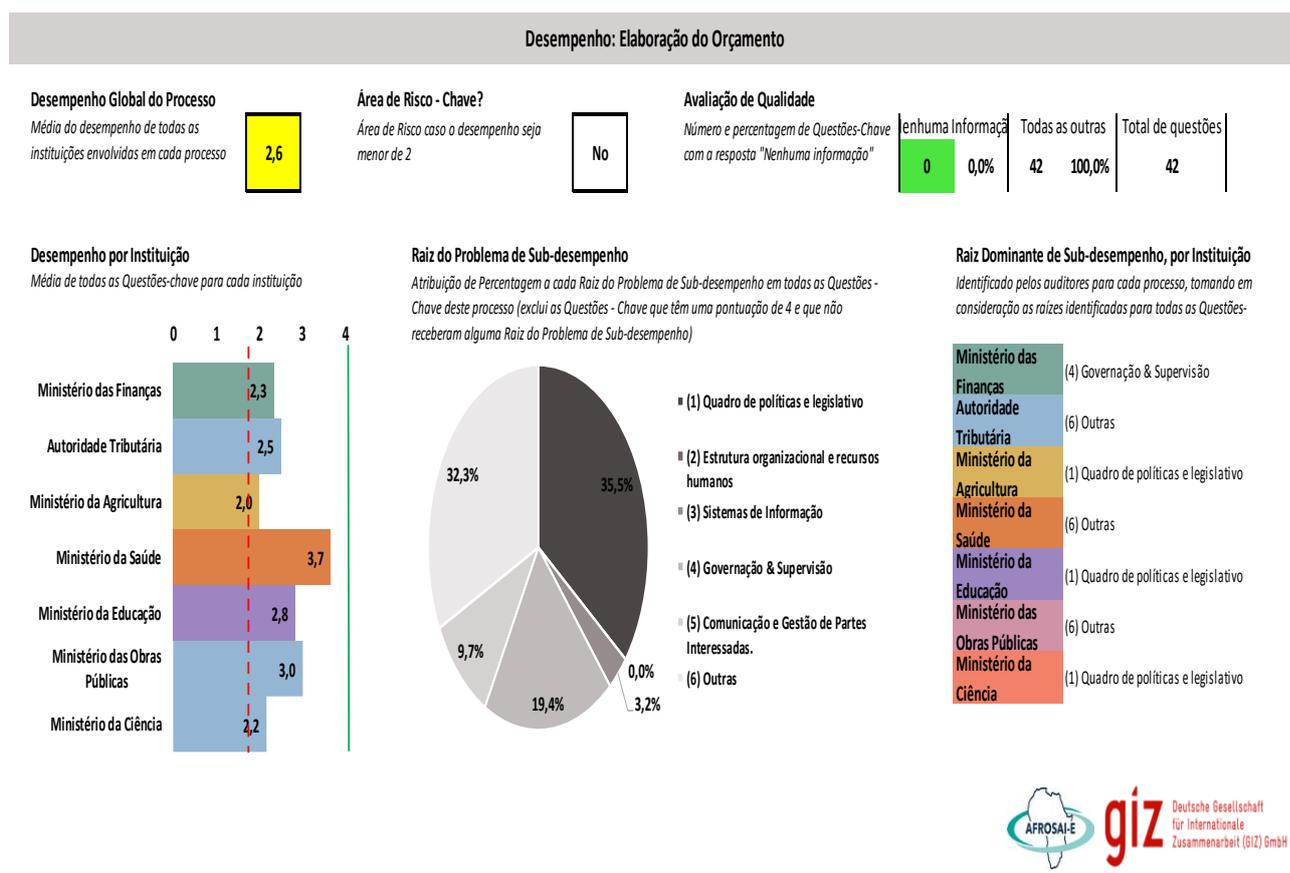
Source: Avaliação PFM RF_TA_2019

Process 2: Budget Preparation

¹⁹ (213.223/186.334-1)*100

The scoring for this process was 2,6 (above average) in all PFM institutions. Improvements to this subprocess (budget preparation) depend on the level of governance and Oversight that will have an impact in matters related to the alignment amongst expenditure and budgets, as well as between the latter and Government instruments such as the PQG, the PES, directives from the Ministry of Economy and Finance and sectoral strategies. With regards to these instruments it was also noted that none of them allow the SDGs to be measured as they present no specific indicators and targets that can monitor SDGs at the level of budget preparation within the MDAs.

Figure 3 - Summary of results for Budget Preparation

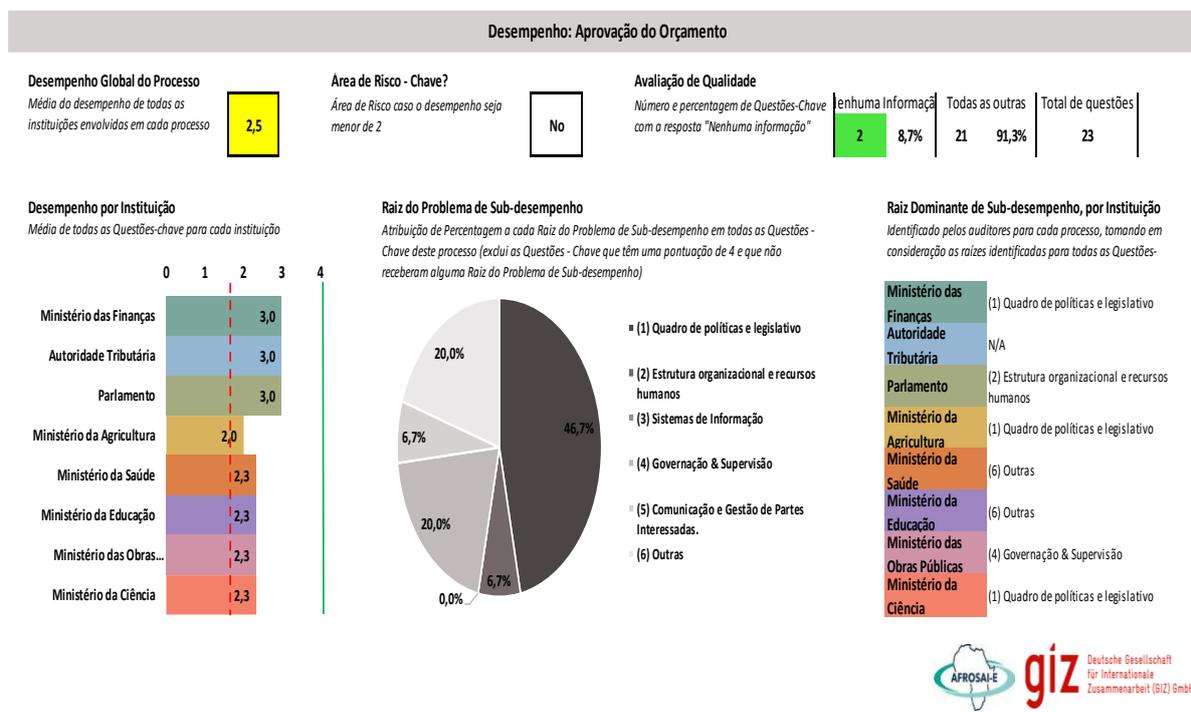


Source: Avaliação PFM RF_TA_2019

Process 3: Budget Approval

The scoring for this process was 2,5 This process requires improvements particularly regarding significant deviations between the budget approved by parliament for 2017 and the allocation of resources to the sectors (MDA). The cause of these deviations in all institutions is linked to the budget deficit and to the rationalization of financial resources on the grounds of a restraint policy in public expenditure that took place in 2016 and 2017. Therefore, the solution to most issues identified remain to be resolved at a political and legislative level.

Figure 4- Summary of results for Budget Approval



Source: Avaliação PFM RF_TA_2019

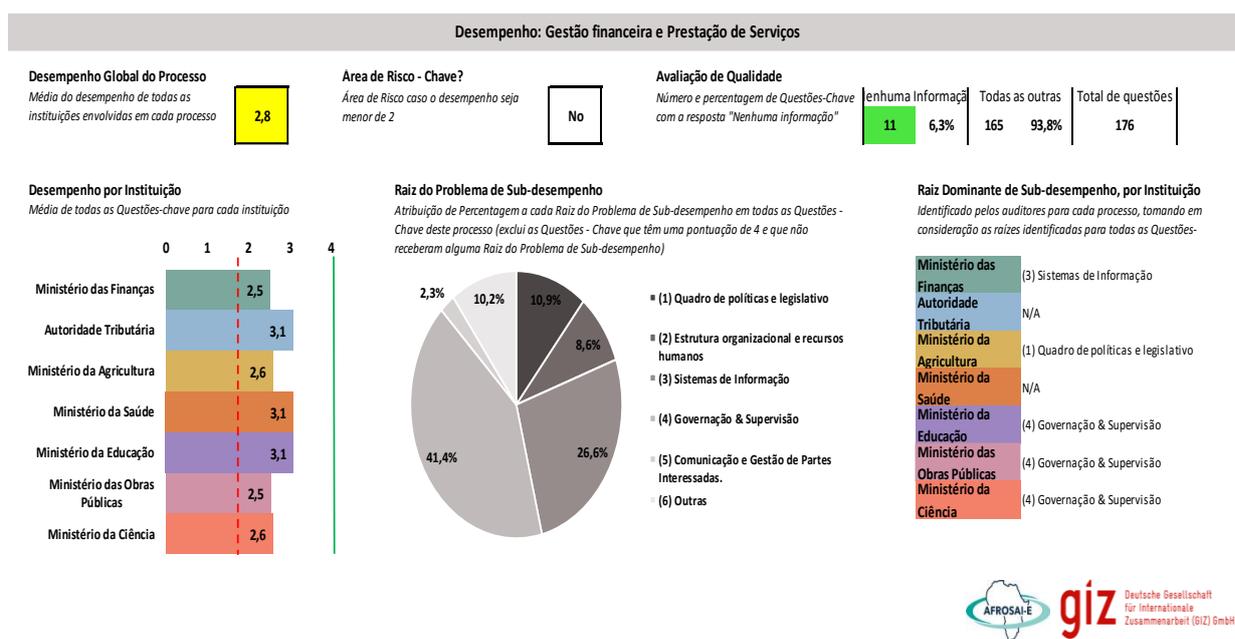
Process 4: Financial Management and Service Provision

The process recorded a global scoring of 2.8. At sub process level, payment of salaries, information systems and cash management demonstrated a satisfactory performance (**3 ≤ Performance Level ≤ 4**) in all institutions.

Subprocesses with levels of performance ($2 \leq \text{Performance Level} < 3$), includes Tax Management and Policy, Internal Controls and Auditing and Monitoring of service provision.

Advancement on the countries' PFM reforms led to the operationalization of the State's financial administration electronic platform (e-SISTAFE). This added aggregate value to financial management and service provision processes. On these grounds, the solution for the problems identified within this process and related sub-processes can be found mostly at the level of the political and legislative framework.

Figure 5- Summary of Results for Financial Management and Service Provision



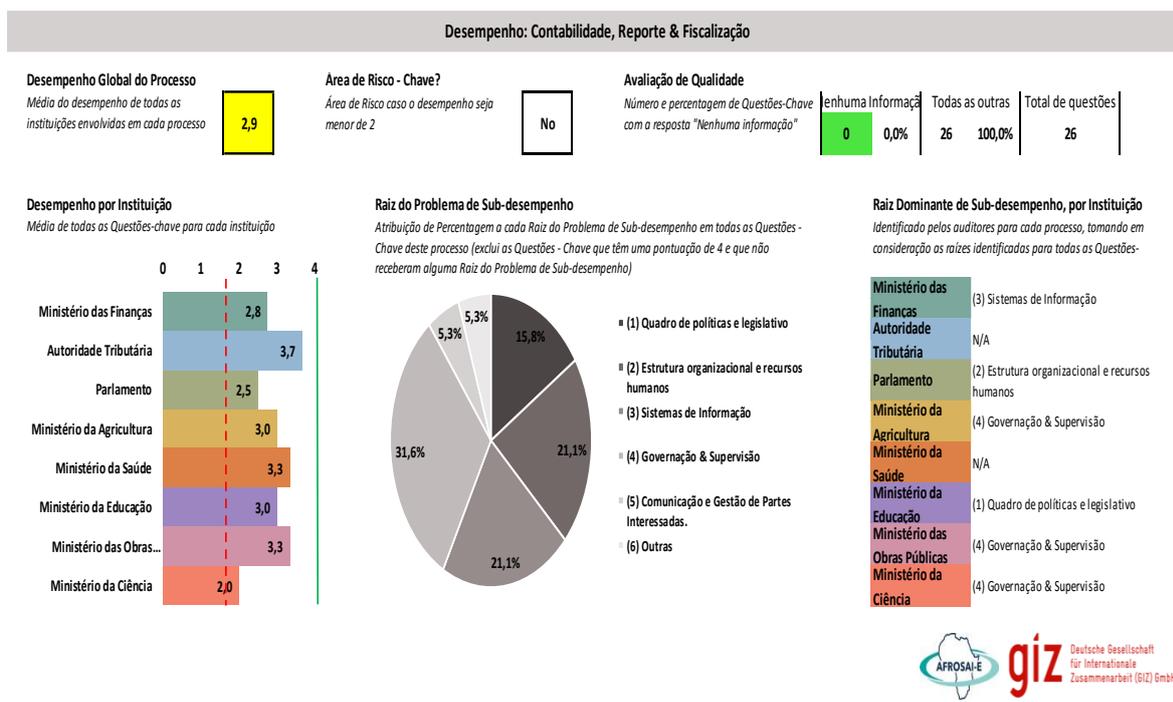
Source: PFM RF Assessment_TA_2019

Process 4: Accounting, Reporting and Oversight

This process recorded a scoring of 2.9 in all PFM institutions. The sub-process of Parliament Oversight shows a performance level that needs improvement as, on the side of the Government, there are delays in following up with TA recommendations related to the RPCGE findings.

The solution for the problems identified within this process is split between various areas, with emphasis on the Political and Legislative Framework, Organizational Structure and Human Resources.

Figure 6 - Summary of results for Accounting, reporting and Oversight



Source: PFM RF Assessment_TA_2019

6.2 MAIN MESSAGES ON SDGs

The PFM RF tool allows for the measurement of the extent to which policies, National Development Plans (PND), the macroeconomic policy, are aligned with SDGs, agenda 2063 and other international treaties and agreements related to the provision of services to citizens. The tool enabled us to assess the subprocesses of Budget preparation and monitoring of service provision.

Regarding the Budget preparation subprocess, the PFM tool reports that reference indicators from the CFMP 2017-2019 and PES 2017, served as a basis for the preparation of the State Budget 2017. However, there was a divergence between budget deficit data. For the solution of this problem mechanisms linked to PFM governance and oversight need to be introduced.

Regarding the main SDGs at the level of selected institutions we found that these objectives are reflected in their respective annual budgets. However, at sector level it is not possible to measure the SDGs as, at this level, the targets have not specifically been defined. As to Monitoring, we found that it does take place.

Regarding the monitoring and review of SDGs we found that regular monitoring takes place at the MoEF using the Indicator Matrix of the PQG 2015-2019 and the one laid out within the country's SDG Implementation Report. At sector level SDG performance monitoring is done on an effective manner, however, some deficiencies in human and financial resources were found. The solution is linked to governance and oversight.

ODS 16.6 - Develop effective, accountable and transparent institutions at all levels

This objective is measured by analyzing the following:

- a) The extent to which the results of the aggregate budget reflects the originally approved amount, as defined by the government's aggregate expenditure and fiscal reports (SDG 16.6.1²⁰).** On these terms, the assessment found that:

At the level of the Ministry of Economy and Finance (MEF), the scoring is of 2.3. In accordance to Chapters IV and VI of the RPCGE 2017 there was a deviation of 9,2% (*25.023 million Meticaís*) between the global approved budget (*272.289 million Meticaís*) and the actual expenditure incurred (*247.266 million Meticaís*). This deviation represents a non-execution of expenditure in the amount of 25.023 million Meticaís.

At the level of the AT and MDA, the score is of 2,5 and 2,7, respectively. This scoring arises from the confirmation that SDG 16.6 is inserted within the Strategic Plans and the 2017 budgets of the selected institutions, although no specific measures have been laid out for achieving the SDGs by 2030.

- b) Citizen satisfaction with public service provision (SDG 16.6.2²¹).**

The assessment found:

Participation in budget preparation

At the level of the AT and MDA, there is no information that proves Civil Society's engagement in budget preparation;

²⁰ 16.6.1 - Primary public expenditure as a proportion of the originally approved budget, per sector (or by budget codes or similar)

²¹ Proportion of the population satisfied with their last experience in receiving public services

Budget debate open to public

At the level of Parliament, the public has access to State Budget debate (OE) and it is coordinated by the Plan and Budget Committee (CPO). During the OE appreciation at the Committee level, Government hearings are held, and various institutions are met for clarifications, consultations and inputs. The Committee works in collaboration with citizens and Civil Society.

The CPO engaged the Budget Monitoring Forum (FMO), civil society organizations and media, to discuss budgeting and PFM in the country.

Scrutiny of audit reports

This checks whether Parliament and relevant Committees adequately review audit reports and provide comments and discuss their content. We found that both Parliament and the CPO do that through the RPCGE, with some delays. This result was achieved using practices towards previous reports as the RPCGE 2017 had not been approved at the moment of this assessment.

Transparent and competitive procurement

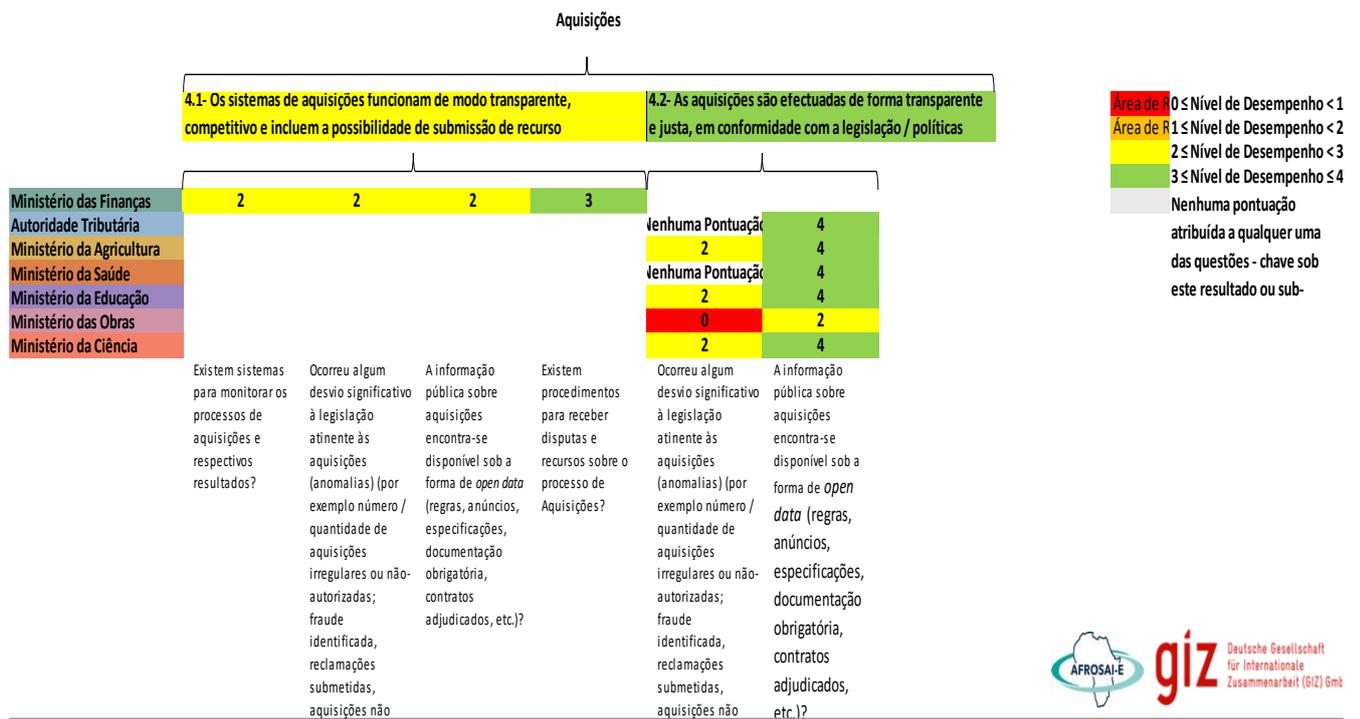
The sub-process of Procurement at the MoEF obtained a scoring of 2,3. This scoring requires improvements. We have found an average volume of significant anomalies resulting from non-compliance with procurement legislation and the poor level of following-up on these anomalies. Such anomalies may be resolved through decisions by the area responsible for organizational structuring and human resources.

The AT's procurement subprocess obtained a scoring of 3, as a result of the assessment of accessibility of bidding documents, contracts and other information to the public. We must note that the assessment did not obtain

evidence of the registration of anomalies arising from non-compliance with the legislation.

At last, the MDA's procurement subprocess obtained a performance scoring of 2, with governance and Oversight being suggested as solutions for improvement.

Figure 7- Summary of the sub-process of Procurement in the perspective of



SDGs

Source: PFM RF Assessment_TA_2019

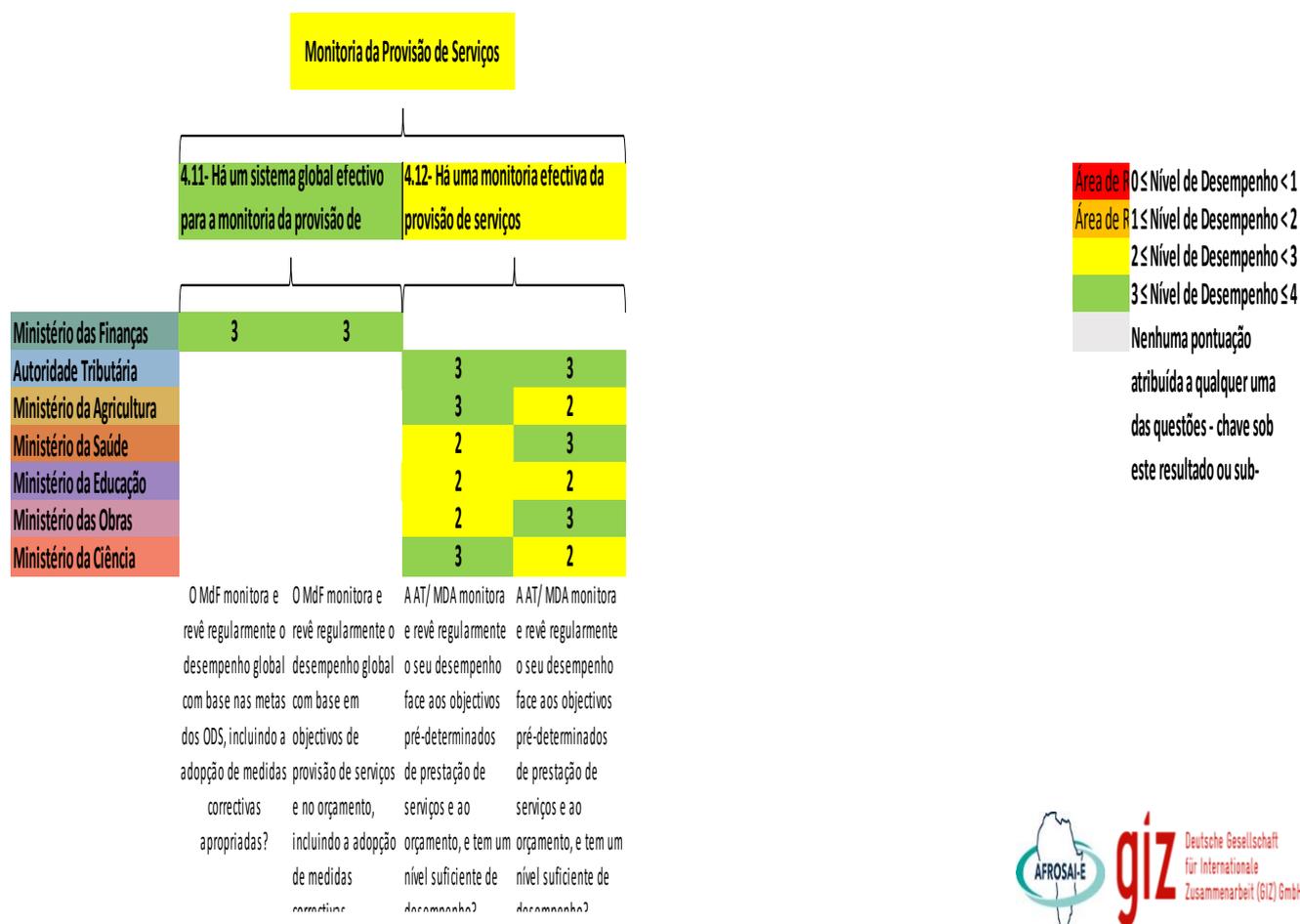
Monitoring of Service Provisions

At the level MoEF performance was scored as 3. We have found that the MoEF monitors global performance using on the Annual Monitoring of the PQG Indicator Matrix and the Draft Report on SDG Implementation.

At the level of the MDA the performance level is below 3 and above 2. The solutions for the issues identified on this subprocess lie within governance and Oversight.

Figure 8 - Summary of the sub-process of Monitoring of Service Provisions, as per SDGs

Gestão financeira e Prestação de Serviços: Monitoria da Provisão de Serviços



Source: PFM RF Assessment_TA_2019

6.3 MAIN MESSAGES PER ENTITY ASSESSED

The table below shows the results per each PFM institution:

Ministry of Economy and Finance

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	<p>There is an alignment of 5,5%, (186.334 Meticaïs) between GDP and Public Revenue forecasts at the Medium-Term Expenditure Framework (CFMP 2017-2019), the Economic and Social Plan (PES 2017) and CGE 2017. However, with regards to the Annual Average Inflation there is a less relevant gap of 0,4 p.p., as per the CGE, when compared to relevant statements made by the CFMP and PES. With regards to expenditure, although there is an alignment on CFMP and PES 2017 forecasts, of 272.289 million Meticaïs, there is a deviation of 25.023 million Meticaïs when compared to the CGE, of 247.266 million Meticaïs.</p> <p>The budget deficit foreseen by the CFMP and the OE was of 85.955 Million Meticaïs, against 34.043 million Meticaïs, as presented by the CGE 2017, a deviation of 51.913 million Meticaïs.</p> <p>The Public Revenue foreseen by the CFMP 2017-2019 was of 186.334 million Meticaïs, against an actual collection of 213.223 million Meticaïs (CGE 2017),</p>	1.7	Governance and Oversight

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
		<p>largely surpassing estimations, in 14,4%. As to Public Expenditure, there is an inconsistency of 25.023 million on the CFMP estimations against the CGE's. in 247.266 million Meticaïs.</p> <p>The budget deficit foreseen by the CFMP and the OE was of 85.955 Million Meticaïs, against 34.043 million Meticaïs, as presented by the CGE 2017, a deviation of 51.913 million Meticaïs.</p>		
Budget Preparation	Budget Preparation	<p>Total cost of main capital projects is shown on respective contracts and/or financing agreements and/or in projects' descriptive memos. This derives from a general State Budget principle provided for by the Country's legal framework. Total costs are split by financial year in compliance with the principle of annuality, according to which, the Budget has an annual execution.</p> <p>The CFMP 2017-2019 and PES 2017 reference indicators were used as a basis for preparing the State Budget 2017. However, there is a divergence on some data such as on budget deficit.</p>		Governance and Oversight

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
			2.3	
Budget Approval	Budget Approval	N/A	3.0	Policy and Legislative Framework
Financial Management and Service Provision	Procurement	During the years the TA has been reporting on the Report and Opinion on the General State Accounts that there are anomalies on contracting processes. In 2017, there were some violations to the legislation around contracting.		
	Payroll	N/a		
	Information Systems	The MoEF has been implementing a Redundant Data Center for disaster recovery. In addition, a series of actions are being carried out to establish a Business Continuity Plan as per ISO 22301. These actions include a Backup Strategy, a Risk Management Model, the Emergency Plan of Action and undertaking disaster recovery tests as well as making security copies on a location diverse from the production location		
	Revenue Management Systems	Through the General Inspectorate of Finance, the Ministry of Economy Finance is mandated to oversee the processes of collecting revenues and making expenditure, however, this mandate is not being fully implemented as the TA reports, each year, through the Report and Opinion on the General State Accounts the		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
		irregularities found in Tax administration in Mozambique.	2.5	Information Systems
	Cash Management	We found non-compliance with Budget Execution rules established by law, namely by the Ministry Diploma no. 181/2013, of October 14, issues by the MoEF, and of Law no. 14/2014, of August 14, as amended and republished by Law no. 8/2015, of October 6. This is caused by an insufficiency of revenue to cover expenditure and by the freezing of direct budget support by cooperation partners.		
	Controls and Internal Audit	Through the General Inspectorate of Finance, the Ministry of Economy and Finance (MEF) has been following-up the recommendations made from both internal audit and TA audits to the General State Accounts. This following-up has been made easier by an on-line platform designated Recommendation Management Systems (SGR). Parliament has been recommending that internal control is increasingly reinforced. On this context, IGF (being the Oversight Unit for the Internal Control Subsystem) regularly promotes classroom capacity building actions and undertakes joint audits with Sector Inspectorates to promote reciprocal sharing of knowledge regarding internal audit as per international standards.		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
	Monitoring Service Provisions	The MoEF monitors and evaluates government actions as per the Five-Years Plan Indicator Matrix (PQG 2015-2019), which are, on its turn, aligned to Sustainable Development Goals (SDG). In this context its worthy to note: (i) Annual monitoring of the Matrix of Indicators of the PQG; ii. Drafting of the Preliminary Report on the Implementation of Sustainable Development Goals (SDG) in Mozambique.		
Accounting, reporting and oversight	Accounting	The general regime for public accounting and financial reporting is provided for by Law no. 9/2002, of February 12. This instrument is further complemented by may other instruments, amongst which, its regulations, approved by Decree no. 23/2004, of 20 August, the State's Financial Administration and Accounting Procedures Guide, approved by Ministry Diploma no. 181/2013, of August 14, State Budget Circulars for Administration and Execution and for Closing the Financial Year, as approved yearly by the Minister of Economy and Finance.		
	Financial reporting	Some transactions are not reported by the CGE. This is the case of some capital projects, some expenditure executed using own revenues, collected revenue, some information on public debt, some assets, amongst other.		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
		<p>In the case of Mozambique financial reporting is made through the General State Accounts. Despite the fact that the CGE contains the relevant sections, the Government still does not present accounting statements such as Statement of Results and annexes to financial statements, as provided for by articles 43, 47 and 48 of Law no. 9/2002, of 12 February and articles 87,88 and 89 do of the SISTAFE Regulations, as approved by Decree no. 23/2004, of August 20.</p>	2.8	Information Systems

Tax Authority

Process	Sub-process	Root Cause of poor performance	Scoring of the Process	Solution for Performance problems
Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	The Planning and Budgeting Cycle is initiated by the definition of the Medium-Term Expenditure Framework (CFMP) in November of year N-1 until May of year N. However, regarding VAT returns the information provided remains unsatisfactory as there is no forecasting of returns to be made and the information provided on returns made is divergent when we consider the data provided by AT and that provided by the CGE.	2.0	Governance & Oversight
Budget Preparation	Budget Preparation	In 2016, the approved Budget for the AT (4.874.419.960,00 Meticais), diverges in 858.203.934,53 Meticais (17,6%), regarding actual expenditure (4.016.216.025,47 Meticais), due to budget cuts as part of the restraint measures.	2.0	Other
Budget Approval	Budget Approval	There was no budget revision. When planning its activities for 2017, the AT has taken into consideration the approved Budget (which was not subject to revision), as per Section. 2.8- Strengthening Planning and Accountability Mechanisms, of the AT's Report of Activities for 2016 ("Activity Report 2016 and Perspective for 2017").	2.0	Other
	Procurement			
	Payroll			

Process	Sub-process	Root Cause of poor performance	Scoring of the Process	Solution for Performance problems
Financial Management and Service Provision	Information Systems	N/a	3.1	N/a
	Revenue Management Systems			
	Cash Management			
	Controls and Internal Audit			
	Monitoring Service Provisions			
Accounting, reporting and oversight	Accounting	N/a	3.0	Other
	Financial reporting	The AT's Financial Reporting System covers transactions made, however, when reporting on commitments there is no evidence of mentioning some transactions, such as, for instance, amounts due to suppliers.		

Parliament

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
<i>Macroeconomic Policy, Fiscal Policy and Strategic Budgeting</i>				
<i>Budget Preparation</i>				
Budget Approval	Budget Approval	N/A	3.0	Organizational structure and human resources
<i>Financial Management and Service Provision</i>				
Accounting, reporting and oversight	Oversight	There is a delay in Parliament review of the audit report (RPCGE). Upon submission of the RPCGE to Parliament until 30 November, it is distributed by relevant MPs to obtain their view. Parliament provides comments before approving the CGE. Parliament, then, issues a resolution with appropriate recommendations for addressing findings. The Permanent Committee establishes the dates for Plenary analysis, which should not last for more than 3 days. The CGE is approved by a resolution of Parliament and the CPO is responsible for drafting the resolution based on the RPCGE.	2.5	Organizational structure and human resources

Ministry of Agriculture and Food Security

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
<i>Macroeconomic Policy, Fiscal Policy and Strategic Budgeting</i>				
Budget Preparation	Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	Budget deficiencies are not always taken into consideration for preparing the following year's Budget. This is the reason the MoEF receives, in-year, requests for funds intended to cover previous years' debts.	2.0	Policy and Legislative Framework
Budget Approval	Budget Preparation	The institution's budget is not aligned with MASA's Strategic Plan, CFMP nor with the PES Not foreseen by MASA's Budget	2.0	Policy and Legislative Framework
Financial Management and Service Provision	Procurement	We found deviations in the use of budgeted amounts	2.6	Policy and Legislative Framework
	Payroll	N/a		
	Information Systems	N/a		
	Revenue Management Systems	N/a		

	Cash Management	N/a		
	Controls and Internal Audit	N/a		
	Monitoring Service Provisions	N/a		
Accounting, reporting and oversight	Financial reporting	Although extremely significant, MASA's Management Accounts for 2017 do not report on funds from Donations and external aid	3.0	Governance & Oversight

Ministry of Health

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
Macroeconomic Policy, Fiscal Policy and Strategic Budgeting				
Budget Preparation	Budget Preparation	In 2017, due to the budget deficit 62,47% of the Current Expenditure budget was executed. For capital budget 98,46% of the internal component was executed and 37,86 % of the external component was executed.	3.7	Other
Budget Approval	Budget Approval	MISAU has no mandate to provide within its Budget a line for unforeseen circumstances. This is made by the Ministry of Economy and Finance (MoEF) and the amount is an aggregate amount, not detailed per sector. In the case an unforeseen event occurs, MISAU must request funds from the MoEF. There was no change to the State Budget in 2017.	3.5	Policy and Legislative Framework
Financial Management and Service Provision	Procurement	N/a		N/a
	Payroll	N/a		
	Information Systems	N/a		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
	Revenue Management Systems	Requests were made to the National Directorate of Treasury, however, the process has not been finalized due to the lack of a legal basis for subscribing such revenues; currently the legal department is mapping out all the revenues and the process is a long one, due to use of such revenues right at the source.	3.1	
	Cash Management	Lack of financial availability as most suppliers are based abroad and, by rule, every payment in foreign currency must be cleared in advance.		
	Controls and Internal Audit	N/a		
	Monitoring Service Provisions	N/a		
Accounting, reporting and oversight	Financial reporting	MISAU issues reports on a timely basis, however, these reports are not comprehensive. MISAU's management accounts does not include revenues and debts pending	3.3	Policy and Legislative Framework

Ministry of Education and Human Development

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
<i>Macroeconomic Policy, Fiscal Policy and Strategic Budgeting</i>				
Budget Preparation	Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	<p>The Budget Law for 2017 does not foresee any amounts for payment of debts pending from previous financial years.</p> <p>Budget ceilings did not include previous financial years due to the country's economic and financial situation and the budget was only able to cover for current expenditure. The SISTAFE law foresees the availability and liquidation of expenditure for the year it pertains to. In addition, the system does not accept the capturing of pending payments to be included in following years' budgets due to limitations in the system.</p> <p>The deviation the MDA made in the previous year was: current expenditure amounted 87% of the approved Budget, internal capital expenditure corresponded to 100% and external capital expenditure amounted 79%, for FASE, and 5% for bilateral projects.</p>		

		Low budget execution on current expenditure was due to delayed release of funds by the National Directorate of Treasury. In the case of External Investment, the low execution was due to a delay in the acquisition of schoolbooks (grade 1 and 2). On the other hand, PGFPPR funds took longer to be released. Low execution of bilateral projects was since the funds are managed by respective cooperation partners and reports are then sent to the Ministry of Economy and Finance for incorporation within the e-SISTAFE.	2.8	Policy and Legislative Framework
Budget Approval	Budget Preparation	N/a	2.8	N/a
Financial Management and Service Provision	Procurement	We found cases of non-compliance with the legislation as there were contracts executed without their submission to the TA's no-objection and the use of direct contracting without respecting the ceilings established by law. Delay in the processes submitted to the TA and delays in the availability of funds.		
	Payroll	N/a		
	Information Systems	N/a		

	Revenue Management Systems	Not all revenue is channeled to the treasury. Revenues from the use of property are not declared and are used at the source.	3.1	Governance & Oversight
	Cash Management	N/a		
	Controls and Internal Audit	N/a		
	Monitoring Service Provisions	N/a		
Accounting, reporting and oversight	Financial reporting	N/a	3.0	N/a

Ministry of Public Works, Housing and Water Resources

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
Macroeconomic Policy, Fiscal Policy and Strategic Budgeting				
Budget Preparation	Budget Preparation	<p>In 2016 and 2017 there was a budget deficit. Therefore, 61,4% of the MOPHRH 2016's Budget was executed, 62,4% for the area of Water and 56,8% for Public Works and there was a deviation of 38.6%. The deviations do not include subordinated institutions as the management of their funds is not made through the e-SISTAFE, that is, these are autonomous institutions.</p> <p>At the level of headquarters and of the bodies subordinated to the MOPRH there are no hearings for discussing budgets. However, in the case of overseen institutions (FFH, FIPAG, CRA, ARA Sul, Centro and Norte) there are adequate forums where budget related matters are discussed with cooperation partners.</p>	3.0	Other
Budget Approval	Budget Approval	N/a	3.5	Governance and oversight
Financial Management and Service Provision	Procurement	<p>The reports from the TA reviewed showed deficiencies on procurement processes:</p> <ul style="list-style-type: none"> - Unplanned activities; 		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
		<ul style="list-style-type: none"> - Non-compliance with contractual terms; - Assignment of public works to Contractors, suppliers and service providers that do not meet requirements. 		
	Payroll	The MDA's payroll is robust, and it shows details on allowances, discounts, name of employee or agent and Taxpayer Number. However, at the level of overseen Institutions (FFH, FIPAG, CRA, ARA Sul, Centro and Norte) it was not possible to check as these have their own processes for disbursing salaries.		
	Information Systems	N/a		
	Revenue Management Systems	N/a		
	Cash Management	Allocations to the MDA at central level and to subordinated bodies (National Directorate of Water Management and Supply, National Directorate of Water Resources) are made based on their Financial Programing. However, funds are not always disbursed given the budget deficit. Overseen institutions generate revenue through the sale of services.		

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
	Controls and Internal Audit	<p>Overseen Institutions have internal audit departments which provide information - although incomplete - to the Inspector of Public Works at Ministry level. In accordance with the Organic Statutes of the MOPHRH, the department of Public Works Inspection is responsible for controlling the ministry's administrative and financial activities, including the inspection of State and private sector works. However, this department has 4 employees who deal with administrative and financial control and 11 that undertake inspection of works.</p> <p>The Housing Fund, the Fund for Water Investments and Assets, the Administration of Water Infrastructures and Sanitation all have a Fiscal Council (Sole Auditor). At the level of the MOPHRH and subordinated bodies there are no audit committees in line with the legal framework.</p>	2.5	Governance and oversight
	Monitoring Service Provisions	N/a		
Accounting, reporting and oversight	Financial reporting	At the level of the MOPHRH and subordinated bodies the financial reporting system includes Expenditure and Revenue Accounts as well as the balance from previous years. The same happens with overseen institutions. This	3.3	Governance and Oversight

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
		was not possible to check in the case of overseen institutions.		

Ministry of Science, Technology, and Higher and Technical-Professional Education

Process	Sub-process	Cause of poor performance	Scoring of the Process	Solution for Performance problems
<i>Macroeconomic Policy, Fiscal Policy and Strategic Budgeting</i>				
Budget Preparation	Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	There is no evidence of hearing stakeholders such as the media, civil society and development partners. Hearings are made at higher level, not at MDA level.	2.2	Policy and legislative framework
Budget Approval	Budget Preparation	N/a	2.3	N/a
Financial Management and Service Provision	Procurement	There was a significant non-compliance with procurement legislation, as the provisions of Decree 5/2016 were not followed. In addition, there are contracts signed which do not provide for better conditions for the State.		
	Payroll	Not at all, the payroll only contains the name of the employee, the basis salary, the discounts made, and the net amount paid. The tool used does not contain the information fields required.		

	Information Systems	N/a	2.6	Governance & Oversight
	Revenue Management Systems	No forecasting was made based on reasonable assumptions. Revenues are not transferred to State coffers, revenue is used at the source Revenue reconciliation is not made regularly		
	Cash Management	N/a		
	Controls and Internal Audit	Internal audit does not cover all areas. Furthermore, recommendations are not fully met. There is no internal audit committee. Thus, recommendations from internal audits are submitted to the Ministry's Permanent Secretary and recommendations are followed-up by the internal audit department itself.		
	Monitoring Service Provisions	N/a		
Accounting, reporting and oversight	Financial reporting	Deadlines for rendering accounts to the TA were not met. Management Accounts do not include revenue. Information contained in the Management Accounts is insufficient and deadlines for submitting information to		

		<p>the TA are not met due to difficulties in completing forms.</p> <p>Yes, the financial reporting system is comprehensive, however, the MDA does not include all required information in reporting.</p> <p>Gaps arise from the difficulties that managers have in completing required financial statements.</p>	2.0	Governance & Oversight
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6.4 MAIN MESSAGES FOR IMPROVING THE TA'S WORK

The assessment of the PFM system using the PFM RF tool emphasizes the need of the TA to invest more in auditing National Systems to contribute for monitoring the achievement of SDGs.

On the other hand, the TA needs to undertake efforts to implement, improve and/or perfect control tools at the level of National Systems while aggregating value to the life of citizens (ISSAI 12).

Information technologies (IT) have become an increasingly important tool for the improvement of service provision to citizens. Therefore, based on the results of the subprocess of financial management and service provision, namely, Payroll, Tax Policy and Management and Cash Management. It is, thus, important that the TA is aware of these challenges so that, in the future, it responds through the establishment of IT Audit Unit to reduce the impact of these issues over PFM.

The tool has 275 key questions about all the PFM institutions of which 66 are regarded as relevant and pertinent questions. During the assessment, however, we were not able to obtain complete information. Therefore, we propose that the TA takes into consideration the questions - even though with incomplete information - by integrating these questions within audit instruments to ensure that the same are included in the identification and assessment of material risks during the knowing the entity stage.

Based on the results of the assessment using the PFM RF tool, the TA may provide relevant recommendations to Parliament and Government about key national PFM issues. Therefore, its integration within the RPCGE may contribute to strengthen PFM institutions in the provision of increasingly better services to citizens.

THUS, it would also be fundamental that the TA adopts the assessment using the PFM RF tool and includes it as part of the TA's annual Plan of Activities.

Maputo, April 2019

ANNEXES