

# Internal Control and the Role of Treasury in PEMPAL Member Countries

*TCoP Kiev Survey 2013  
Results*

TCOP Resource Team, World Bank, April 2013

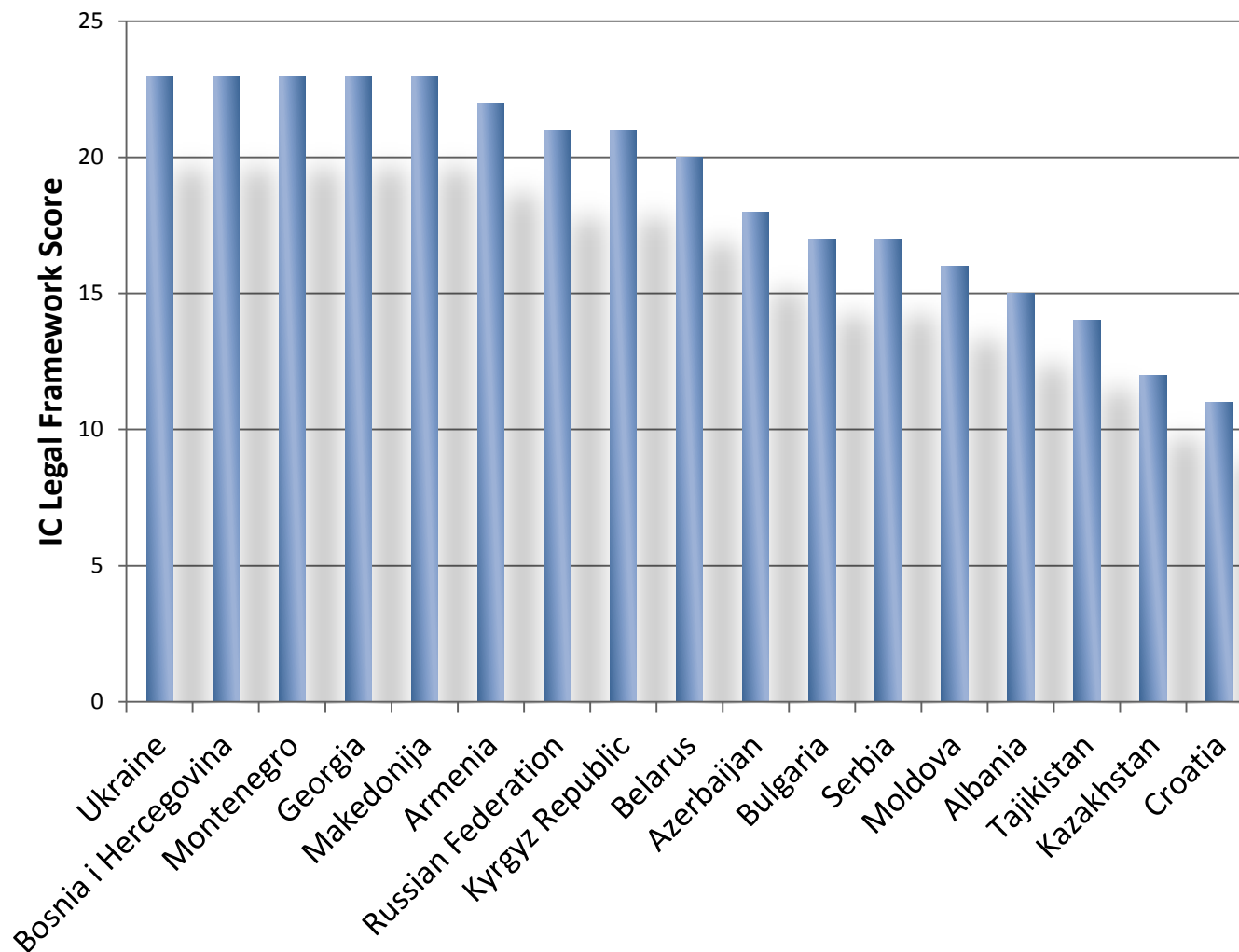
# Main Facts on the Survey

- TCOP members were surveyed in March 2013, in preparation for the Kiev workshop
- 17 PEMPAL member countries responded, and their responses are captured in the survey report
- **Topics covered by the survey:**
  - Legal Framework of Internal Control
  - Treasury Internal Control
  - Controls over FMIS
  - Payment processes
  - Revenue collection processes
  - Bank control procedures

# IC Institutional Framework

Question	Responses	Score
2. Legal basis for FMC	<ul style="list-style-type: none"><li>• Specific/general PFM law</li><li>• Range laws</li><li>• Not in law</li></ul>	3 2 1
4. FMC instructions	<ul style="list-style-type: none"><li>• Line Ministry + any of MoF, Treasury, IC body</li><li>• Any 1 of the above</li><li>• Other answer or answer including SAI</li></ul>	3 2 1
5. Legal responsibility FMC	<ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>	3 1
6. MoF/Treasury legal FMC responsibility	<ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>	3 1
7 + 8 Written instructions by MoF/Treasury	<ul style="list-style-type: none"><li>• At least annually</li><li>• Less frequently</li><li>• Never</li></ul>	3 2 1
9. Treasury IC legal requirement	<ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>	3 1
10. Designated Treasury person	<ul style="list-style-type: none"><li>• Yes</li><li>• No</li></ul>	3 1
11. Treasury instructions	<ul style="list-style-type: none"><li>• Detailed</li><li>• Some or few</li><li>• None</li></ul>	3 2 1

# Internal Control Legal Framework Results (Q2, 4-11)



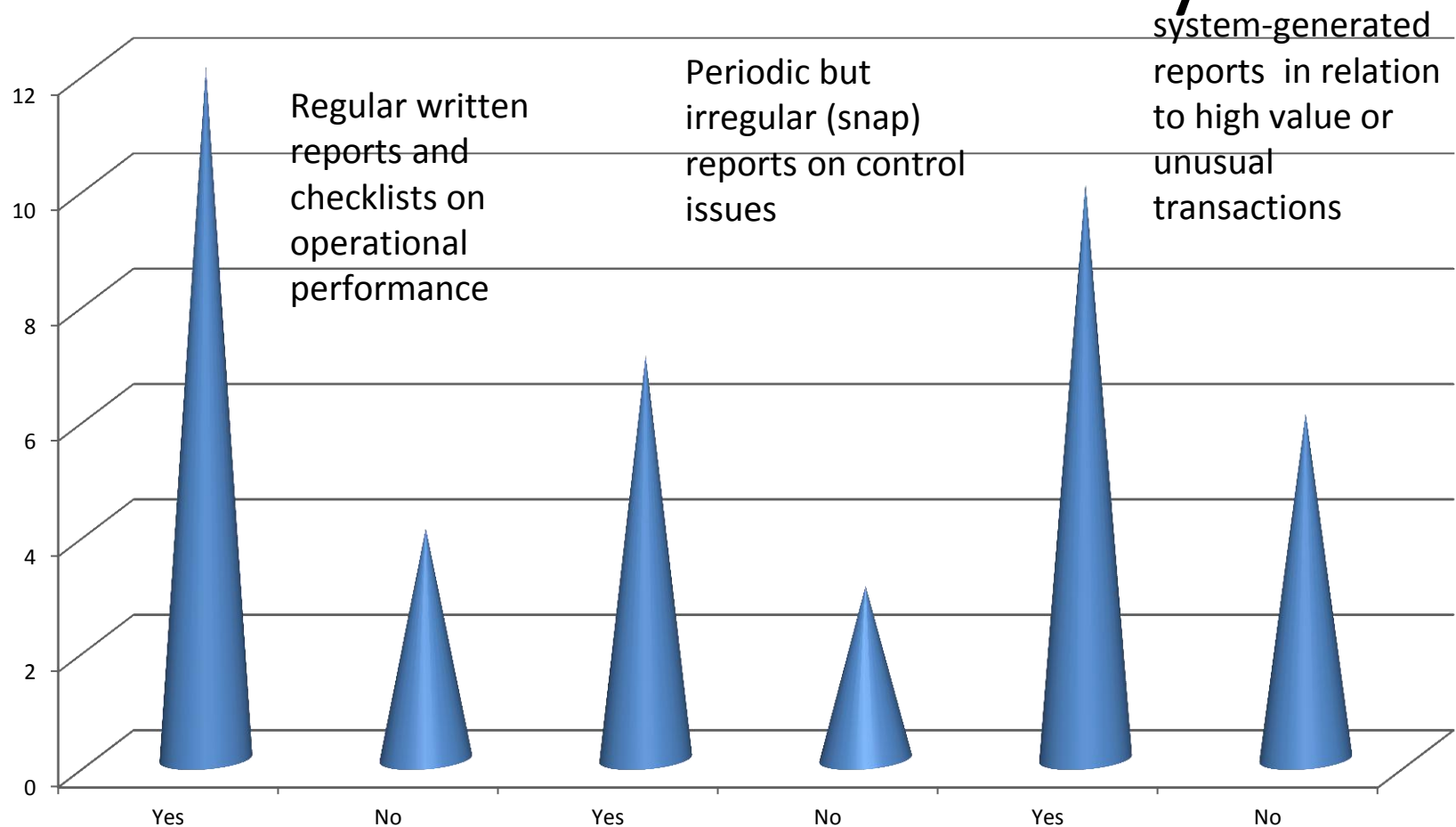
# Responsibility for Budget Entity FMC

- Responsibility for Budget Entity FMC
  - In 15 countries the head of the Budget Entity had legal responsibility for FMC
  - In only 12 countries the MoF or Treasury had legal responsibility for budget entity FMC, and in only 6 of these were instructions issued by MoF Treasury at least annually
- Responsibility for Treasury FMC
  - In 12 countries there was such a legal requirement
  - But only 9 had a specific person made responsible for Treasury FMC, and the same number had detailed written instructions on Treasury FMC

# Conclusions on IC framework

- All respondent countries have taken some actions to establish a legal and institutional framework for FMC
- But in a number of countries there are significant gaps in the framework, e.g.
  - MoF/Treasury lack of role in respect of Budget Entity FMC
  - Lack of legal responsibility, defined individual and written instructions for Treasury FMC

# Questions 13 and 15 – Management Control within the Treasury



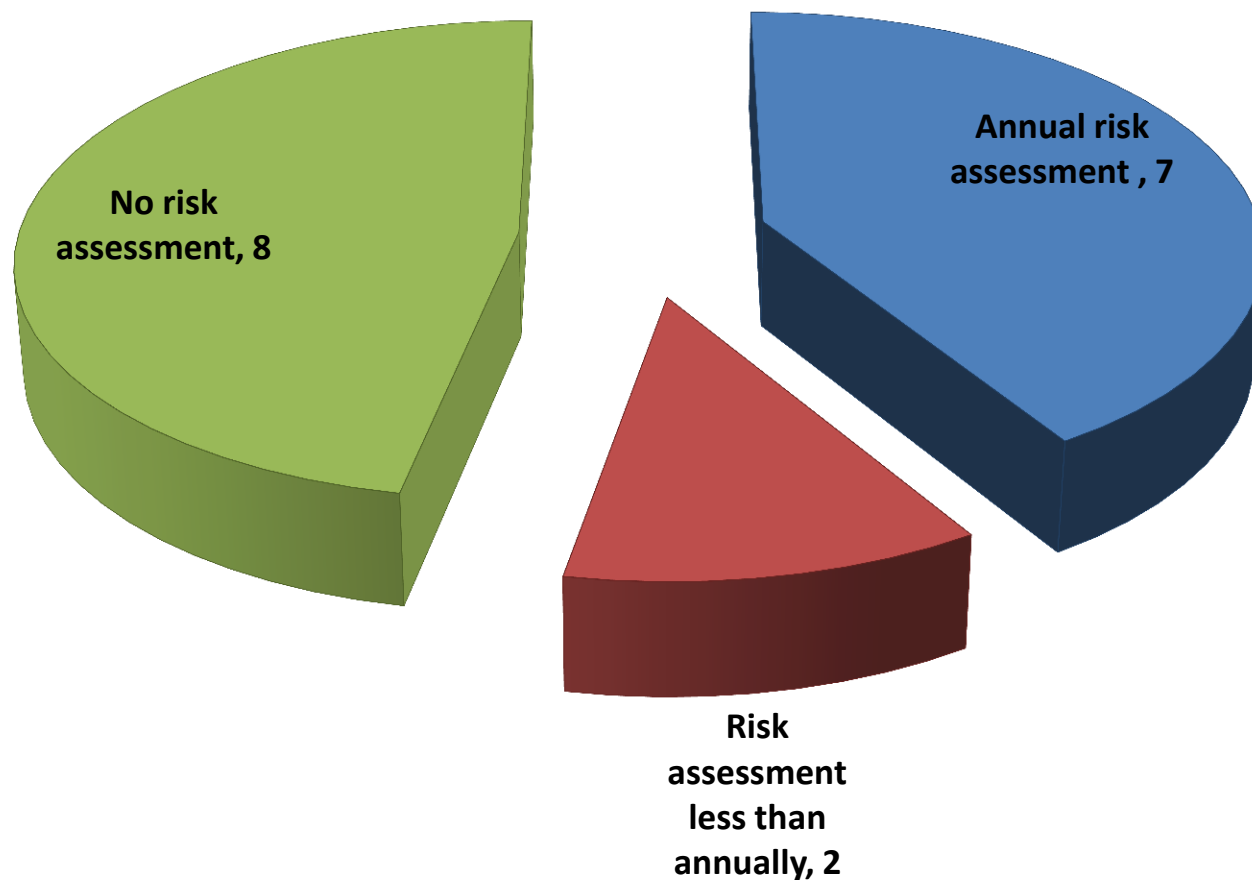
Note that close to 50% of respondent countries do not conduct regular snapshot reports and 40% do not regularly review system generated reports

# Treasury Internal Audit (Q16)

- Organisational arrangements
  - 14 respondent countries indicated Treasury internal audit was undertaken by either the Treasury or MoF internal audit unit
  - The narrative responses from 2 further countries indicated a similar arrangement
- Identification of internal control weakness
  - In all but 4 countries the internal audit reports also identified internal control weaknesses
- Conclusion
  - Most countries appear to have satisfactory internal audit arrangements for Treasury
  - It is a fundamental part of internal control that there should be an internal audit of Treasury (as part of MoF). Furthermore, that internal audit reports should identify and report internal control weaknesses

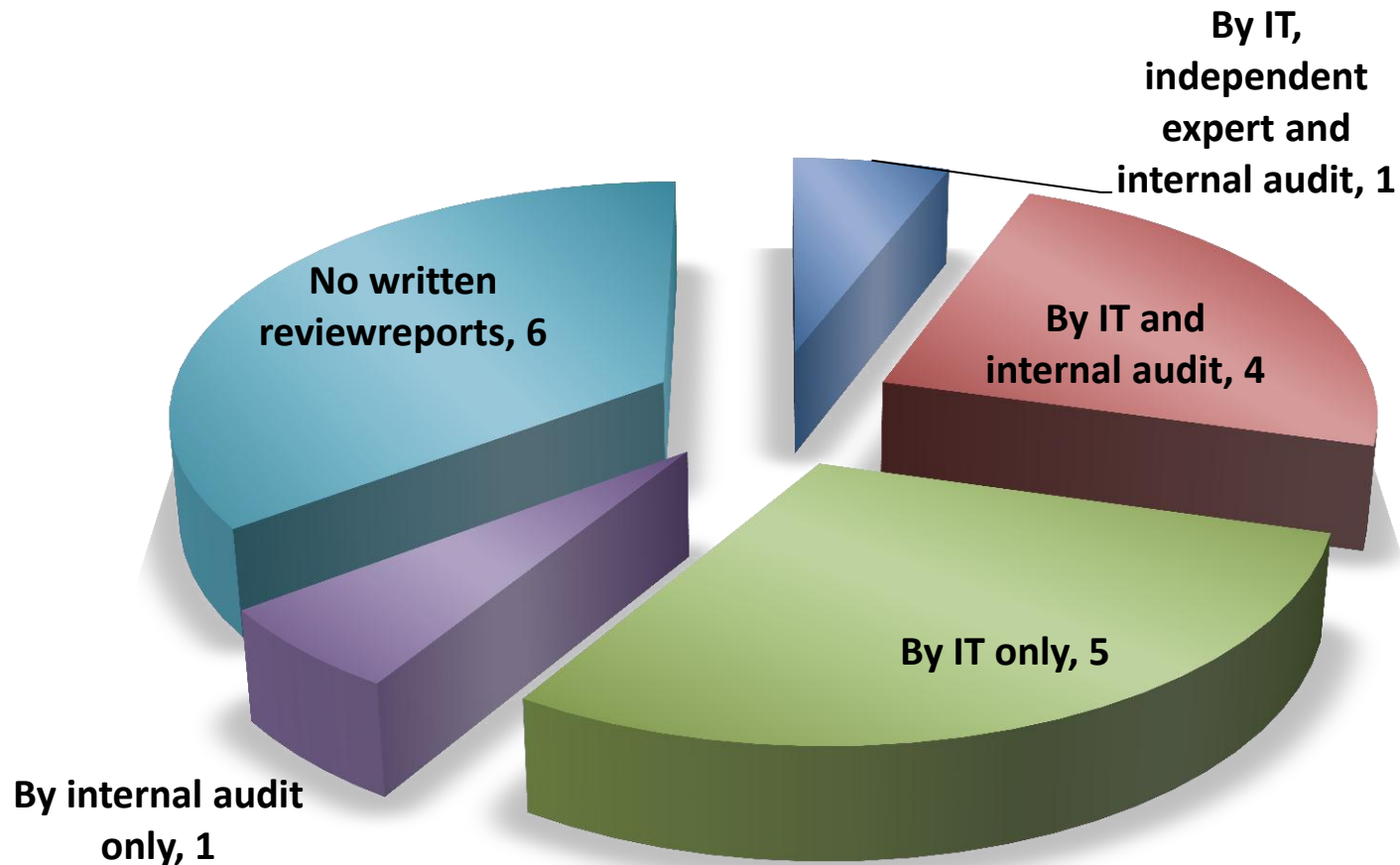


# Treasury Risk Assessment (Q 18)



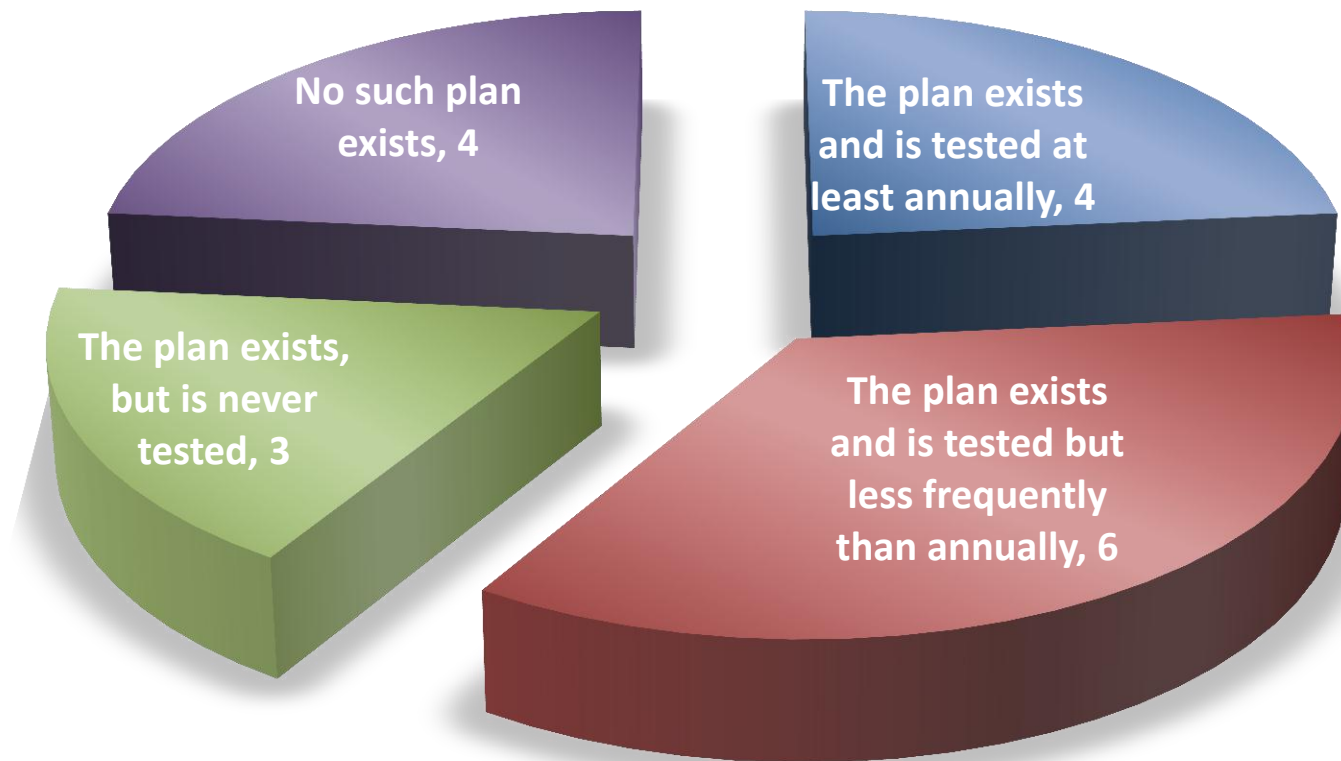
Note that only 7 countries carry out an annual Treasury risk assessment

# Review of Treasury IT Systems (Q20-22)



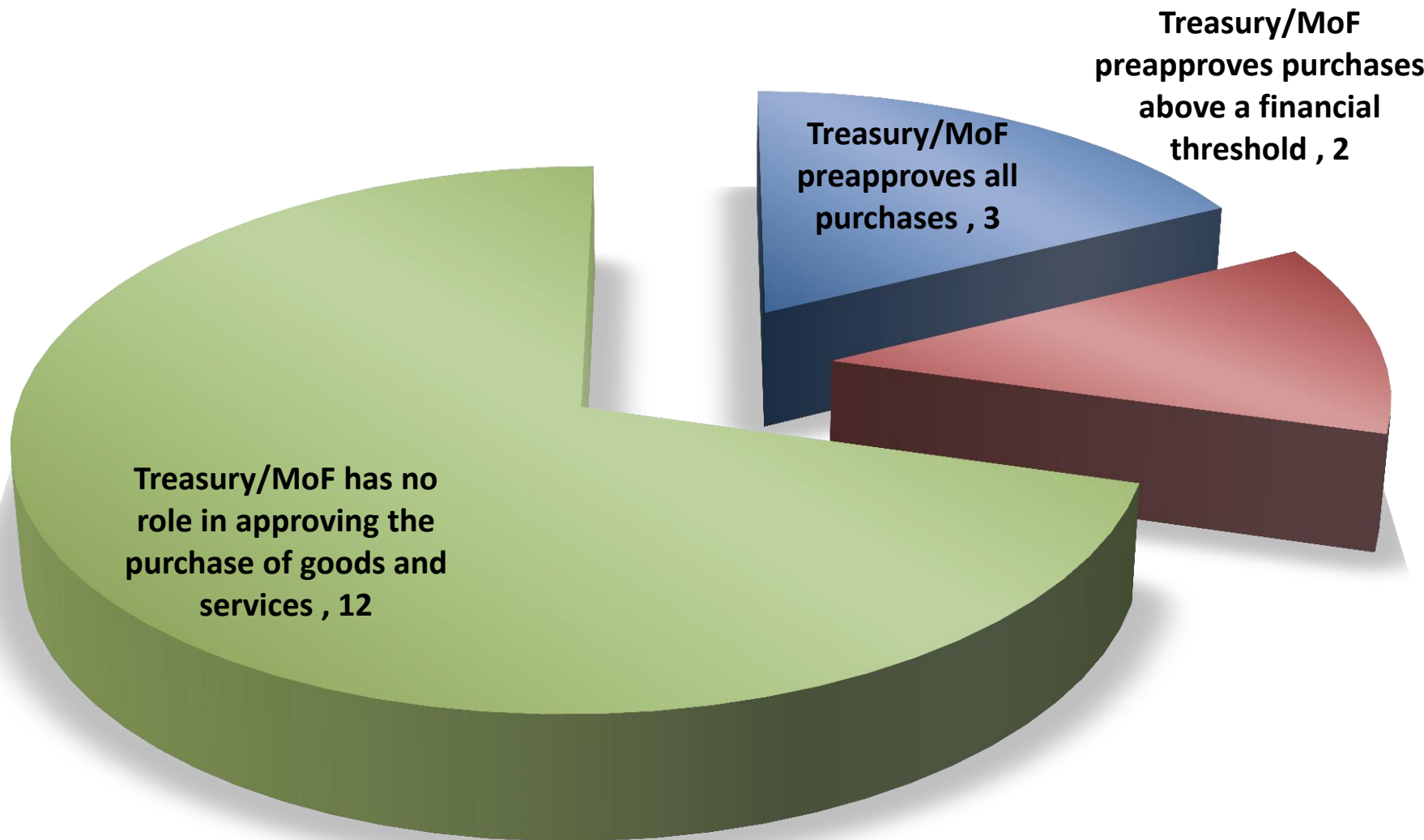
Only 6 countries have an assessment of IT systems by persons external to IT

# Business Continuity Plan (Q23)



It is a matter of concern that 4 countries have no business continuity plan and only 4 test the plan annually

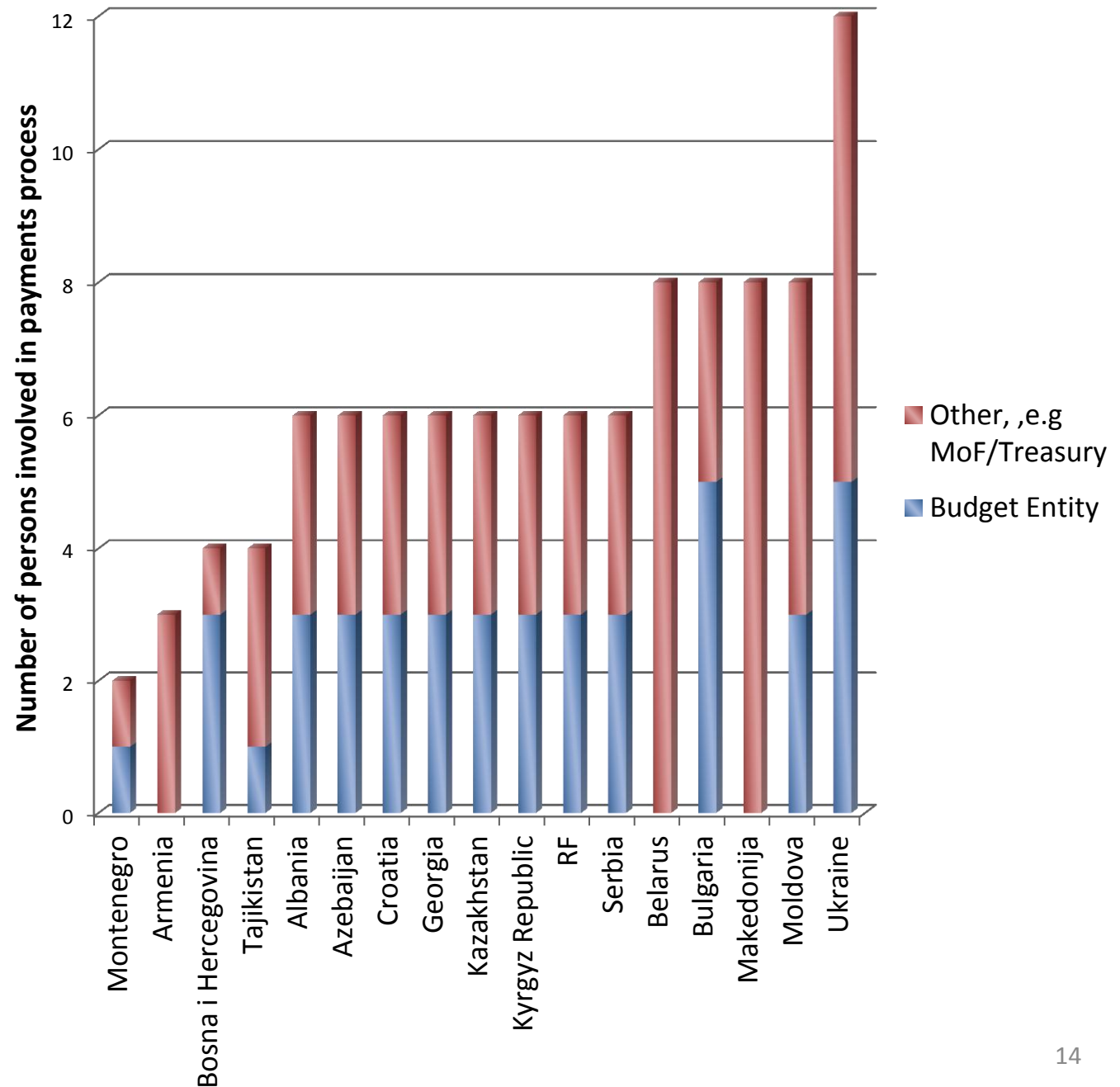
# Treasury/MoF Pre-approval of Expenditure (Q24)



# Payment automation (Q26-31)

- The results indicate that in many countries the automated FMIS operates in Treasury and sub-Treasuries only
- Payment transactions are initiated in budget entities
- Hence there are different procedures for entering such transactions in the Treasury FMIS
- Answers indicate a more detailed analysis of procedures in different countries is required

# Number of staff involved in payment processes (Q32)



# Bank Accounts Summary (Q36 – 40)

Country	Q36	Q37	Q38	Q39	Q40
	Does Treasury control all GSS bank accounts?	Do Treasury FM procedures apply to bank accounts not controlled by Treasury?	TSA reconciliation frequency	Time to correct discrepancies	Oldest unresolved discrepancy
Albania	Yes	N/A	Daily	Daily	< week
Armenia	No	No	Daily	N/A	N/A
Azerbaijan	Yes	No	Weekly	Daily	< week
Belarus	Yes	No	Weekly	Daily	< week
BiH	Yes	Yes	Weekly	Weekly	< month
Bulgaria	No	Yes	Monthly	Weekly	< month
Croatia	No	No	Weekly	Daily	< week
Georgia	No	No	Daily	Month +	> month
Kazakhstan	Yes	No	Daily	Daily	< week
Kyrgyz	Yes	No	Weekly	Monthly	< month
Makedonija	Yes	N/A	Weekly	Monthly	< month
Moldova	No	No	Weekly	Monthly	< week
Montenegro	Yes	No	Weekly	Monthly	< week
RF	No	No	Weekly	As needed	< week
Serbia	No	No	Weekly	Daily	< month
Tajikistan	Yes	No	Weekly	Daily	< week
Ukraine	No	No	Daily	Daily	< week
Summary Q36 and 37					
Yes	9	2			
No	8	13			



# Conclusions and suggestions on the survey results

- The survey results provide considerable information and indicate a number of initial conclusions
  1. Institutional frameworks for FMC exist, but indicate significant gaps in many countries
  2. Some countries do not have adequate arrangements for Treasury
  3. Most countries do not conduct regular treasury risk assessments
  4. A majority of countries conduct no regular independent (i.e. by persons outside IT) review of Treasury IT system controls
  5. Most countries have IT Business Continuity plans, but only a minority annually test such procedures
  6. In a significant number of countries Treasury has a role in pre-approving payments
  7. In most countries large numbers of staff are involved in payment processes
  8. In most countries Treasury procedures do not apply to bank accounts not directly controlled by Treasury – this needs further investigation as to the bank accounts involved and procedures followed



# Suggestions on the Use of the Survey Results and Next Steps

- Further analysis of actual payment and other business processes against good practice would be useful
- Investigate specific areas in more detail developing “good practice” templates for member countries
- Develop a more detailed report with key recommendations and conclusions

**Consider establishing a small working group**