PUBLIC SECTOR ACCOUNTING ASSESSMENT (PULSE) FRAMEWORK

2024 ADB Regional Public Sector Accounting Forum

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PULSAR
Public Sector Accounting and Reporting Program

Outline

- ✓ **PULSE background**

- ✓ **PULSE objective, characteristics, structure, and assessment process**

- ✓ **PULSE coverage, scope, and assessment modes**

- ✓ **PULSE scoring methodology**

- ✓ **PULSE roles and responsibilities**

- ✓ **PSA reform action**

- ✓ **PULSE pilot assessment objectives**

- ✓ **PULSE pilot assessment results in Armenia and Ukraine**

Benefits of accrual basis PSA systems

Accountability

- ✓ Higher quality and improved reliability and comparability of the financial information.
- ✓ Enhanced political participation and inclusiveness.
- ✓ Improved trust in governments.

Transparency

- ✓ Complete picture of public finances.
- ✓ Better quality of financial information.

Financial management

- ✓ Improved basis for decision-making.
- ✓ Improved management of fiscal risks.
- ✓ Strengthened management and disclosure of assets and liabilities.

PULSE and PFM

An open and well-structured **PFM which uses accrual basis IPSAS** is one of the elements which helps achieve the three suggested **budgetary objectives**:

Ensuring fiscal stability and the promotion of national economic growth.

Improving the acceptability and credibility of governments.

Improving and enhancing the quality of public services provided.

PULSE development

✓ Collaboration between PULSAR/World Bank, IMF, IPSASB, PEFA Secretariat, Donors, and ZHAW

✓ Rigorous QA process of the concept note and draft methodology

✓ Parallel IT tool design and development

✓ Tool's polishing through two rounds of pilot application

PULSE and other assessment tools

✓ PULSE was designed to **complement other PFM assessment tools**. In particular, it is closely aligned to the following three diagnostic instruments:

- **Report on the Enhancement of Public Financial Reporting (REPF)**. PULSE methodology aims to replace the REPF.

- **PEFA.** Closely align with the fundamental principles of a PEFA assessment, including the principles of evidence-based scoring and mandatory QA procedures.

- **Fiscal Transparency Evaluation (FTE)**. PULSE framework considers the Fiscal Transparency Handbook (2018) and Fiscal Transparency Code, issued by the IMF.

PULSE Objectives

✓ **Support** national and subnational **governments** in developing efficient and effective **PSA systems**.

✓ Help public sector entities to develop an **understanding** of:

- Local **PSA system and environment.**

- The **gap** between **national and international PSA frameworks.**

- The **gap** in actual **application** between **national PSA standards and IPSAS**.

PULSE Characteristics

✓ It is a free "*global good*" and a user-friendly **web-based self-assessment tool**.

✓ Designed for **national and subnational governments** but may be also applied by **other reporting entities.**

✓ Offers a **single tool** to measure and report on both the **conceptual and actual implementation of accrual accounting standards** for the public sector according to IPSAS.

✓ Enables the identification of **disconnects between the national and international PSA frameworks** as well as the level of actual **compliance** with **IPSAS based practices.**

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PULSE Characteristics

- ✓ Provide **inputs** for development of a comprehensive **PSA reform strategy and roadmap.**

- ✓ Use the assessment's results to develop policy recommendations and action planning to enable further strengthening of **PSA systems** and practices.

- ✓ The assessment **methodology is based on:**

  - The **PEFA** assessment framework.

  - The latest set of **IPSAS pronouncements**, but also go beyond the IPSAS framework by assessing the current status of PSA systems and the state of reform.

- ✓ The quality of the assessment and the final report is ensured through **multilayer QA arrangements**, including an external validation process and the **PULSE Check**.

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PULSE Structure

- ✓ **6 Pillars**
- ✓ **30 Indicators**
- ✓ **107 Dimensions**

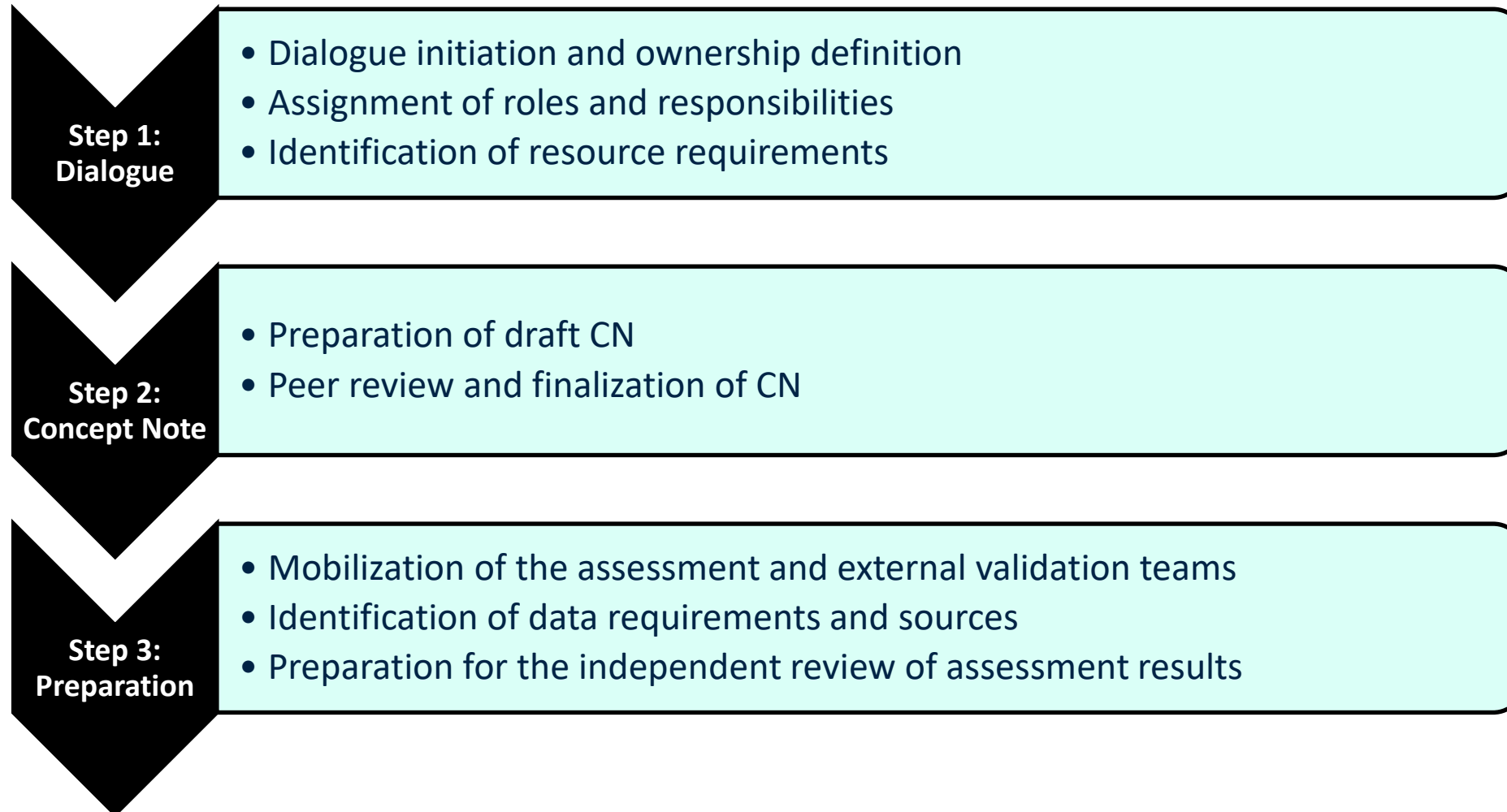| Pillar I	Pillar II	Pillar III	Pillar IV	Pillar V	Pillar VI
Public Sector Accounting Framework	Financial Assets & Liabilities	Non-financial assets and liabilities	Expenses & revenue recognition	Financial reporting & consolidation	Reform prerequisites and capacities

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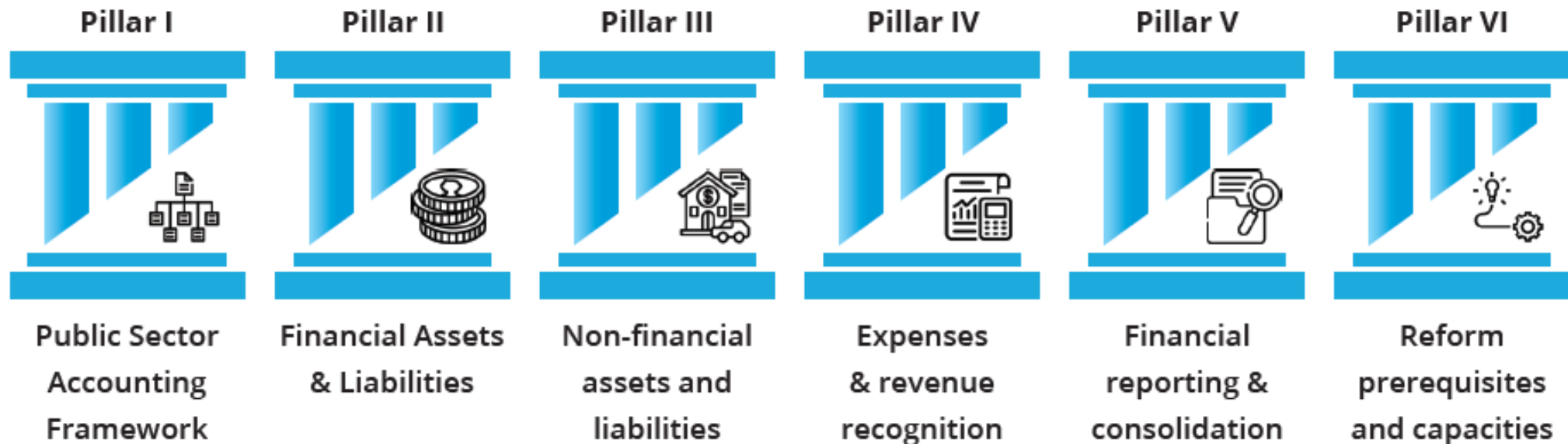
PULSE Assessment process

- ✓ The PULSE process has **4 phases and 10 steps.**
- ✓ The **estimated duration** of the entire assessment process is about **6 months.**

Start / Repeat process as appropriate

PHASE 4. PSA REFORM ACTION

STEP 10 Monitoring, evaluation, & follow-up

STEP 09 Reform dialogue

STEP 08 Report completion & publication

On continuous basis

STEP 01 Dialogue initiation & ownership definition

About 2 months

PHASE 1. PLANNING

STEP 02 Concept Note development

STEP 03 Preparation for the assessment

STEP 04 Assessment launch

About 2 months

STEP 07 Peer review & PULSE check

STEP 06 Report drafting

STEP 05 Data collection & analysis

PHASE 3. REPORTING

PHASE 2. ASSESSMENT

PULSE Assessment process – Phase 1: Planning

Step 1: Dialogue
- Dialogue initiation and ownership definition
- Assignment of roles and responsibilities
- Identification of resource requirements

Step 2: Concept Note
- Preparation of draft CN
- Peer review and finalization of CN

Step 3: Preparation
- Mobilization of the assessment and external validation teams
- Identification of data requirements and sources
- Preparation for the independent review of assessment results

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PULSE Assessment process – Phase 2: Assessment

Step 4: Assessment Launch

- PULSE assessment launch event

Step 5: Data collection and analysis

- Preparation and compilation of all relevant documentation and data
- Assessment of performance indicators and dimensions in adherence with the methodology
- External validation of raw data and revision

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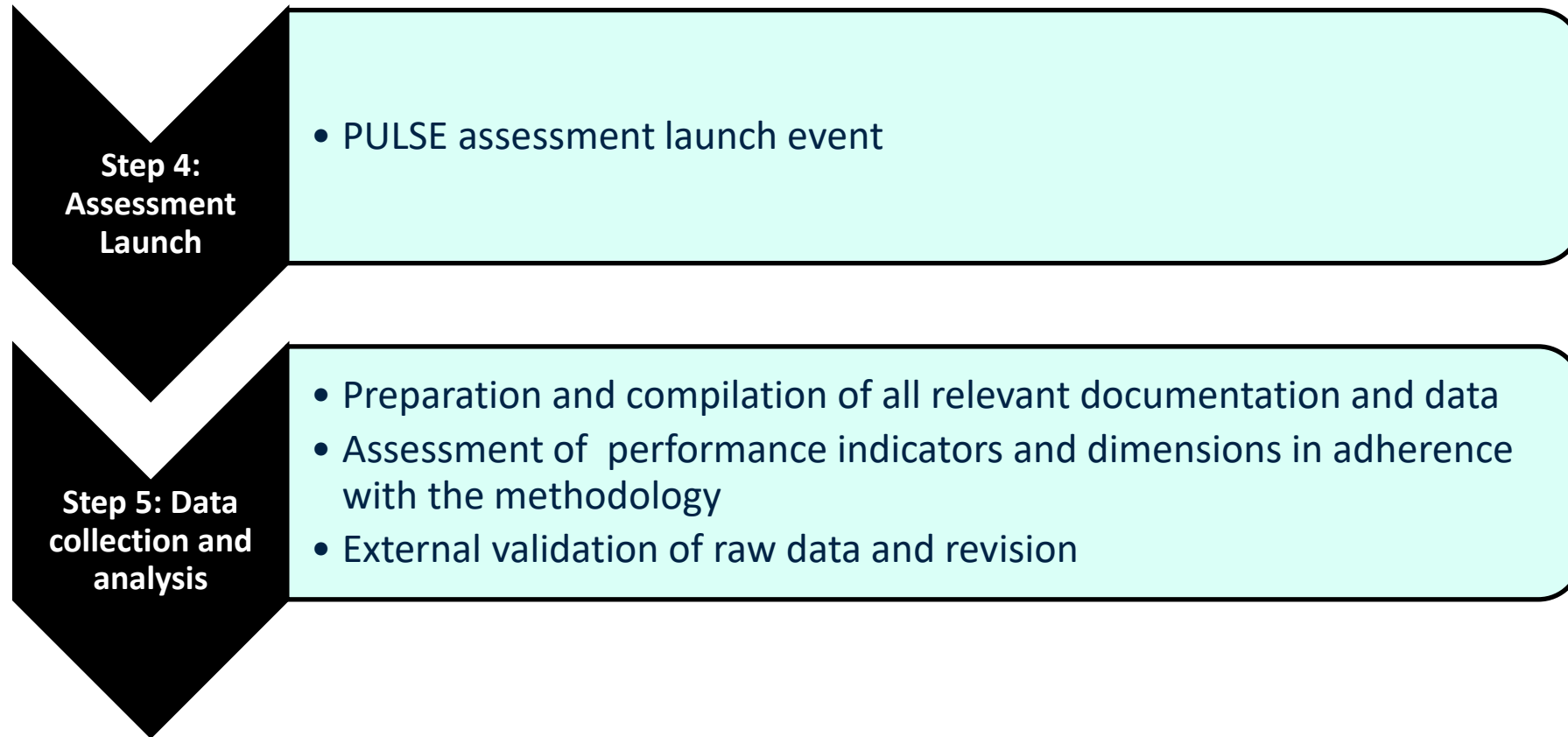
PULSE Assessment process – Phase 3: Reporting

Step 6: Draft Report
- Preparation of draft PULSE report

Step 7: Peer review
- Submission of draft PULSE report for peer-review and PULSE Check
- Revision and finalization of draft PULSE report

Step 8: Finalization
- Approval of final PULSE report
- Publication of PULSE report

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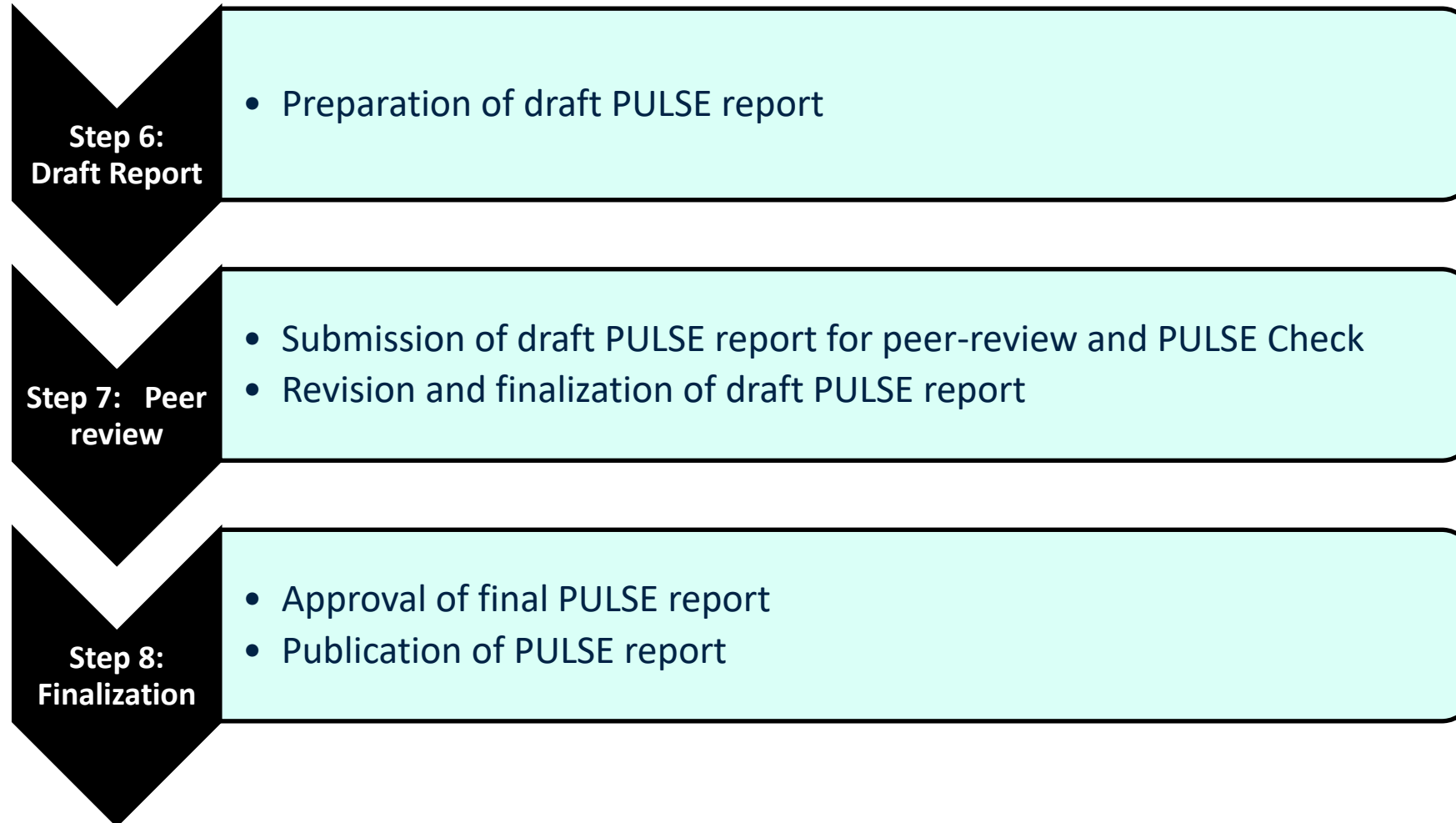
PULSE Assessment process – Phase 4: PSA reform action

Step 9 - Reform Dialogue
- Management of the reform dialogue
- Reform design, planning, and implementation

Step 10 - Monitoring & Evaluation
- Monitoring, evaluation, and follow-up

PULSE Coverage

✓ PULSE recognizes that governments and other public sector entities are **organized differently around the world** – ministries, departments, secretaries, etc.

✓ The **framework** was designed to be usually conducted **by national or subnational governments**, but could also be used for other entities such as SOEs, central banks or **other reporting entities**.

✓ The **coverage of consolidated entities** – according to IPSAS definition - or subnational governments will **depend on the local context** and the number of controlled entities by the reporting entity.

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PULSE Scope

✓ PULSE is usually based on the **most recently completed fiscal year**.

✓ The **scope** of each indicator **may vary depending on the organizational structure** of the reporting entity.

✓ It is imperative to **clearly define the scope**, based on the reporting entity that is being assessed, in the **planning phase.**

✓ During the assessment, **information on aspects of defense, public order, and safety functions** may in rare cases be **unavailable** for reasons of **national security.**

✓ **Any limitations** of this nature should be **noted i**n the **introduction** to the report.

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PULSE Assessment modes

✓ **Full self-assessment approach**, as a primary assessment mode. In this case, the PULSE is undertaken by the lead agency with mandatory **external validation**.

✓ In **exceptional cases**, the following two modes are also possible:

- **External assessment mode**, which is conducted by external experts; and

- **Blended mode**, which combines self-assessment with the assistance of external experts.

✓ The **option** to choose these modes **depends** on the **jurisdictional situation**, including resource availability and institutional capacity.

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PULSE Scoring methodology

✓ The **scoring** and assessment methodology has been **aligned with the PEFA methodology**, including a four-point calibration scale between A and D for each dimension.

✓ **Each dimension is scored separately** on a four-point ordinal scale: **A, B, C, or D**, according to precise criteria established for each dimension.

✓ For each indicator/pillar, **the score of individual dimensions/indicator is averaged** to obtain an **overall score** for the indicator/pillar respectively.

✓ To justify a particular score for a dimension, **every aspect specified in the scoring requirements must be fulfilled.** If the requirements are only partly met or the criteria are not satisfied, a lower score should be given.

PULSE Scoring methodology

A — High performance level with full compliance with the respective requirements of the standards

B — High degree of compliance, but still certain gaps to the IPSAS requirements exist

C — Basic level of performance for each indicator and dimension, consistent with good international practices, aligned with IPSAS
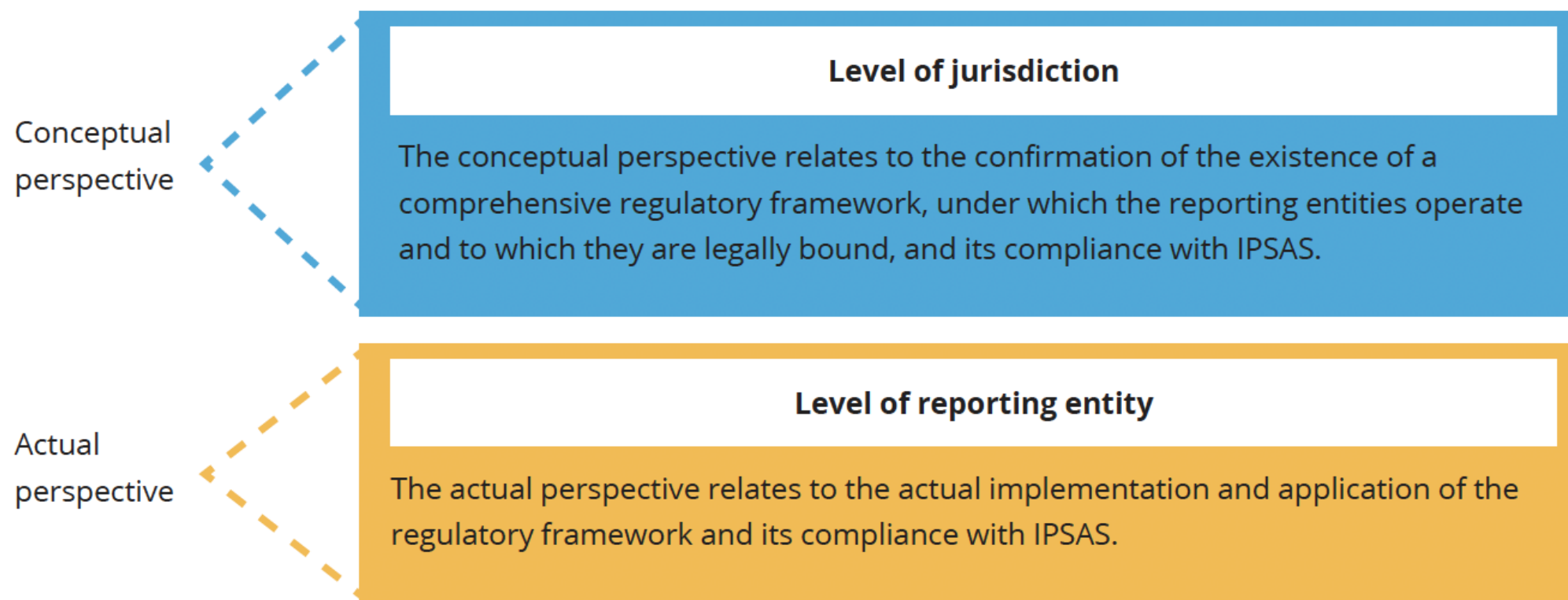
D — Feature being measured is nonexistent or presented at less than the basic level of performance

PULSE Scoring methodology

✓ **Consider both conceptual and actual perspectives**

Conceptual perspective

Level of jurisdiction

The conceptual perspective relates to the confirmation of the existence of a comprehensive regulatory framework, under which the reporting entities operate and to which they are legally bound, and its compliance with IPSAS.

Actual perspective

Level of reporting entity

The actual perspective relates to the actual implementation and application of the regulatory framework and its compliance with IPSAS.

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Roles and responsibilities of stakeholders

Stakeholder	Description - responsibilities
Lead agency	Main sponsor of PULSE – usually MoF, who could delegate to PSA or Treasury
Assessment team leader	Day-to-day manager of the PULSE process and ultimate responsible person for the quality of the assessment
Assessment team	Lead agency´s officials with potential support of external consultants – must have good analytical and written communication skills
Oversight team	PFM or PSA reform steering committee, or a technical task force reporting to a high-level steering committee
Peer reviewers	Identified and nominated by the assessment team leader, in consultation with the lead agency and oversight team. Could also act as external validators
External validation team	International and/or national PFM/PSA experts who are familiar with the national/jurisdictional PSA system and reform.
PULSAR team	World Bank officials and/or consultants who are involved in the implementation of the PULSAR Program
External stakeholders	Relevant actors such as (i) line ministries; (ii) SAI; (iii) development partners and donors; (iv) accounting standard setters and PAOs; (v) PFM/PSA related NGOs and civil society groups; (vi) academia

PSA reform action

✓ **PULSE report** should be used by the government to **start and/or continue** its dialogue with the relevant stakeholders and the **reform process**.

✓ The **path to reform is not static** and requires reform plans to be flexible and adaptable to changes to ensure that desired outcomes are achieved.

✓ The **PSA reform action** should **comprise** (*see following slides*):

  ✓ **Reform dialogue**

  ✓ **Reform design, planning, and implementation**

  ✓ **Monitoring, evaluation and follow-up**

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PSA reform action: Reform dialogue

✓ PSA **reform dialogue** should involve all **key stakeholders**, such as the government representatives, line ministries, accounting standard setters, SAI, PAO, and development partners.

✓ PULSE **lead agency** should be **responsible for managing the dialogue** and therefore responsible and accountable for the outcome and the decisions from the dialogue.

✓ The **goal** of the reform dialogue is to build and maintain the **foundations** on which the **reform actions can be established and executed**.

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PSA reform design, planning, and implementation

No.	Areas to be covered
1	Political support and willingness of the stakeholders to initiate and carry out the reform
2	Agreement on a reform strategy and feasible implementation timeline
3	Establishment of proper reform coordination and management arrangements
4	Availability of required resources, including financial, human, and IT
5	Amendment of legal and regulatory frameworks
6	Definition of structure of the new PSA system
7	Definition of risk management and mitigation mechanisms
8	Development of change management and capacity building strategy
9	Integration between different PFM functions, and upgrading the existing or development of a new IFMIS
10	Establishment of monitoring and evaluation arrangements

PSA reform monitoring, evaluation, and follow-up

✓ **Monitoring and evaluation** are vital for **continuous learning, risk mitigation**, and for adjusting reform objectives and actions:

- Monitoring should be undertaken **continuously** and entails using the **relevant PULSE indicators** to measure the **improvement** in PSA systems;

- **Evaluation is a long-term assessment** of reform initiative to observe the efficiency and effectiveness of the reforms and their impact on the PSA systems.

✓ The **best way** to evaluate the PSA reform's results is to conduct a repeated **PULSE every five years**.

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PSA reform monitoring, evaluation, and follow-up

✓ Monitoring and evaluation can be **incorporated into the PSA reform strategy** as follows:

1. **Establish a PSA reform monitoring body**. It is suggested to make use of the reform's Steering Committee or PULSE oversight team to monitor progress.

2. **Develop the reform's results framework**, which should clearly capture the essential elements of the logical and expected cause-effect relationships among inputs, outputs, intermediate results or outcomes, and impacts.

3. **Monitor and analyze the reform progress** by tracking actions and deliverables, prepare and submit semiannual progress reports to the monitoring body.

4. **Conduct a repeated PULSE every five years**, as needed. This would support the monitoring and evaluation efforts and help to identify any additional PSA areas that need to be further strengthened.
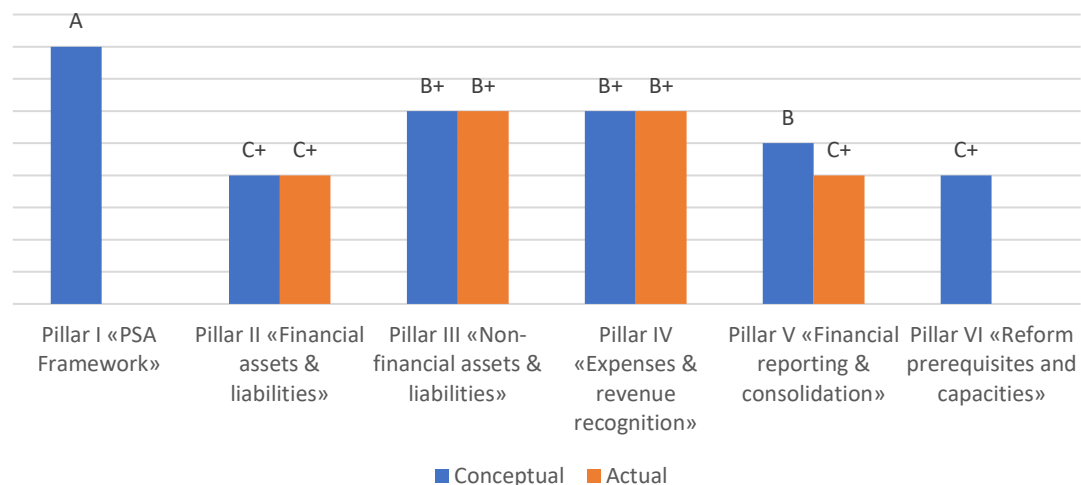
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PULSE pilot assessment objectives

✓ The **objectives** of this pilot are:

- **Test the implementation** of the **PULSE web-based assessment tool**;

- Identify **framework and/or tool inconsistencies** during this initial exercise;

- Detect any potential **web-based tool glitches** during the pilot test.

PULSE pilot Assessment in Armenia

Overall results of the PULSE assessment

Legend: ■ Conceptual ■ Actual

Bars by pillar: Pillar I «PSA Framework» (A), Pillar II «Financial assets & liabilities» (C+ / C+), Pillar III «Non-financial assets & liabilities» (B+ / B+), Pillar IV «Expenses & revenue recognition» (B+ / B+), Pillar V «Financial reporting & consolidation» (B / C+), Pillar VI «Reform prerequisites and capacities» (C+)

Score distribution summary

Assessment scores	Conceptual level		Actual level	
	Number	Specific weight, %	Number	Specific weight, %
A	58	56	41	53
B	10	10	8	10
C	8	8	6	8
D	21	21	18	23
NA	5	5	4	6
Total	102	100	77	100

Assessment summary by pillar

Areas that were evaluated	Conceptual level	Actual level
Pillar I «PSA Framework»	A	
Pillar II «Financial assets & liabilities»	C+	C+
Pillar III «Non-financial assets & liabilities»	B+	B+
Pillar IV «Expenses & revenue recognition»	B+	B+
Pillar V «Financial reporting & consolidation»	B	C+
Pillar VI «Reform prerequisites and capacities»	C+	

PULSE pilot Assessment in Ukraine
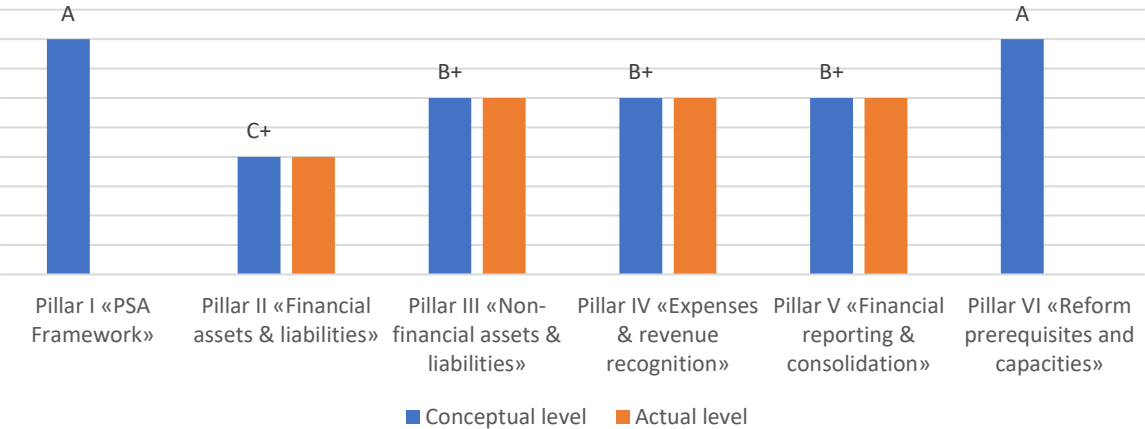
Score distribution summary

Assessment marks	Conceptual level		Actual level	
	Number	Specific weight, %	Number	Specific weight, %
A	54	52.94	33	42.86
B	18	17.65	15	19.48
C	10	9.80	10	12.99
D	8	7.84	8	10.39
NA	12	11.76	11	14.29
Total	**102**	**100**	**77**	**100**

Overall results of the PULSE assessment

Assessment summary by pillar

Areas evaluated	Conceptual level	Actual level
Pillar I - PSA Framework	A	-
Pillar II - Financial assets & liabilities	C+	C+
Pillar III - Non-financial assets & liabilities	B+	B+
Pillar IV - Expenses & revenue recognition	B+	B+
Pillar V - Financial reporting & consolidation	B+	B+
Pillar VI - Reform prerequisites and capacities	A	-

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Thank you!

Any questions?