

GLOBAL FINANCIAL MANAGEMENT PARTNERSHIP

TERMS OF REFERENCE FOR THE EVALUATION OF DGF-FINANCED PROGRAMS

Background

The Global Financial Management Partnership is the name given to the World Bank's partnerships with various international organizations involved in accounting and auditing standards-setting and regulation. These organizations include:

- The International Accounting Standards Board (IASB)
- The International Public Sector Accounting Standards Board (IPSASB)
- The IFAC Public Interest Oversight Board
- The INTOSAI Professional Standards Committee – Financial Audit Guidelines Subcommittee (FAS)

Development Grants Facility (DGF) funding is currently used to support the activities of three of these organizations: the IPSASB; the IASB¹; and FAS.²

DGF procedures require programs seeking DGF funding of \$300,000 or more to incorporate a plan in its grant application for an independent evaluation to be conducted every 3-5 years.

IFAC undertook a comprehensive external review of the (then-named) Public Sector Committee during 2004. According to DGF guidelines, the next external review of IPSASB is due in the period June 2007 – June 2009.

With the approval of the FY08 grant, total DGF funding to FAS has now crossed the \$300K threshold, and an evaluation is therefore due.

(With the exit of the IASB from DGF, an independent evaluation of this program is not necessary.)

During 2008 a cluster evaluation of the IPSASB and FAS will be carried out, as described in these Terms of Reference.

¹ FY08 is the last year of DGF funding for the IASB.

² The grant amounts for each program are as follows – IASB: \$50,000; IPSASB: \$250,000; FAS: \$100,000

Description of the Programs

IPSASB

The IPSASB is a standing technical committee of the International Federation of Accountants. The IPSASB's goal is to serve the public interest by developing high quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements. The IPSASB consists of 18 volunteer members from around the world with experience and expertise in public sector financial reporting. Members include practitioners from ministries of finance, government audit institutions, public practice and public members (who need not be members of the accounting profession).

FAS

The INTOSAI Professional Standards Committee (PSC) is a standing committee of INTOSAI, with membership drawn from a representative group of supreme audit institutions. It reports to the INTOSAI Congress.

The PSC Sub-Committee on Financial Audit Guidelines is responsible for preparing globally accepted financial audit guidelines for the public sector based on the International Standards on Auditing (ISA) issued by IFAC's International Auditing and Assurance Standards Board (IAASB).

Objectives of the Bank's Involvement in the Programs

The Global Financial Management Partnership is the vehicle that the Bank uses to provide support for the development and issuance of international accounting and auditing standards. These global public goods are essential components of good governance and financial accountability around the world - but especially in developing countries, where there is typically an acute lack of capacity in the fields of accounting and auditing.

The objectives of the Bank's involvement in the programs are to:

- Facilitate and support the ongoing development and issuance, in the public interest, of high-quality accounting and auditing standards for application in the public sector.
- To encourage the adoption of IPSASs and FAS Financial Audit Guidelines in client countries.
- To facilitate developing country "voice" in the programs.

Governance of the Cluster Evaluation

The cluster evaluation is being commissioned jointly by the World Bank, IFAC and INTOSAI. These three organizations will approve the Terms of Reference for the evaluation.

The evaluation of the IPSASB and FAS will be performed as two separate but related processes, recognizing that the two programs are at different stages of development, and accordingly that the evaluation questions will differ.

The evaluation will be facilitated on a day-to-day basis by IFAC and FAS staff. A working group will be convened, comprising staff representatives from both recipient organizations, as well as representatives from partner organizations. The working group will be chaired by the World Bank. The role of the working group will be to oversee the evaluation process, and ensure that it is independent: whilst it may advise the evaluators on the methodology and conduct of the evaluation, the evaluators will have full independence and will not be subject to direction by the working group.

The evaluators will be selected on a transparent, competitive basis. The working group will review a shortlist of applicants and recommend a shortlist of candidates to the three commissioning organizations for selection.

The draft report will be reviewed by the working group, and submitted to the governing bodies of IFAC and INTOSAI for approval. For this purpose, the governing bodies for the programs are considered to be:

- IFAC – the IFAC Board
- INTOSAI – the Professional Standards Committee Steering Committee

The costs of the evaluation will be shared by the three organizations.

Evaluation Issues and Questions to be Addressed: IPSASB

The issues and questions to be addressed by the evaluation are as follows:

- (i) The extent to which the standards issued by the IPSASB are being: (i) adopted by financial statement preparers and auditors, especially in developing countries; and (ii) actively promulgated by international organizations. For this purpose, “adopted” is to be interpreted in its widest possible sense, recognizing that the impact and influence of standards is measured in far broader terms than outright adoption by individual preparers.

- (ii) The efficacy and relevance of the World Bank’s involvement in the program, and the extent to which the Bank’s involvement has made a difference in terms of the uptake of the standards issued by the program;
- (iii) Whether developing countries have the opportunity to optimize their contribution by participating and exercising effective voice in the various aspects of the IPSASB’s activities.
- (iv) The extent to which the IPSASB has:
 - a clear work program and component objectives with verifiable indicators
 - a comprehensive due process for the issuance of pronouncements, incorporating the exposure of draft standards for comment, and structured procedures for the evaluation of responses
 - systematic and regular processes for management of the program
 - effective feedback from monitoring and evaluation
- (v) Whether the governance and management of the program is:
 - transparent in providing information about the program
 - clear with respect to roles and responsibilities, and ensures that the specified roles and responsibilities are accepted and applied
 - accountable to IFAC’s internal chain of command and control
 - accountable to donors and other stakeholders
- (vi) Whether the program is delivering its activities cost-effectively – specifically, are the overhead costs of governing and managing the programs reasonable and appropriate in relation to the objectives and activities of the programs? Is the program doing enough – i.e., is it making the best possible use of the available resources, including the substantial volunteer resources?

As well as addressing the specific evaluation issues and questions, the evaluator is encouraged to propose any generic suggestions for improvements to the program.

Evaluation Issues and Questions to be Addressed: FAS

The issues and questions to be addressed by the evaluation are as follows:

- (i) The efficacy and relevance of the World Bank’s involvement in the program, and the extent to which the Bank’s involvement is likely to make a difference in terms of the eventual uptake of the standards issued by the program;

- (iii) Whether developing countries have the opportunity to optimize their contribution by participating and exercising effective voice in the various aspects of FAS' activities.
- (iv) The extent to which FAS has:
 - a clear work program and component objectives with verifiable indicators
 - a comprehensive due process for the issuance of pronouncements, incorporating the exposure of draft standards for comment, and structured procedures for the evaluation of responses
 - systematic and regular processes for management of the program
 - effective feedback from monitoring and evaluation
- (v) Whether the governance and management of the program is:
 - transparent in providing information about the program
 - clear with respect to roles and responsibilities, and ensures that the specified roles and responsibilities are accepted and applied
 - accountable to the PSC's internal chain of command and control
 - accountable to donors and other stakeholders
- (vi) Whether the program is delivering its activities cost-effectively – specifically, are the overhead costs of governing and managing the programs reasonable and appropriate in relation to the objectives and activities of the programs? Is the program doing enough – i.e., is it making the best possible use of the available resources, including the substantial volunteer resources?

As well as addressing the specific evaluation issues and questions, the evaluator is encouraged to propose any generic suggestions for improvements to the program.

Evaluation Design and Methodology

The evaluation will include, but not be limited to, the following sources of information and types of analysis:

- Desk review of key documents including strategy documents, recent business plans, recent annual reports, minutes of Board meetings, previous evaluation reports, technical pronouncements, newsletters, and any other documents judged relevant by either the working group or by the program.
- Review of a sample of World Bank-financed operations with public financial management (specifically, accounting and auditing) components.

- Personal interviews with relevant staff (IPSASB/IFAC, and PSC/FAS), and regional Financial Management staff of the World Bank.
- Telephone interviews of representatives of the programs' stakeholders, including: members of the governing body; other key partners (such as national accounting and auditing standards-setters); implementers – in particular, financial statement preparers (for IPSASB) and auditors (for FAS) in developing countries; and IPSASB Consultative Advisory Group members.
- Quality review of the process of developing and issuing standards.
- Attendance at a Board meeting (IPSASB)/Subcommittee meeting (FAS), and if possible, workshops, and training activities. Review of the results of previous seminars and similar fora.

Proposed Workplan and Schedule

The anticipated dates of key milestones in the evaluation are as follows:

Selection of consultant	May – June, 2008
Negotiations and contracting with consultant	By June 30, 2008
Desk reviews of documentation, interviews etc	July - September, 2008
Preparation and submission of the first draft report	Within 120 days of signing of contract
Written feedback on the draft report from IFAC/INTOSAI	Within 30 days of issuance of report
Preparation and submission of the final report	November 30, 2008
Publication and Dissemination of the report	December 2008

Qualifications of the Evaluators

The evaluators will need to be professional accountants (members of a professional accounting body). Substantive prior experience in public sector accounting or auditing is essential. Evaluation expertise is also required.

Previous experience with accounting or auditing standards-setting – although not directly with either of the programs being evaluated – would be desirable.

Given the very limited field of individuals with both the required substantive technical experience, as well as experience in evaluation techniques, it may be necessary to appoint two evaluators for each program.

Obligations of Key Participants

The key participants in the evaluation will have the following respective responsibilities:

Obligations of the Governing Body (World Bank/INTOSAI/IFAC)

- Ensure that the budget is commensurate with the methodology and other requirements.
- Establish a working group to oversee the evaluation, and handle issues referred to it by the working group.
- Select the evaluator(s), based on the shortlist recommended by the working group.
- Review final report and provide a timely written response, which is made available to the public.

Obligations of the working group

- Oversee and ensure the overall independence of the evaluation process.
- Review proposals and recommend a shortlist of possible evaluators to the Governing Body.
- Resolve issues that arise on contracts, conflicts of interest, or access to information between the consultant and the program manager and staff.
- Review the final report before submission to governing body, and make publicly available any proposed amendments or comments on the report.

Obligations of the Program Manager and Staff

- Facilitate the work of the evaluation.
- Provide temporary office space during the week of first consultations, and after submission of the inception and interim reports.
- Assign a staff member who will (a) provide key documents, and (b) facilitate contacts with program constituents and members of governing body.

Obligations of the Evaluator(s)

- Comply with the Terms of Reference for the evaluation.
- Inform the secretariat in a timely fashion of all contacts made with program constituents.
- Treat documents in a confidential manner, when appropriate.
- Not to publish evaluation results or outputs without permission from the program.
- Return all program documents used in the evaluation.
- Report on a timely basis any possible conflicts of interest.