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Foro de Contadurías Gubernamentales de América Latina

MÉXICO

VIII Foro de Contadurías Gubernamentales de América Latina

5, 6 Y 7 de octubre de 2022, Ciudad de México

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Digital Transformation – Blockchain for Public Finance

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Speaker

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EY

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Government entities need more transparency for effective allocation and prioritization of public funds

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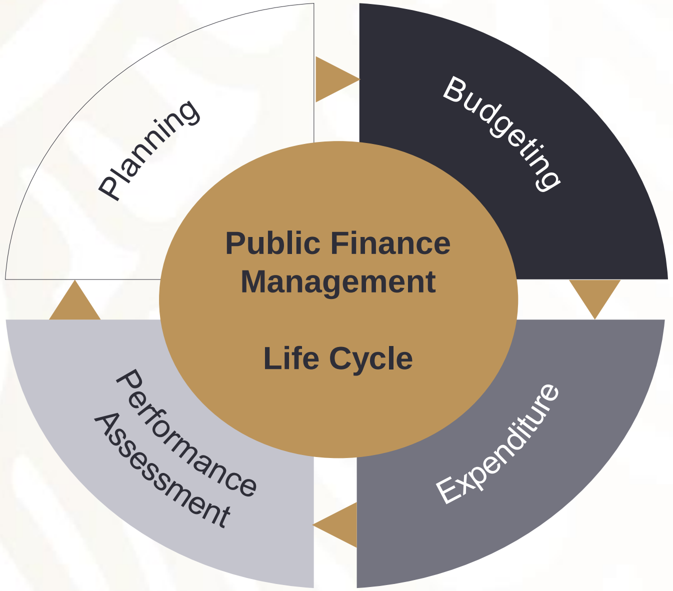
Lack of budget transparency

A vast majority of public agencies and governments store their data in siloed environments and rely on tools that don't facilitate real-time tracking of funds. This results in poor visibility into who is spending funds and what are they being spent on.

Poor efficiency in public spending

Lack of transparency in how funds are raised and spent also impacts the effectiveness and efficiency of public spending.



Challenges

Integrated view
Incomplete view of financial and nonfinancial information, of funds allocated against program outputs/outcomes

Reconciliation
Inability to jointly view and reconcile appropriation and management frameworks in near to real-time

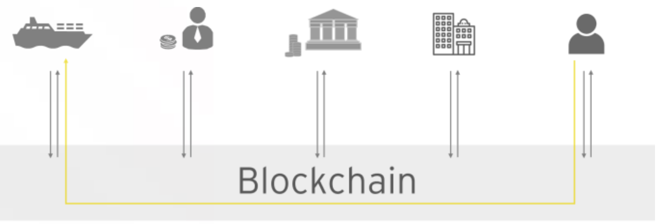
Timely reports
Lack of timely and accurate reporting of outputs and outcomes for effective allocation

Overheads
Significant overhead in reconciling and exchanging transactional and reporting information

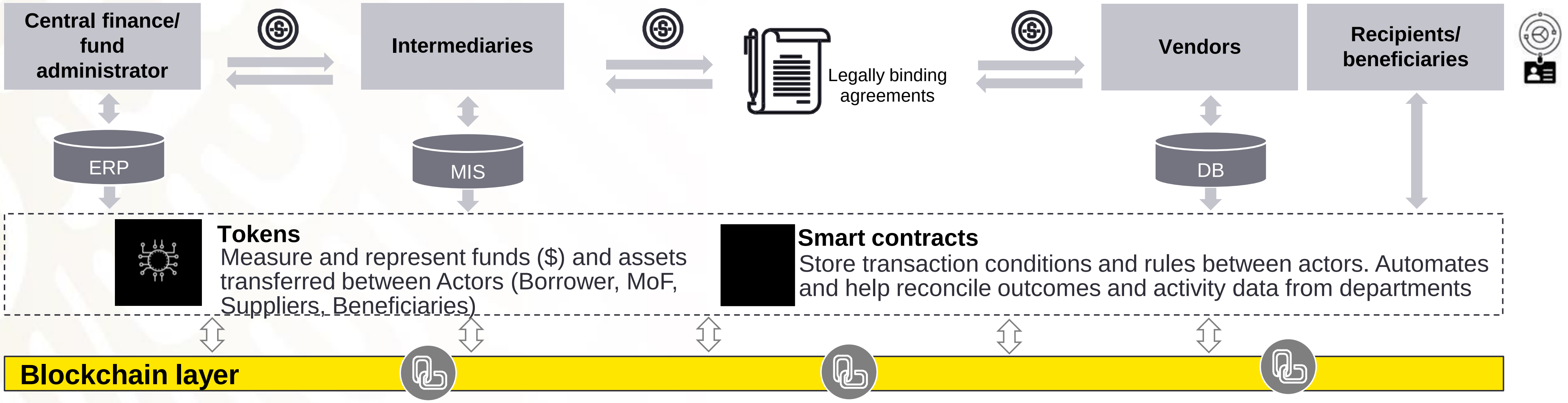
Audit trail
No integrated data management controls or audit trail in decision support

Blockchain for Public Finance Overview (1/2)

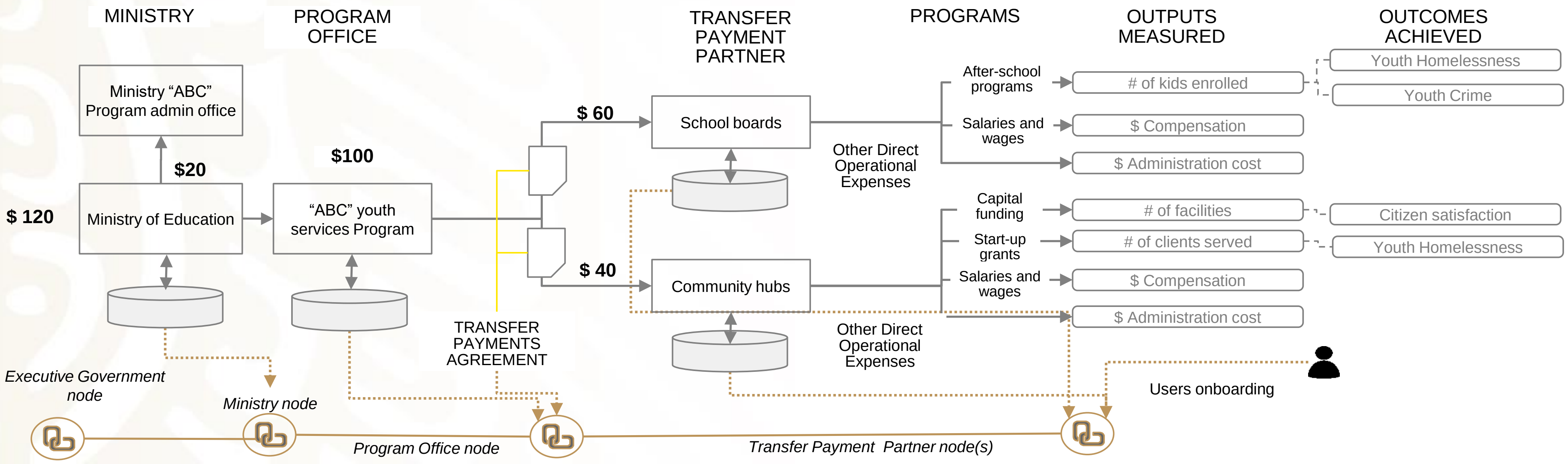
A single IT layer for connecting actors in a shared trusted ecosystem



Blockchain is a distributed ledger shared between all stakeholders



Blockchain for Public Finance Overview (2/2)



1

Executive government authority approves appropriation structure and Ministry of Education allocates funds to ABC youth services program (controlled by a program office). Data is recorded on internal ERP systems.
Using digital tokens, Ministry's allocation details are recorded on the blockchain via an application interface call to ERP

2

Program office sets up Transfer Payment agreements with partners – School boards, and community hubs.

Agreement is encapsulated in a Smart Contract and stored on the blockchain. Tokens are released into partners wallet. Data is read in from the ERP systems

3

School boards and community hubs internally allocate funds using their public and management accounts

Financial allocation data, outputs, client IDs, metrics (Capex and Opex related) are captured on the blockchain. Data is read via application interfaces from internal systems or applications (spreadsheets)

4

Outputs are measured on an ongoing basis. These KPIs are used to inform long term outcomes over time.

Smart Contracts application interfaces will help provide data views into the immutable record of outputs and client data stored on the blockchain

5

Ministry calibrates funding and makes key decisions based on outputs reported **on a near real-time basis**

Blockchain for Public Finance is based on three foundational issues for innovation and delivery of better governance and public sector outcomes

1

Transparency

Providing transparent, accurate, continual information for financial reporting and accountability

2

Efficiency

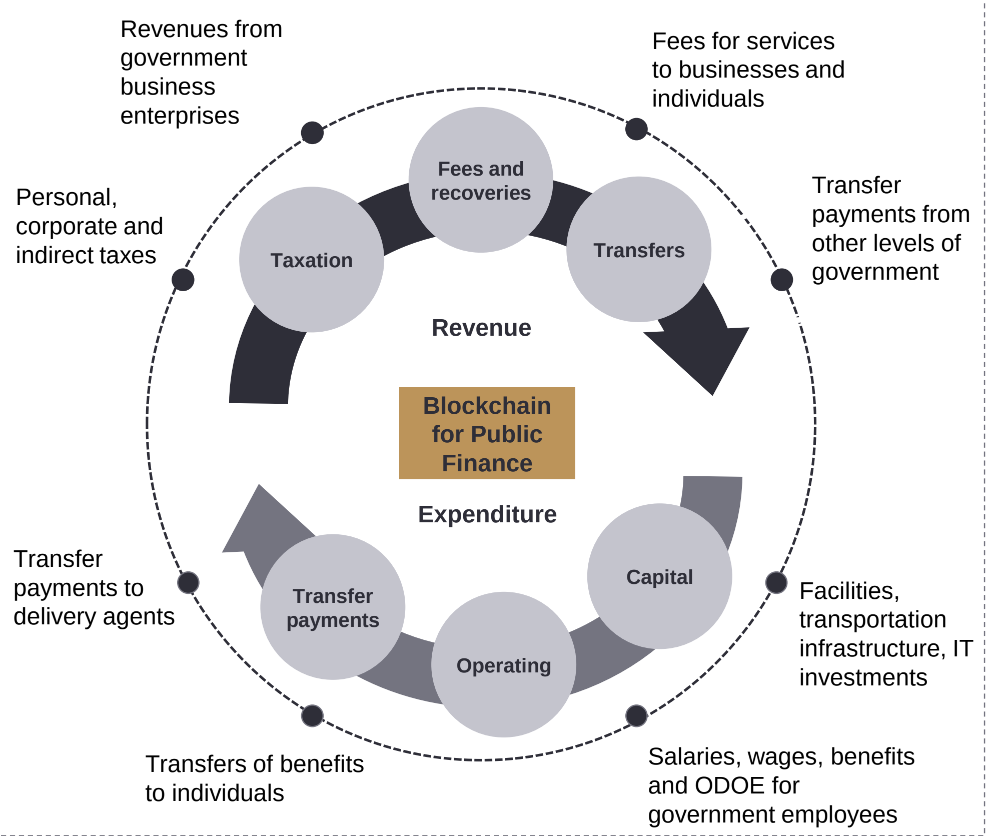
Optimizing administrative efficiency and capacity in core financial management processes such as budgeting, expenditure management and performance management

3

Single source of truth

Creating a single source of integrated financial and nonfinancial performance information provided continually to support managerial and strategic decision-making

Financial management across the budget lifecycle



Case study

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School capital works budgeting and execution for an administrative authority in Western Australia

A public authority in Western Australia was looking to improve productivity, offer more transparency in information, and better manage public funds

Challenges

- Automate and increase transparency into the maintenance breakdown and repair service which involved multiple departments, external service recipients, and private service providers
- Cumbersome, manual and highly repetitive process of consolidation and intercompany elimination — increasing the monthly load on finance
- Multiple instances of the same ledger across locations, with monthly trial balance interface for consolidation not providing the team with visibility on transaction level records in the general ledger and supporting sub-ledgers in each location
- Rigid/limited foreign currency functionality e.g., one rate per currency per month, rate discrepancies across locations etc. impacting finance workload

Solution provided

- EY developed a Proof of Concept (PoC) to:
  - Track expenditure from budget allocation through to service outcome
  - Identify tasks within the process that can be reengineered and automated;
  - Extend the solution to external participants outside the Department; and
  - Streamline reconciliation and payment processes
- The PoC involved building a simple web application to provide near real-time insights on exceptions in work orders, purchase orders, and invoices, and the budget

Benefit to client

- 100% Coverage of financial and non-financial transactions in near real- time eliminating need for costly audits of suppliers, contractors and other delivery agents
- -99% — From 30 days to less than 5 minutes to verify and make payments to external agencies
- Enhance transparency, productivity, proof of work, vendor management, and effective access to data while reducing manual work at many key points across the maintenance process
- Make better and faster decisions with same-time insights into end-to-end breakdown maintenance work progress, total cost allocation and speed to payment
- Reduce overhead costs for processing invoices and cut down payment times to contractors.
- Undertake informed and faster capital investment decisions due to availability of information from historical to same-time

Contacts

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