Latvijas Republikas
Valsts kontrole

Budget and policy planning:

Main challenges towards sophisticated ICS

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*The State Audit Office approach - the **assumption** and **hypothesis** that needs to be verified (case study from Latvia)*

Budget + public policy planning = strategic planning (IDS)

The quality of strategic planning can be assessed using the internal control system (ICS)

(audit + monitoring + procedures + policy + staff)

OBSERVATIONS ON PUBLIC POLICY SYSTEM

The most important challenges on public policy planning

Part of the public policy is being implemented within a framework of the EU's policy

The system is not uniform (government and local municipalities)

Doubts about the ability to monitor public policy quality and ensure coordination across sectors

"Natural deviations" in policy drafting in order to avoid external evaluation of performance

OBSERVATIONS ON STRATEGIC PLANNING (IDS) FOR LOCAL GOVERNMENT INSTITUTIONS

Do we need strategic planning (business plan for public institutions)?

Two contradictory laws create interpretative problems because ...	*The Development Planning System Law states that development planning refers to municipalities*
	The Spatial Development Planning Law does not directly refer to the development of administrative management documents
	As a result, municipal investments are not sustainable, they are fragmented

OBSERVATIONS STRATEGIC PLANNING (IDS) FOR THE STATE INSTITUTIONS

Example: The quality of strategy as business plans

The ministries formally plan their activities because ...	*Some contradictory recommendations from the "government centre" for the institutions*
	The "financial crisis" that has mistrusted on strategic planning
	The formal approach is because institutions consider planning as unnecessary bureaucracy
	Several ministries have not developed the institution's management documents

Example: administrative control quality of the documents subordinate institutions

Subordinate bodies formally plan their activities because ...

- *There are no unconcerned conditions from the leading institution*
- *Just fulfils the task of "ticking and marking"*
- *Do not see the link with budget items*

Ownership of strategic planning

The strategic planning on institutions level is formal, because ...	*There are no dedicated responsible departments, servants, but indicated that the Parliament (at large) is responsible for the any local solution*
	Quit often required investments (cash and human capital) are not indicated.
	No implementation deadlines and performance indicators what to be achieved are no indicated

Key messages: …on strategic planning

*Not enough **laws and regulations**, nor campaigns and measures for quality improvement.*

*Sometimes a boring, bureaucratic, day-to-day quality **management and monitoring system is needed.***

***Trained and educated civil service** who can understand and implement the system is important*

OBSERVATIONS ON INTERNAL CONTROL SYSTEM (ICS)

ICS – What it mean? What is? And what isn't?

- ICS - is the systematic action taken by the head of the institution to determine the area of his competence with the highest risk of failure
- ICS - most often these are elementary, everyday measures, avoiding many «small» troubles
- ICS - not a rocket science

Local municipality leaders survey [1]

Is there an internal control system?

94%

Are the requirements for an internal control system understandable?

34%

Local municipality leaders survey [2]

Is that (ICS) under responsibility of municipality leader? Yes, probably yes!

60%

Is that under (ICS) responsibility of municipality leader? No, probably no!

40%

COSO cube – as pivot for understanding internal control system

Tipping points

"Customer" determines…

… effectiveness of internal control systems, risk management and provide overall management…

..not only for **<u>"preserving the value"</u>** …, but more to the **<u>"creation of value"</u>**

Context and understanding of communication

	Institutions are not always aware of their structural role, its contribution to achieving the common objectives
The manager's must see a set of actions and build communication ...	*Communication between employees, departments, poor personal relationships*
	There are no adequate knowledge and competence to perform the duties or is not acquainted duties

Lack of professionalism

ICS is not only the task for the person who has obligation to fulfil particular duties ...

The opinion of specialists (experts) is not used, as experienced specialists are «internal auditors»

The process descriptions can be replaced by the rules, more «play» with the schemes, process «bricks»

Replacing employees should not "disappear" documents

Internal control techniques issues

Simple tips that help for the internal control system ...

Quality of the inventory procedures

«four-eye» principle

Process descriptions

Key messages: …on internal control system

Not enough laws and regulations, ***communication*** *between «boss» and «plebs» is some «lost» track.*

Is not a boring, bureaucratic process, but ***experienced and «clever» persons is needed.***

KISS principle is important for *understanding and implementing the ICS*

Thank you for your attention!

State Audit Office, Republic of Latvia

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