Twinning light project – IPA 2014

Implementation of PIFC Priorities

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PIFC priorities

8 PRIORITIES	
PRIORITY 1:	IMPROVING THE RELATIONSHIP BETWEEN STRATEGIC PLANNING AND PLANNING OF RESOURCES
PRIORITY 2:	STRENGTHENING THE DECENTRALIZED MANAGERIAL ACCOUNTABILITY
PRIORITY 3:	EFFICIENT RISK MANAGEMENT
PRIORITY 4:	CONTROL ACTIVITIES IN FINANCIAL MANAGEMENT
PRIORITY 5:	INFORMATION, COMMUNICATION AND MONITORING
PRIORITY 6:	INTERNAL AUDIT
PRIORITY 7:	FINANCIAL INSPECTION
PRIORITY 8:	ENSURING THE PERMANENT QUALITY OF PUBLIC INTERNAL FINANCIAL CONTROL

CHALLENGES IN THE IMPLEMENTATION OF PIFC PRIORITIES

1. PIFC requires to change the style of management from traditional to proactive management in the public sector

TRADITIONAL WAY OF MANAGEMENT	PROACTIVE WAY OF MANAGEMENT
Centralized accountability of the Head of institution	Managerial accountability on all levels
Control and input supervision	Setting objectives and performance indicators and monitoring the business results
Solving already occurred problems	Risk Management

1. PIFC requires to change the style of management from traditional to proactive management in the public sector

Traditional public sector administration should shift towards **proactive** management. It does not suffice to only ask "***how much are we spending*** " and ***"have we confined our spending within plans".*** It rather deals with the questions of "***what for and how we are spending money and what are the results that we are achieving***".

2. The link between strategic planning and planning of resources

Managers in the public sector institutions need to set clear objectives in line with available resources and make sure this will be done on the basis of the principles of economy, efficiency and effectiveness.

Programme based budget enable managers / budget holders to manage their budgets in line with polices and priorities in their institutions.

3. Managerial accountability

Managers, who are in charge of **organising the operations and taking decisions,** are **accountable** for:

- the **way** in which the operations are being **managed and results achieved**
- **financial effects** arising from such operations
- **risks** associated with such operations
- **control activities** to be put in place and applied
- **ongoing monitoring of the management system** and its timely updating

3.1. Decentralized managerial accountability

Top managers / heads of public sector institutions should be responsible for making strategic decisions, while managers at lower levels should be in charge for making operational decisions.

3.2. Delegation of authorities and responsibilities

Heads of public sector institutions should:

- delegate authorities and responsibilities
- provide sufficient autonomy and resources for managers to achieve the expected results in accordance with the granted authorities
- remove overlapping of competences and enhance accountability and reporting lines

Delegation of authorities and responsibilities does not exclude the Heads accountability !

4. Efficient Risk Management

5. Control activities

- written rules, procedures and measures in order to reduce risks and achieve the set operating objectives.
- ***Ex-ante controls*** :
  a) before a financial decision has been made, i.e. before making a decision on the use of budget resources
  b) during the course of the execution of financial decisions, closing with the payment stage
- ***Ex-post controls:*** conducted after a financial or other decision has been made or after the completion of a business process.

5.1. Control Activities

While some of control activities are already contained in the legal regulations, internal procedures need to be elaborated in order to define control activities in detail.

6. Information and Communication

- Adequate, timely, complete and accurate data are required to be able to manage revenues, expenses, assets, liabilities, to monitor the achievement of set objectives, the results achieved, to analyse discrepancies, make decisions, conclusions etc.

- **Accounting systems represent the foundation and the base of any management information system and should be developed to enusre detailed information for efficient management of assets, liabilities, arrears, revenues and expenditures.**

6.1. Information and Communication

Reporting System in traditional way of management

- narrative description of activities
- financial information at the general level

Improvement of internal reporting systems and accounting systems

Reporting System for proactive management:

- timely, accurate and complete data and information
- monitoring the realization of objective and how the resources are spent
- information for better revenue, asset and liability management
- improved transparency and accountability towards citizens

7. Internal Audit – objective assurance and advise of the management

Internal audit:

- evaluates and assesses the system
- of internal controls
- provide advices for improvements
- add value
- doesn’t sanction
- is not control or inspection

7.1. Internal Audit – cooperation with management

- **IA** is functionally and organizationally independent. However, **its independence does not mean its isolation**. An atmosphere of **mutual trust and cooperation between management and IA** is nourished by taking common action, transparency in plans, work, the objectives and a professional relation via the application of work methodology

INTERNAL AUDIT vs INSPECTION	
A service provider…	An investigative activity…
Forward-looking to be supportive of management…	Inquires the past to establish specific breaches of regulations…
Assesses the systems and provides advice…	Checks compliance…
Focuses on systems…	Focuses on transactions, individuals …
The objective: to evaluate systems and make recommendations for improvement…	The objective: to discover breaches of regulations and determine penal measures…

TWL “Further improvement of internal control system”

Component 1	Results
Improvement of legislation and methodological tools for FMC&IA	▪ drafted new PIFC Law ▪ drafted new FMC Manual ▪ drafted new IA Manual ▪ drafted new Guidelines for Risk Management ▪ new Manual for Managerial Accountability
Component 2	**Results**
Building up capacities of budget users on central and local level to manage efficiently public funds	▪ training need assessment done ▪ training program prepared for FMC and IA staff ▪ Train-the-trainer workshop organized workshops/seminars (5) and pilot audits (3)
Component 3	**Results**
Strengthened co-ordination, supervision and reporting capacities of the CHU	▪ quality assessment manual based on PEM PAL model ▪ improved model of annual reporting on PIFC ▪ study visit

THANK YOU FOR ATTENTION