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Community financial management assessment

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Yerevan, November 22

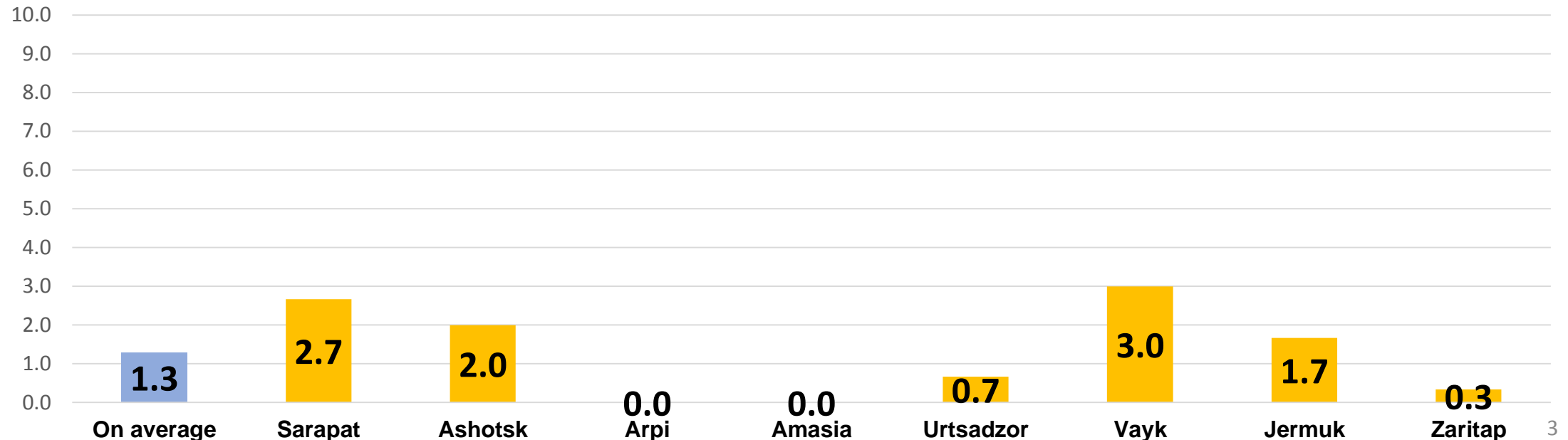
Assessment results

Reasonable tax and budget planning

Financial structure of a long-term budget

average - 1.3 points

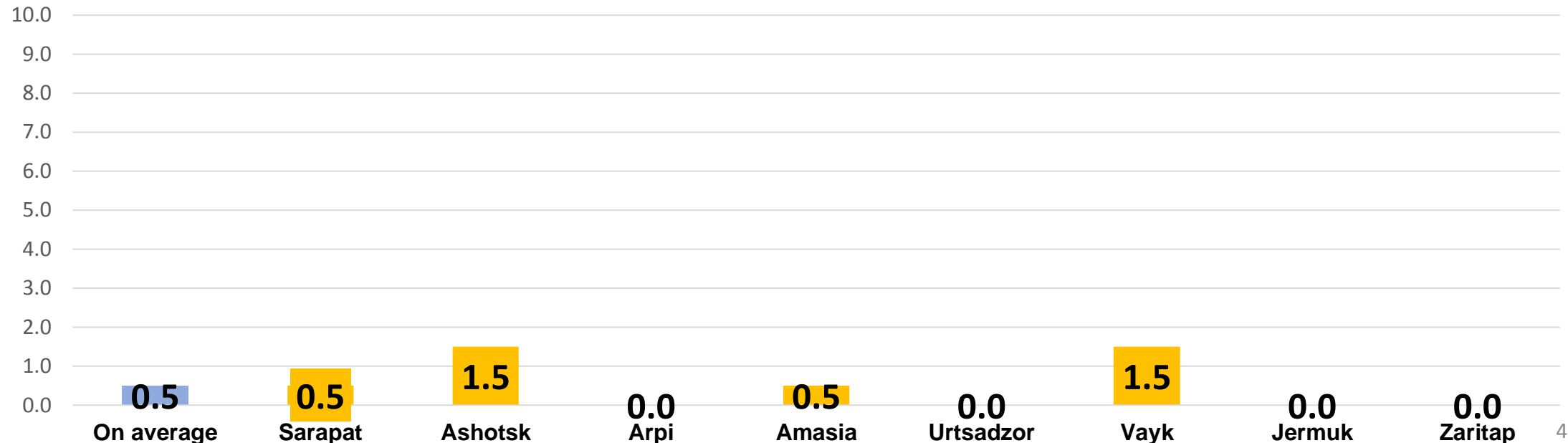
- ✓ The budget is developed in line with mid-term/CDFP policy
- ✓ Clear interconnection among the local policy, strategies and budget articles defines responsibility
- ✓ The change in the general maximum volume of the budget is in line with the objectives of the local policy



Long-term budget programs

on average - 0.5 point

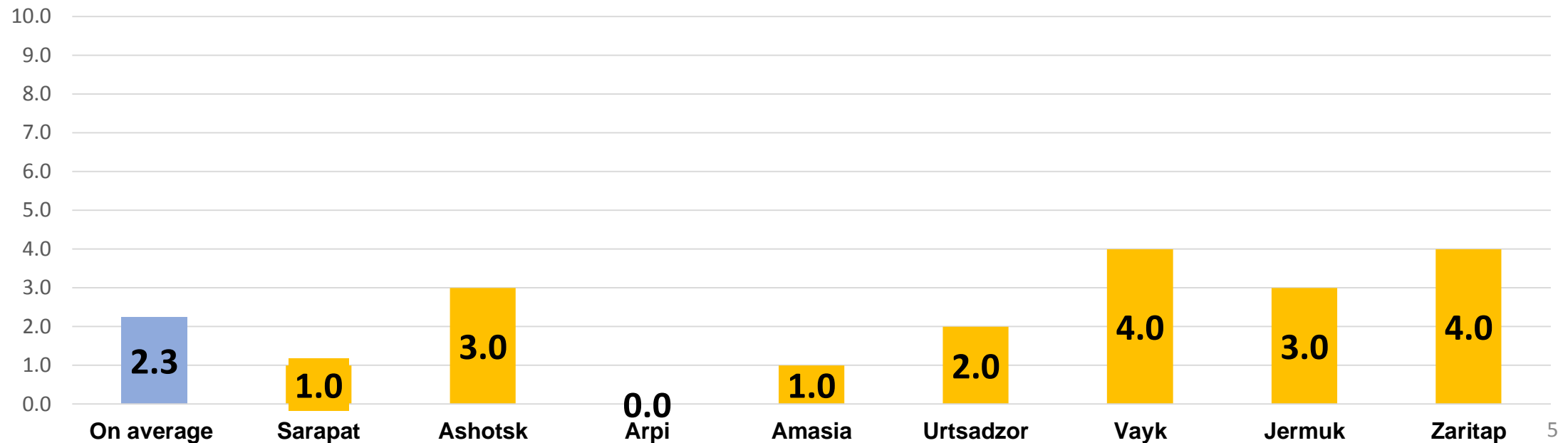
- ✓ The long-term/CDFP program is a condition for a balanced annual budget, in which levels and resources of the program are defined,
- ✓ The long-term program does not have a formal nature. Consequences of decisions having financial nature are included in it.



Discussion of the budgetary strategy

on average - 2.3 points

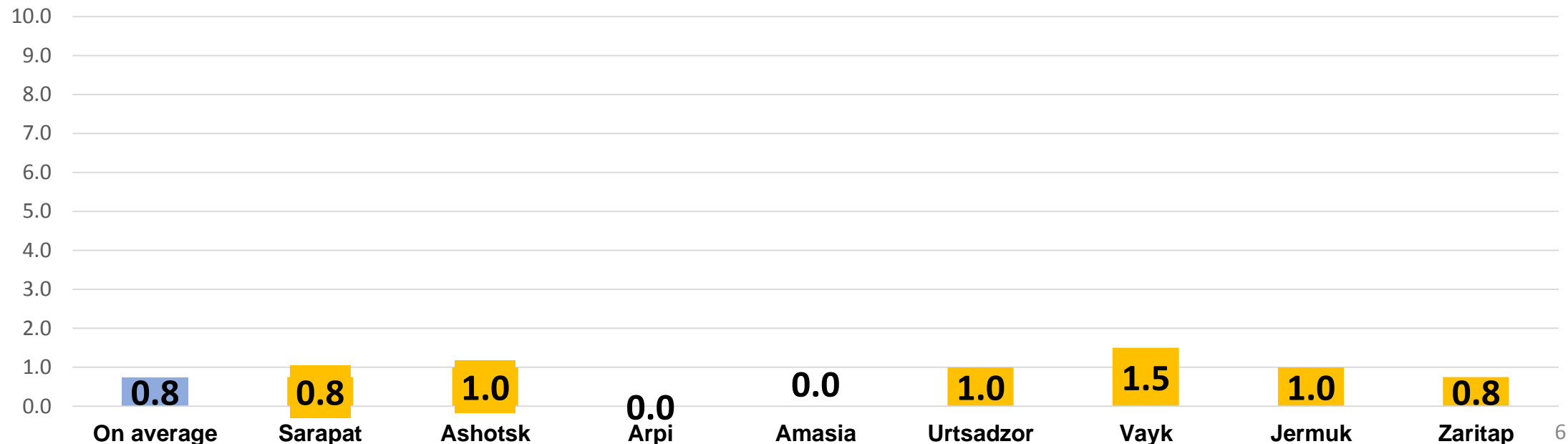
- ✓ During the first stage of budgeting, discussion and approval of the objectives of budget and tax and budget policy should be conducted



Technical capacities of the budget preparation process

on average - 0.8 points

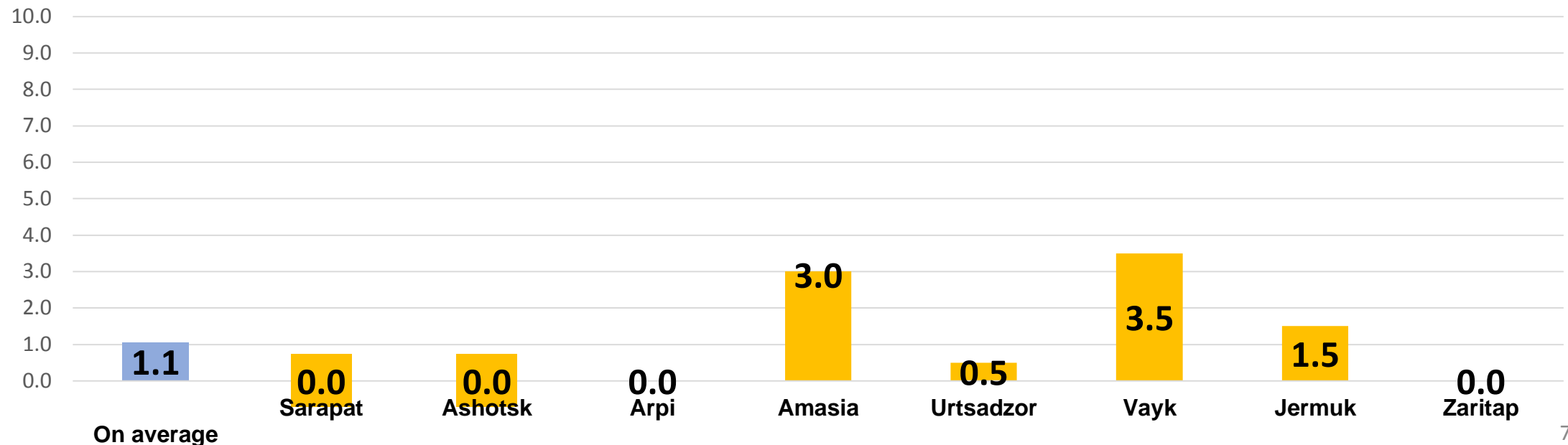
- ✓ Local experts in various aspects are participating in the budget preparation.
- ✓ Budget preparation is the most important instrument for the discussion of service provision options and selection of the best one.
- ✓ Comparative analysis is used for substantiation of further changes as compared with the results of the previous periods.
- ✓ Active participation of colleagues and experts ensures transparency of the process.



Analytical data ensure transparency of the budget

on average - 1.1 points

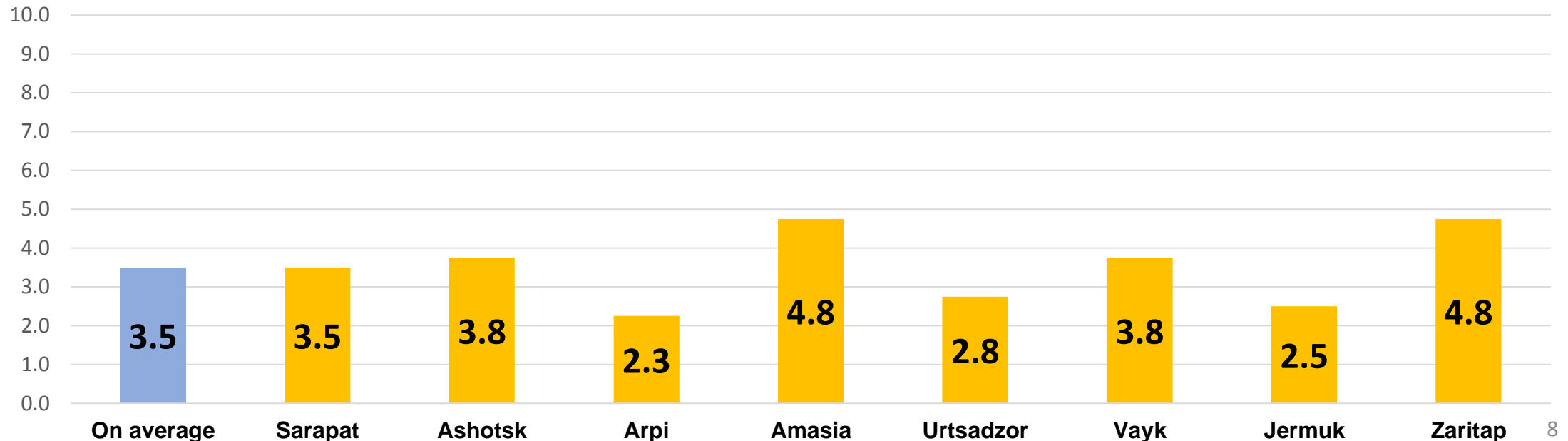
- ✓ The system of interconnected budget documents enables to better understand it, while providing various types of data.
- ✓ Analytical tools helps to better understand the importance of budgetary planning.



Involvement of elective bodies

on average - 3.5 points

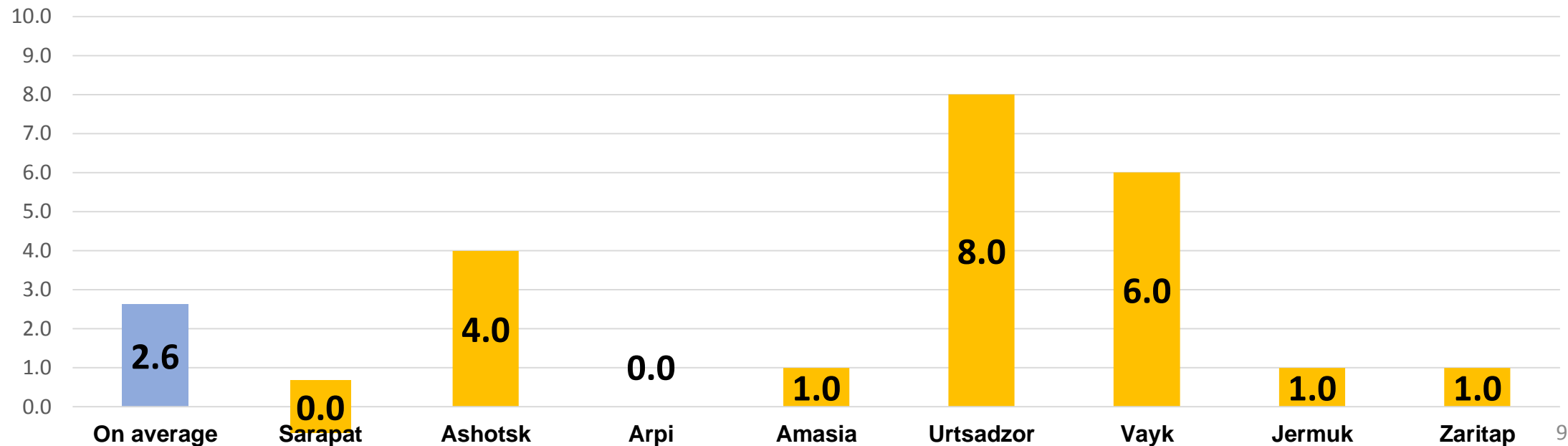
- ✓ The degree of perception of the budget objectives by the community leader and the local council
- ✓ Respective processes are available:
- ✓ Discussion of issues
- ✓ Inadmissibility of conflict of interests, combating corruption.
- ✓ LSGB representatives are aware of the consequences and impact of their decisions on the future.



Separate discussion and approval of big investment projects or other significant programs

on average - 2.6 points

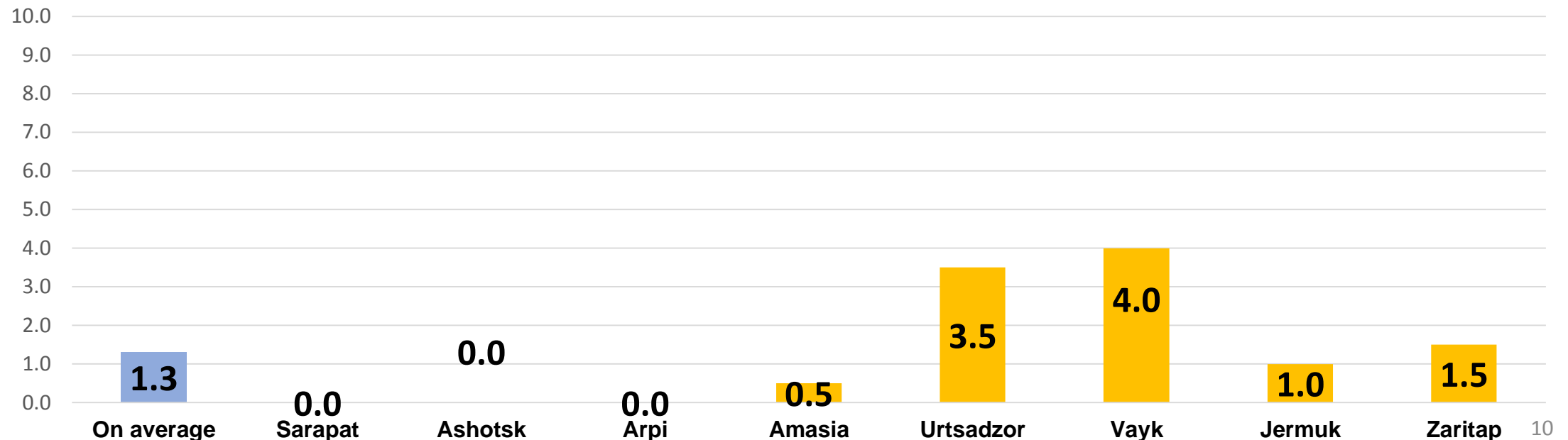
- ✓ Availability of processes ensuring participation of population in the process of identifying significant investment projects



Enrollment of other participants increases the degree of responsibility

on average - 1.3 points

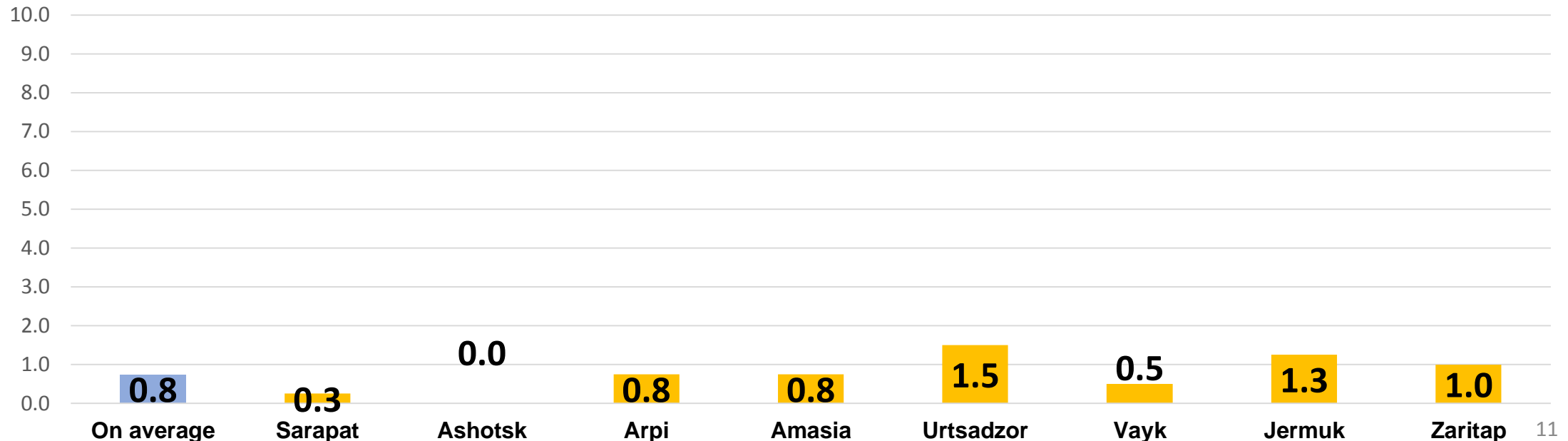
- ✓ Open discussion is being held, through which recommendations from the population are received.
- ✓ Regular consultations ensure autonomy.



Transparency, availability of budget-related documents

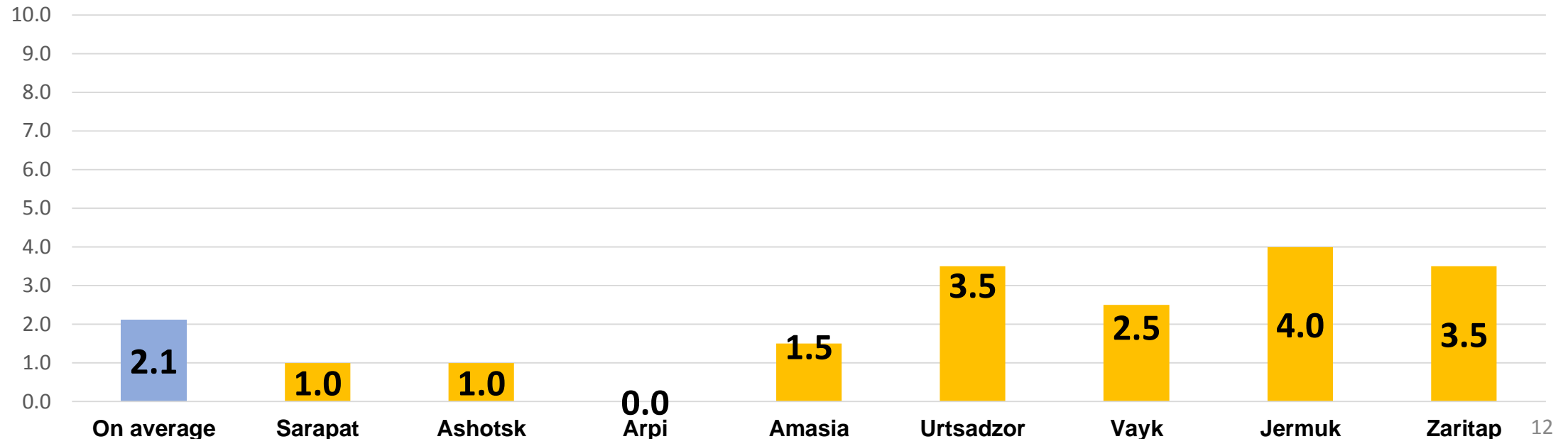
on average - 0.8 points

- ✓ Transparency increases the level of responsibility and population involvement.
- ✓ Information, protocols, publications on the Internet.
- ✓ Brochures, where the main objectives, data and diagrams are introduced.
- ✓ Public discussion of the budget, public hearings.



Costs reduction strategies are adopted and being applied on average - 2.1 points

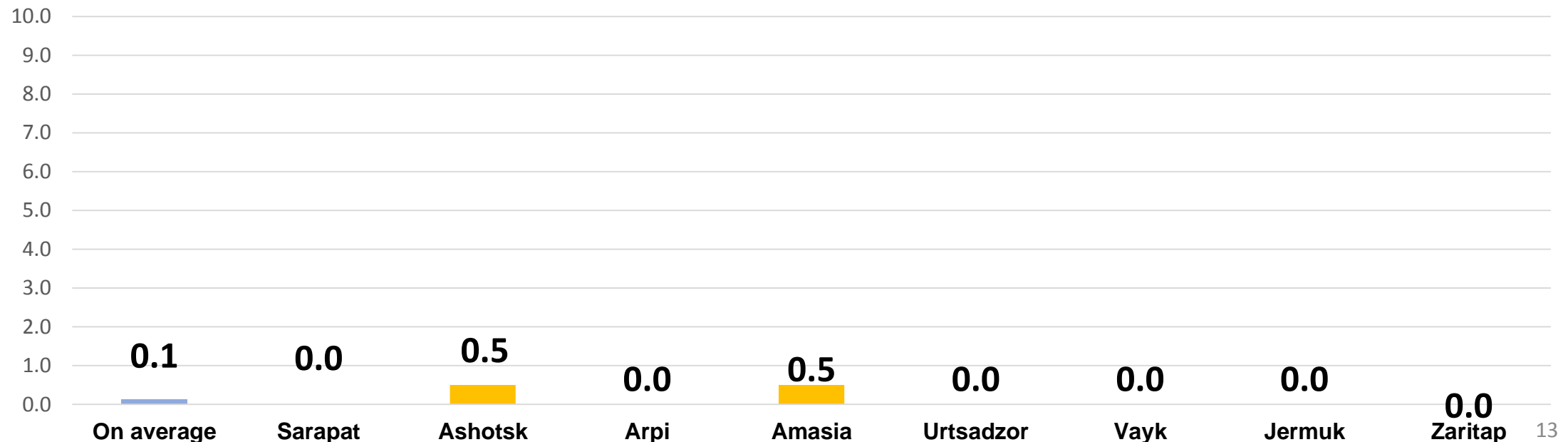
- ✓ Share of current expenditures in the local budget
- ✓ Share of the salary fund in the total administrative expenditures.



Cooperation with other LSGBs

on average - 0.1 points

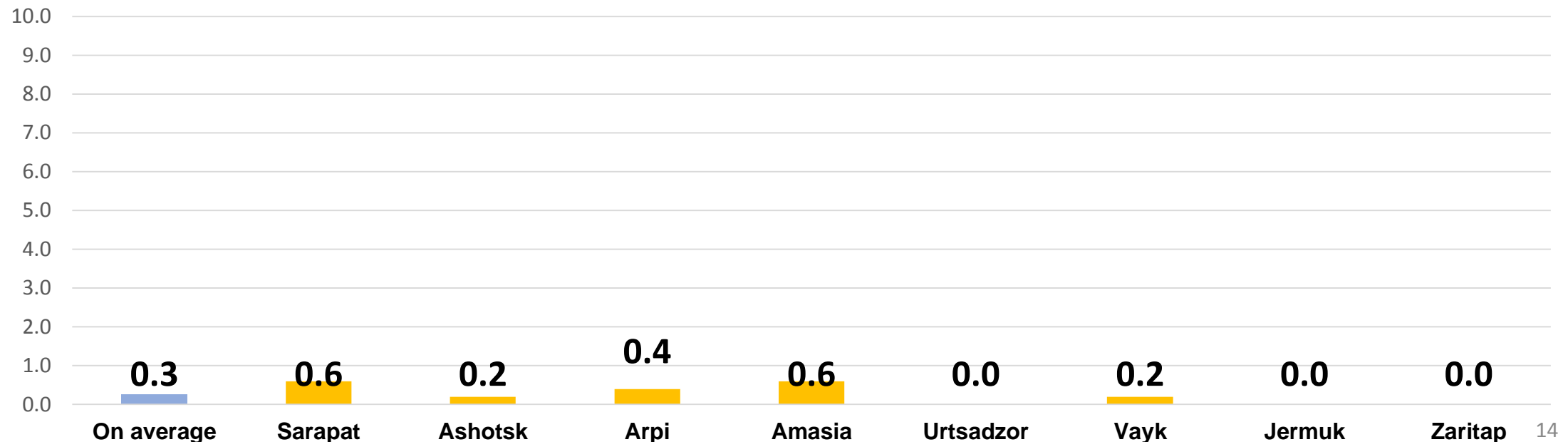
- ✓ Cooperation and distribution of expenditure with other communities ensure increase of effectiveness level.
- ✓ Clarifications are provided about distribution of expenditures, advantages, expected results and about long-term financial consequences during the implementation stage, and are reflected in the budget.



Joint use of administrative and professional resources

on average - 0.3 points

- ✓ Intercommunity cooperation objectives are announced,
- ✓ The LSGBs cooperate to increase the quality of main services provision,
- ✓ Certain volume of jointly organized technical services (utility, transport),
- ✓ Joint procurement of goods and services,
- ✓ Application of an electronic system of procuring goods and services.



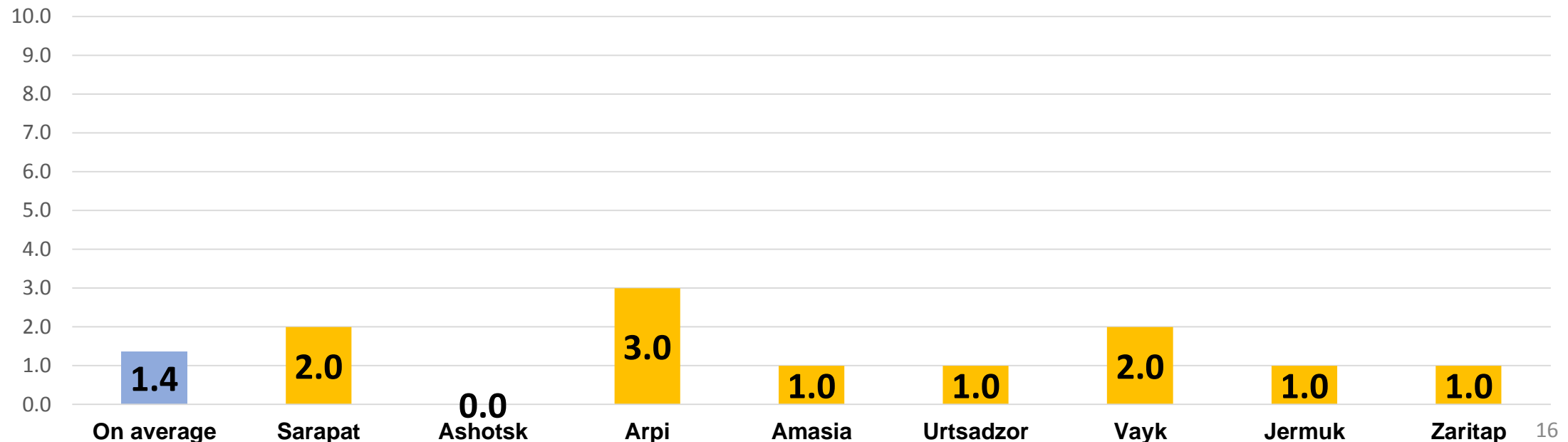
Assessment results

Special rules of budget implementation and change

Regular assessments enable control over budget implementation

on average - 1.4 points

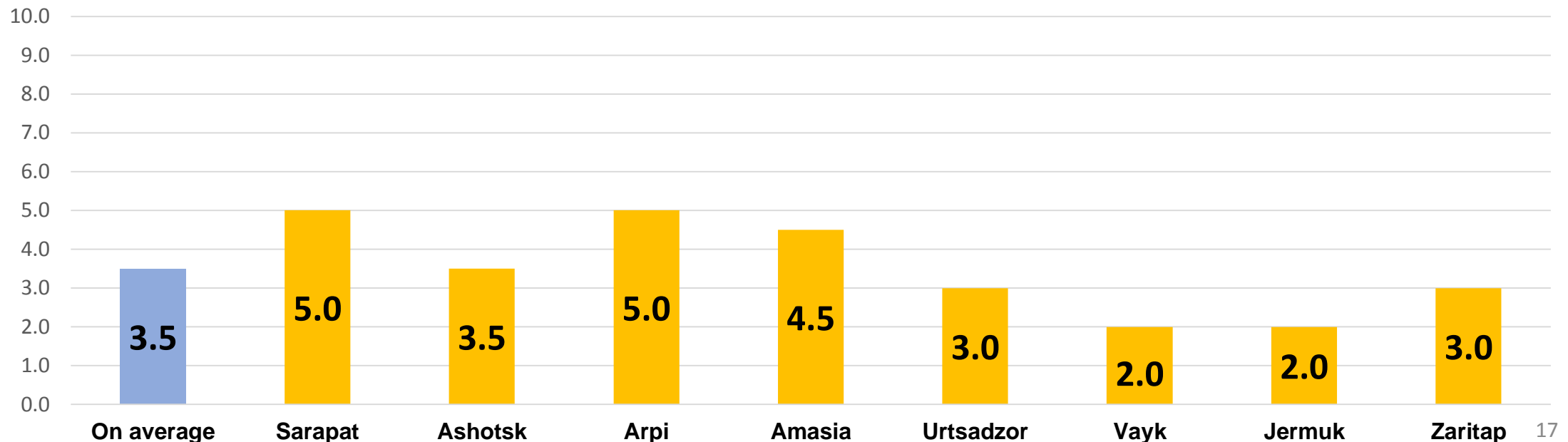
- ✓ Assessment on quarterly basis, quarterly reports on observations enable regular supervision over implementation.
- ✓ They enable making decisions on necessary changes.



A local system of supervision, observation and accountability is created to organize the audit of budget implementation.

on average - 3.5 points

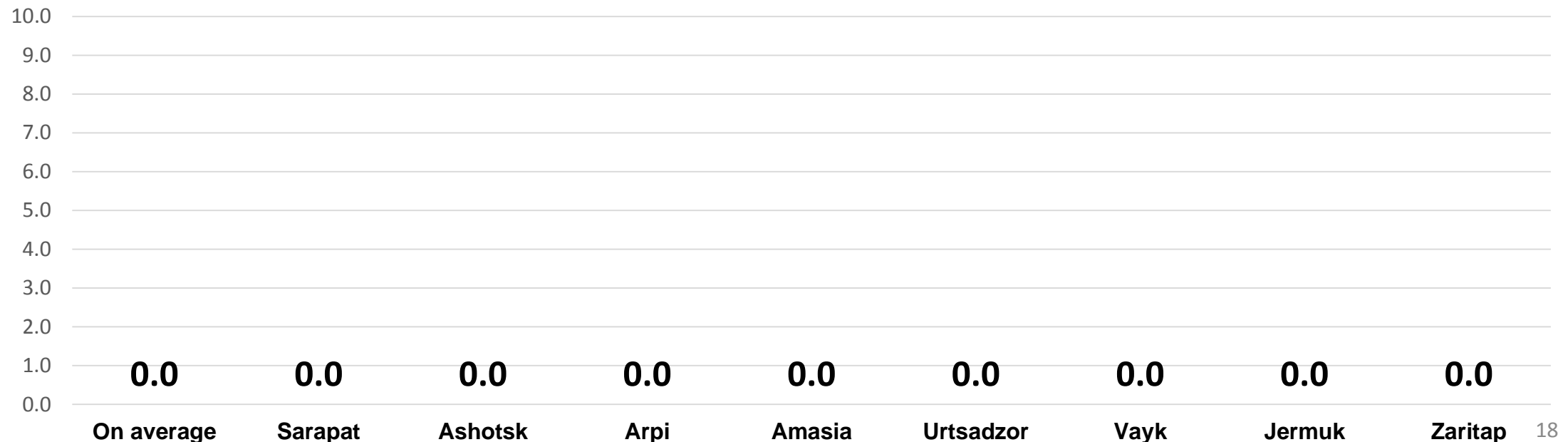
- ✓ The final report is made the same way as the budget.
- ✓ There are relevant clarifications about the budget implementation; differences are being commented on.



Independent conclusions about the final and financial reports

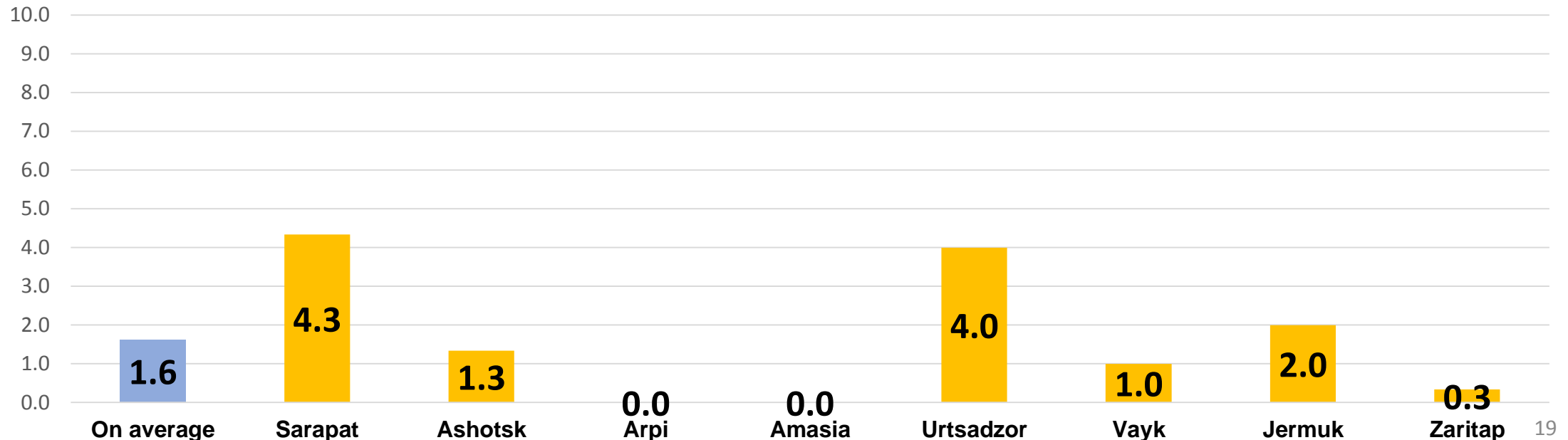
on average - 0.0 points

- ✓ Independent conclusion (external audit) enables the members of the elective body to ascertain the accuracy and trustworthiness of the reports.
- ✓ If the external auditor does not approve the reports, that speaks of the fact that significant inconsistencies have been identified, which can impact the making of decisions.



The change of the budget on annual basis is limited on average -1.6 points

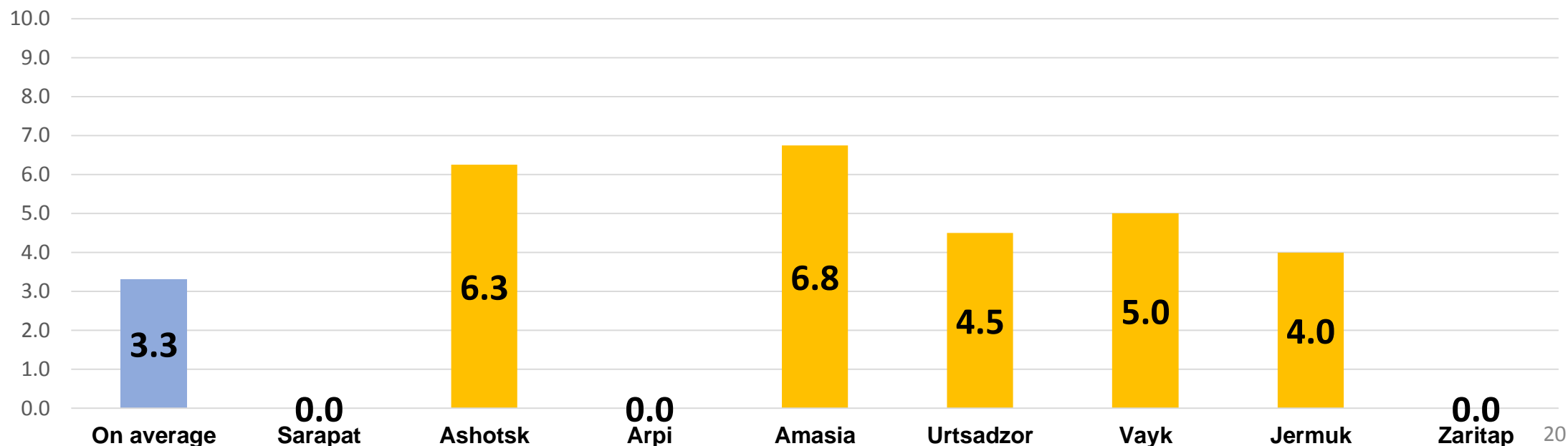
- ✓ The need for change in the budget is decided in advance.
- ✓ Frequent changes influence the decision-making, which can result in the change of initial objectives.
- ✓ Frequent changes disrupt the principle of transparency, as the respective topics can be left out of the open discussions.



The relations of LSGBs and subordinate organizations are regulated with transparent agreements

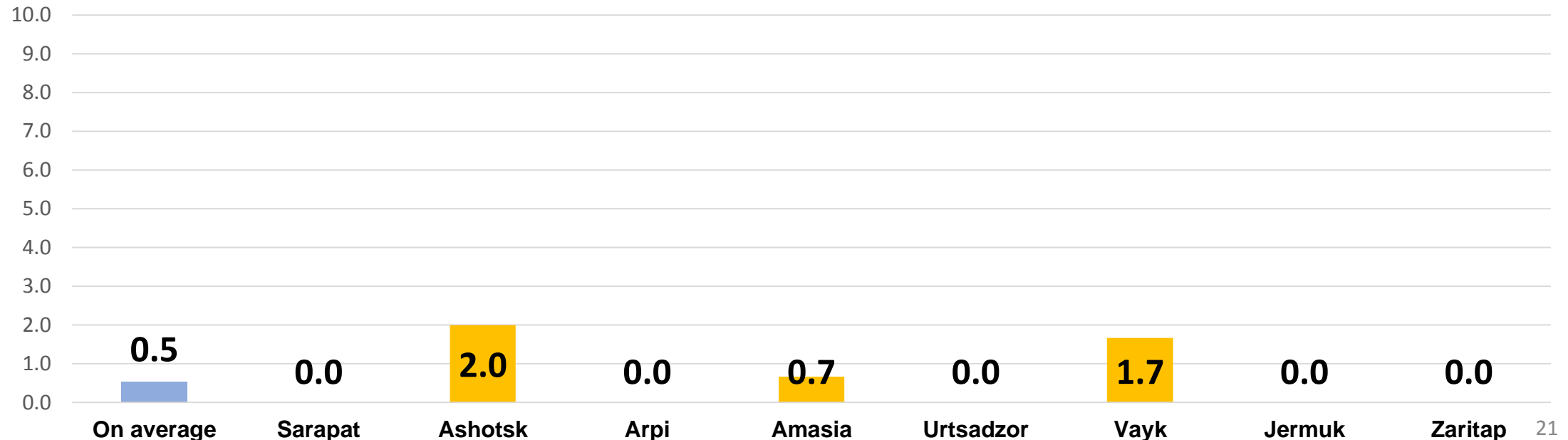
on average - 3.3 points

- ✓ Financial resources of LSGBs and service providing organizations are clearly distinguished,
- ✓ Service provision is being implemented based on the written contract,
- ✓ Sources of funding for contract-based services (dues collected from consumers, payments, subsidies, loans, etc.) are defined on annual bases,
- ✓ Information related to contracts on services in accord with the national legislation is available to the public.



Contracts concluded by the LSGBs on the service provision include issues related to the assets on average - 0.5 points

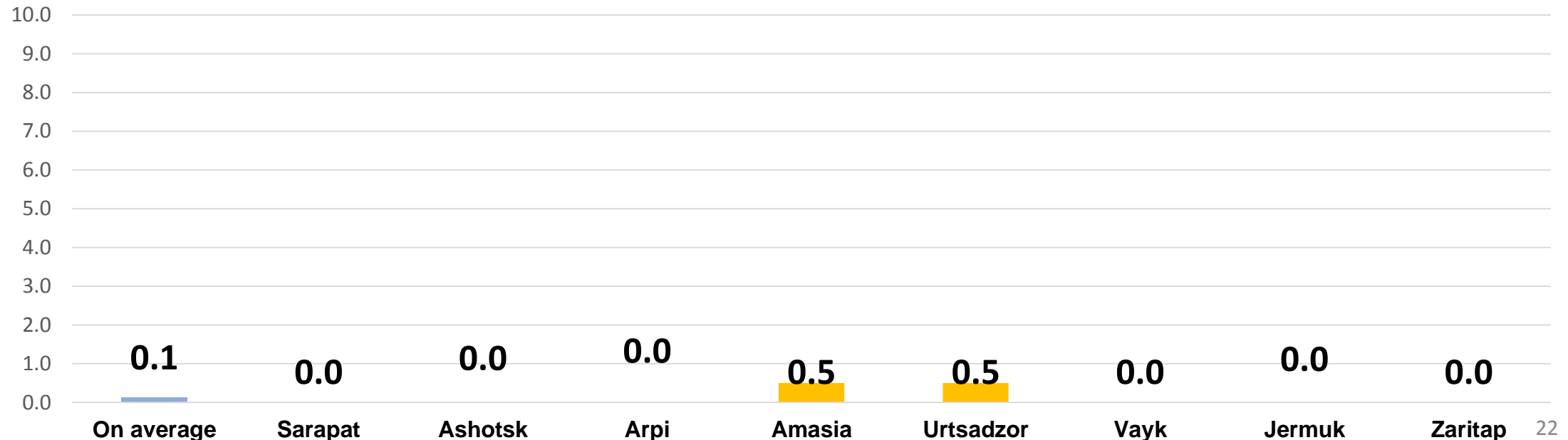
- ✓ The procedures for the maintenance of community assets by the service providing organization are defined in the contract
- ✓ The maintenance, service, repair and renovation obligations of the transferred assets are defined
- ✓ The LSGBs receive reimbursement for the maintenance of their assets by the third party



Management of local services must be effectively implemented

on average - 0.1 points

- ✓ There is a system for the assessment of service provision effectiveness,
- ✓ The results of community services provision are being regularly assessed,
- ✓ The cost of one point service is assessed,
- ✓ The effectiveness of the service is the main index of the activity of service providing organization and its management



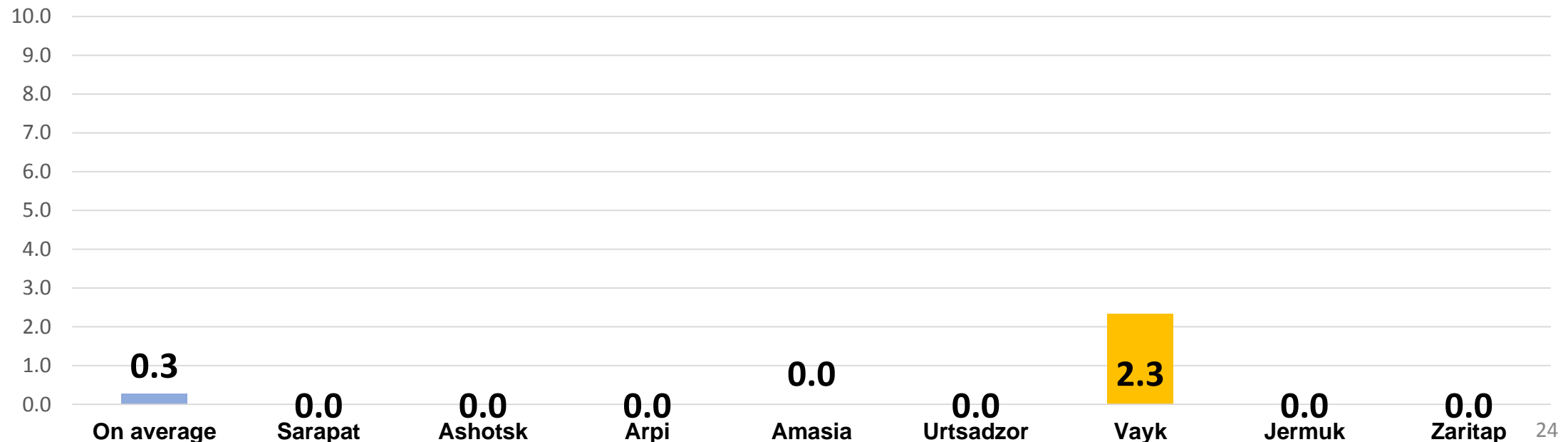
Assessment results

Special supervision

The role and scope of implementing internal audit

on average - 0.3 points

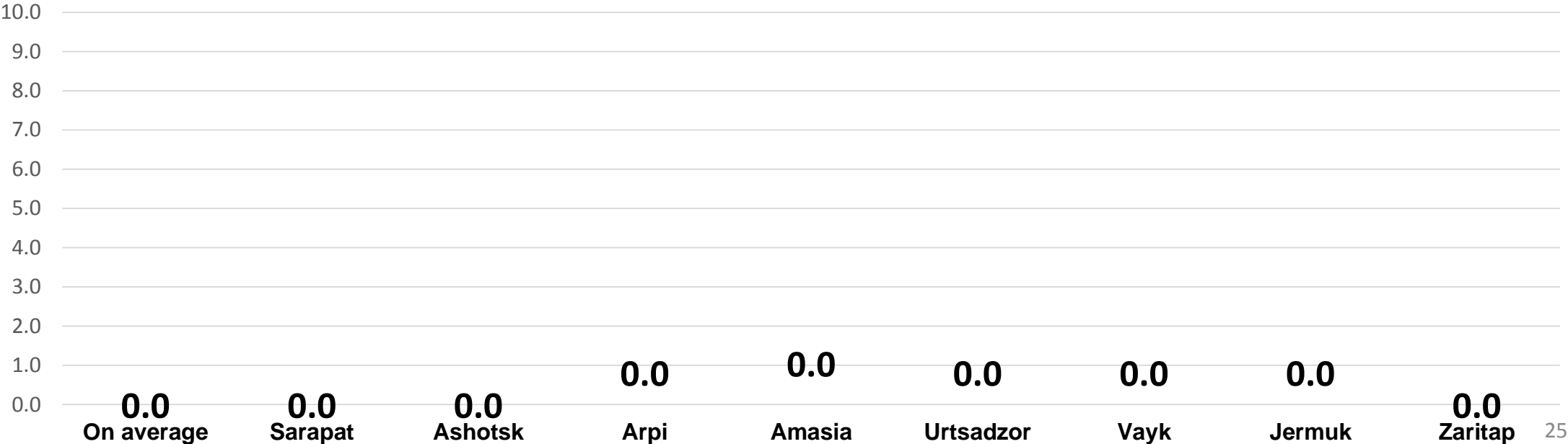
- ✓ Clearly defined powers of internal audit
- ✓ Objective of the internal audit is supporting high management and increasing effectiveness of LSGB activity
- ✓ Lack of resources allocated to audit should foster effective cooperation of two types of auditing activity.



Special attention is paid to the projects of cooperation with the private sector

on average - 0.0 points

- ✓ Cooperation of the private and public sector is a possible source of infrastructure financing and a way of saving resources in the given case. Nevertheless, it is necessary to demonstrate responsible approach to avoid additional costs and high risks in future.
- ✓ Proper discussion enables assessing expected benefits (losses) and safeguards (risks) as a result of private and public cooperation.



Thank you!