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Community financial management assessment

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Yerevan, November 22

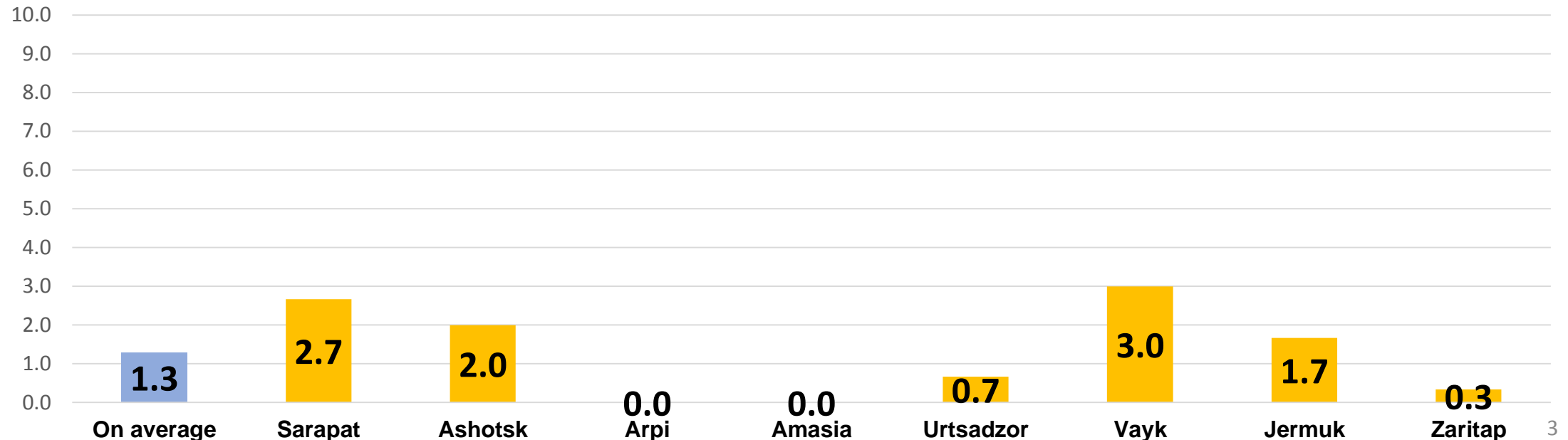
Assessment results

Reasonable tax and budget planning

Financial structure of a long-term budget

on average - 1.3 points

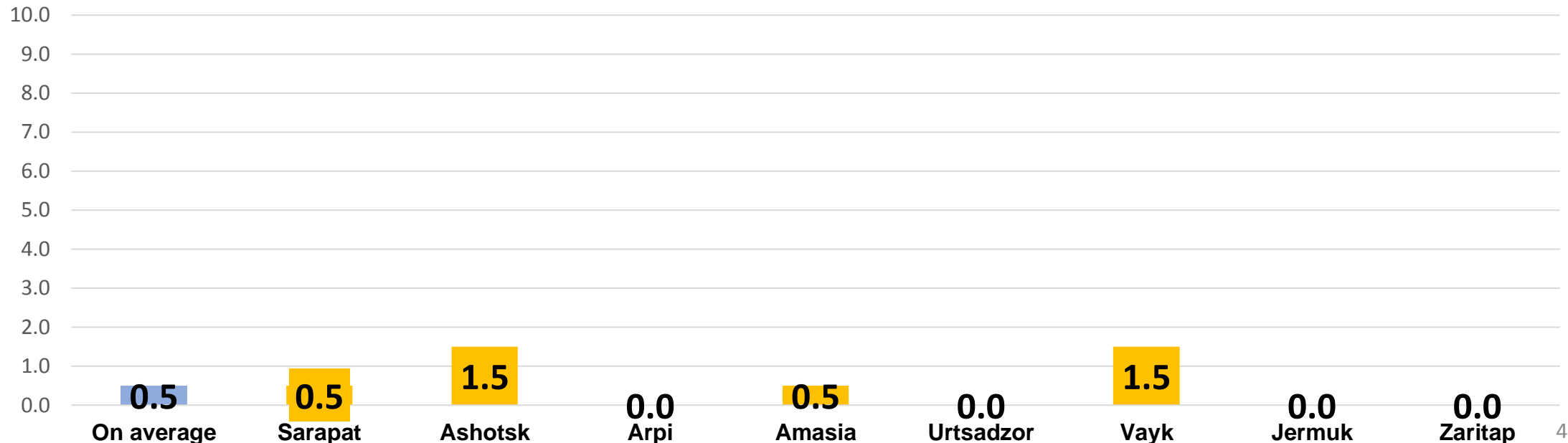
- ✓ The budget is developed in consistent with the mid-term/CDFP local policy
- ✓ Precise inter-connection of local policy, strategies and budgetary articles establish responsibility
- ✓ The general maximum scope change of the budget is consistent with the objectives of the local policy



Long-term budget programs

on average - 0.5 points

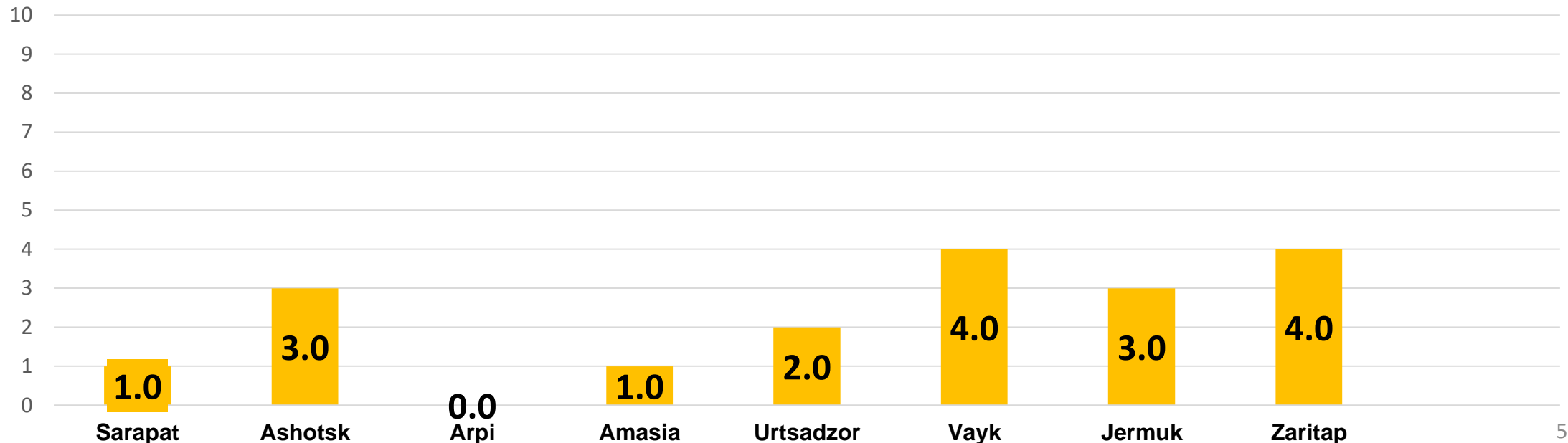
- ✓ The long-term/CDFP program is a condition for a balanced annual budget, in which service levels and resources are defined.
- ✓ The long-term program does not have a formal nature. It includes the consequences of the decisions of financial nature.



Discussion of the budgetary strategy

on average - 2.3 points

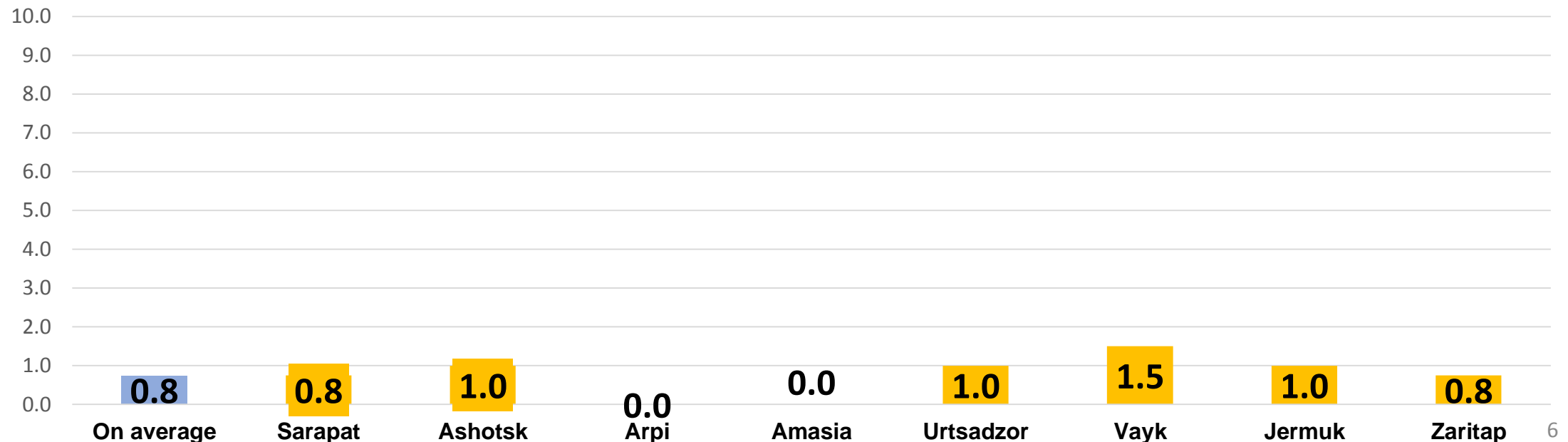
- ✓ During the first stage of budgeting, discussion and approval of the budget and tax-and-budget policy objectives should be conducted



Technical capacities of the budget preparation policy

on average - 0.8 points

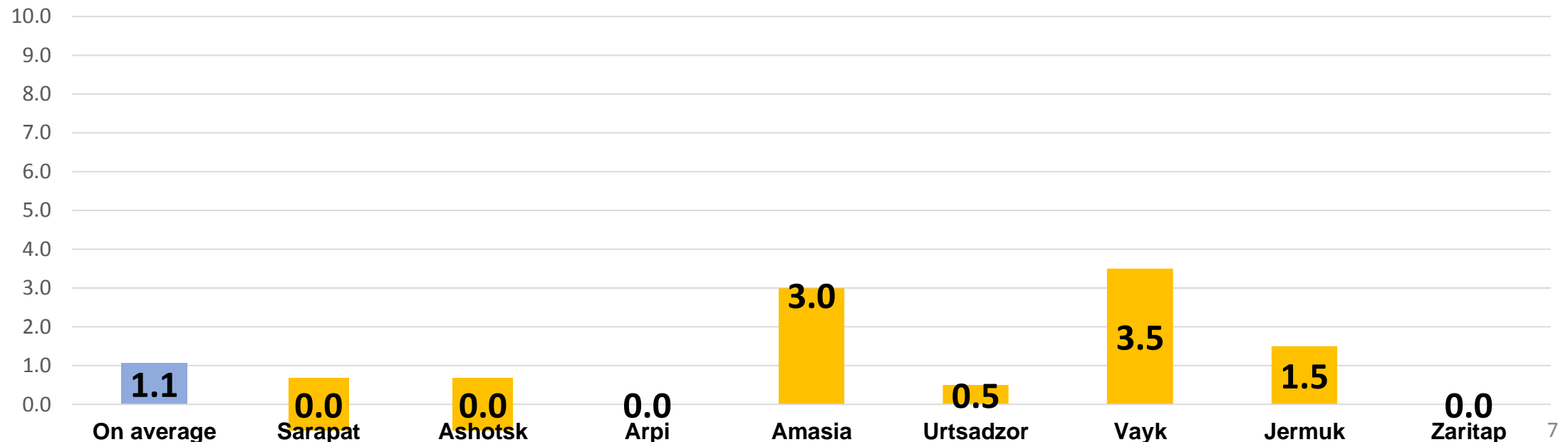
- ✓ Local experts in all aspects participate in the budget preparation.
- ✓ Budget preparation is the most important tool for the discussion of the options for service provision and selection of the best.
- ✓ Comparative analysis is used for the justification of further changes compared with the results of the previous period.
- ✓ Active participation of personnel and experts ensure transparency of the process.



Analytical data ensure transparency of the budget

on average - 1.1 points

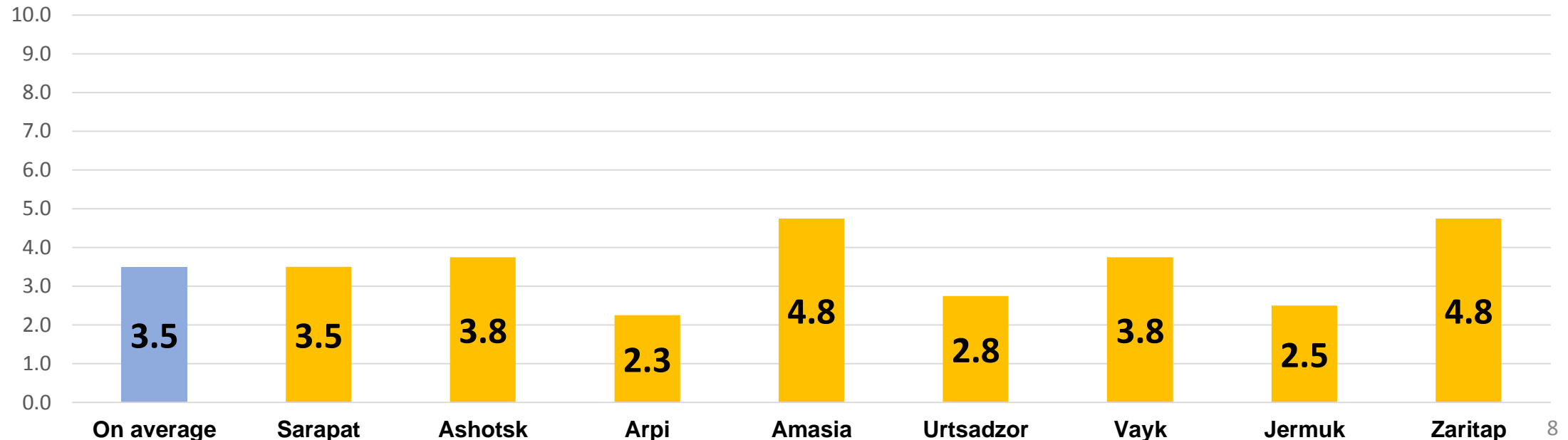
- ✓ The system of interconnected budget documents enables understanding it better, while ensuring various types of data.
- ✓ Analytical tools help to better understand the importance of budget planning.



Involvement of elective bodies

on average - 3.5 points

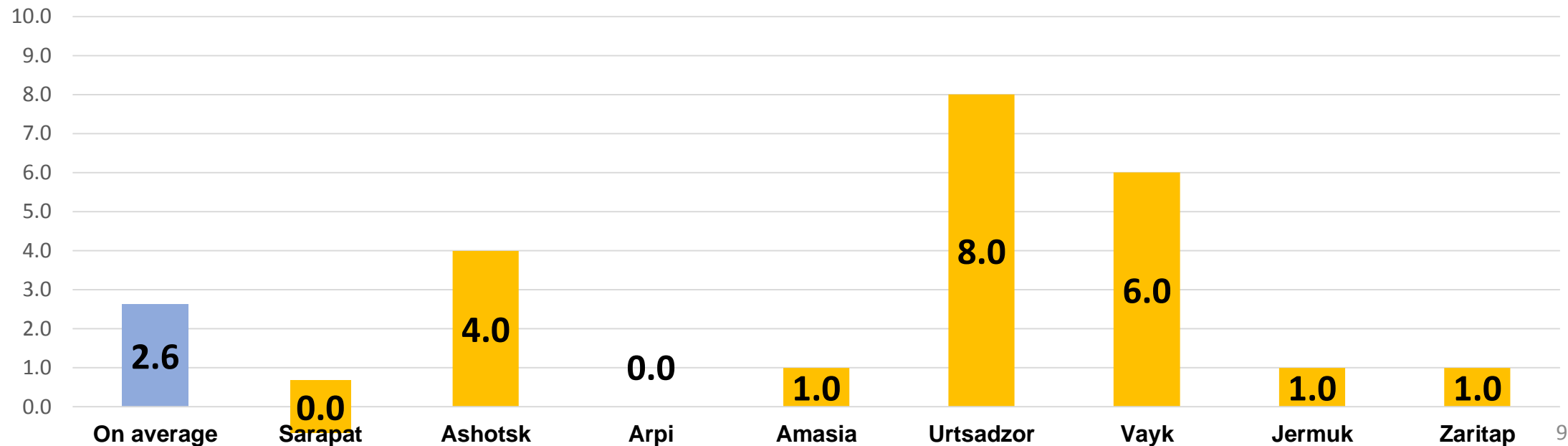
- ✓ The degree of perception of the budget objectives by the community leader and the local council
- ✓ Respective processes are available
- ✓ Discussion of issues
- ✓ Inadmissibility of the conflict of interest, combating corruption.
- ✓ The LSGB representatives understand the consequences of their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



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

on average - 2.6 points

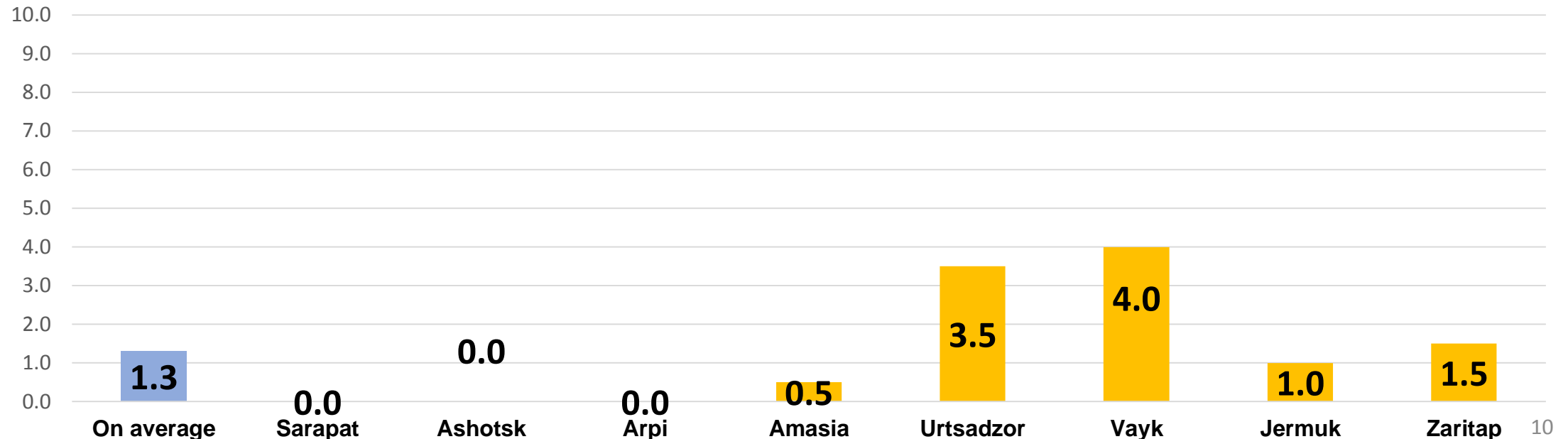
- ✓ Availability of processes ensuring participation of population in deciding significant investment projects.



Involvement of other participants increases the degree of responsibility

on average - 1.3 points

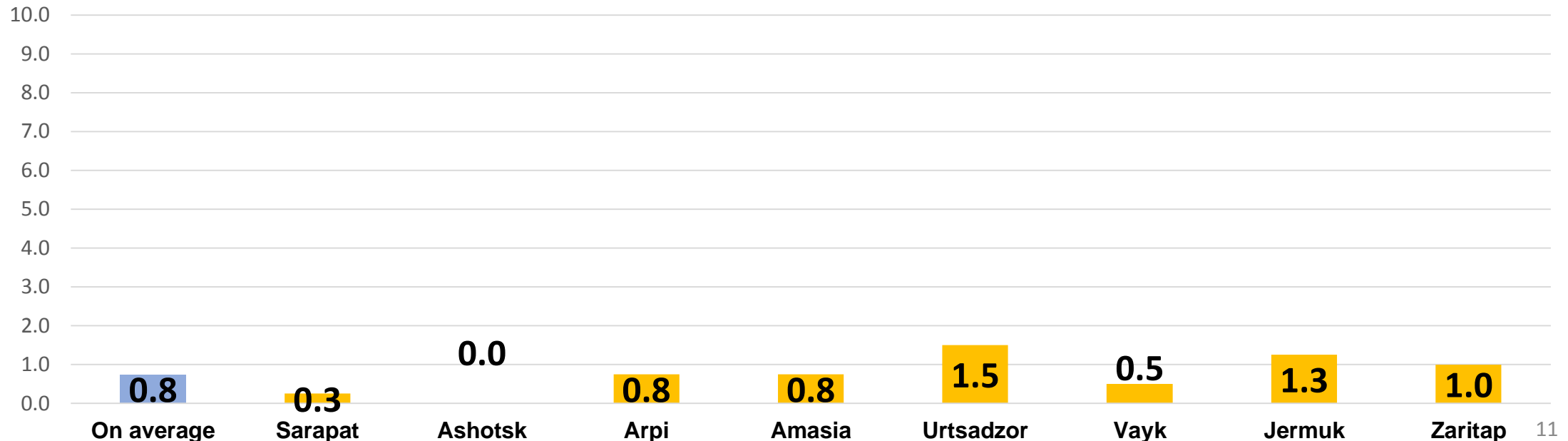
- ✓ Open discussion is held, through which recommendations by the population are made.
- ✓ Regular consultancies ensure autonomy.



Transparency, accessibility of budget-related documents

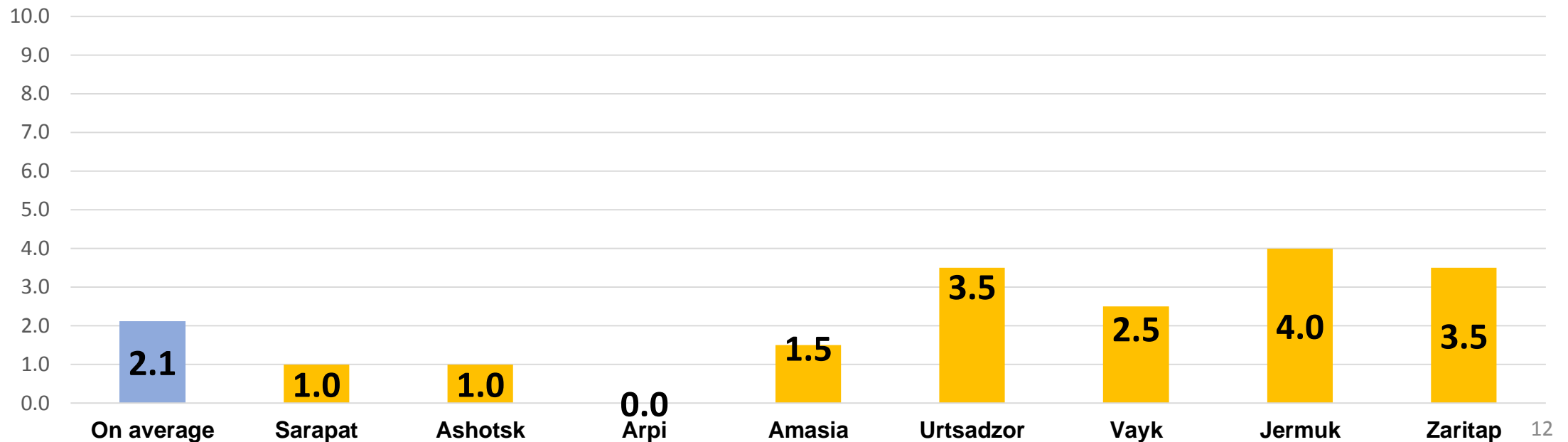
on average - 0.8 points

- ✓ Transparency increases the degree of responsibility and involvement by the population.
- ✓ Information, protocols and publications on the Internet
- ✓ Brochures that introduce the main objectives, data and diagrams.
- ✓ Public discussion of the budget, open hearings.



Costs reduction strategies have been adopted and function. on average - 2.1 points

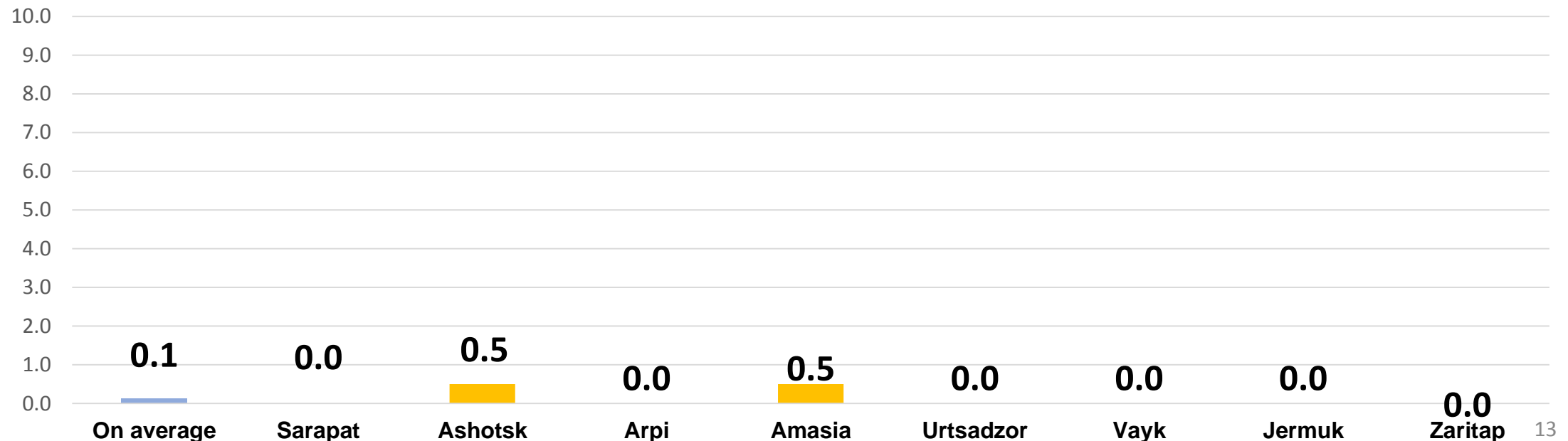
- ✓ Share of current expenditures in the local budget.
- ✓ Share of the salary fund in the total administrative expenditure.



Cooperation with other LSGBs

on average - 0.1 points

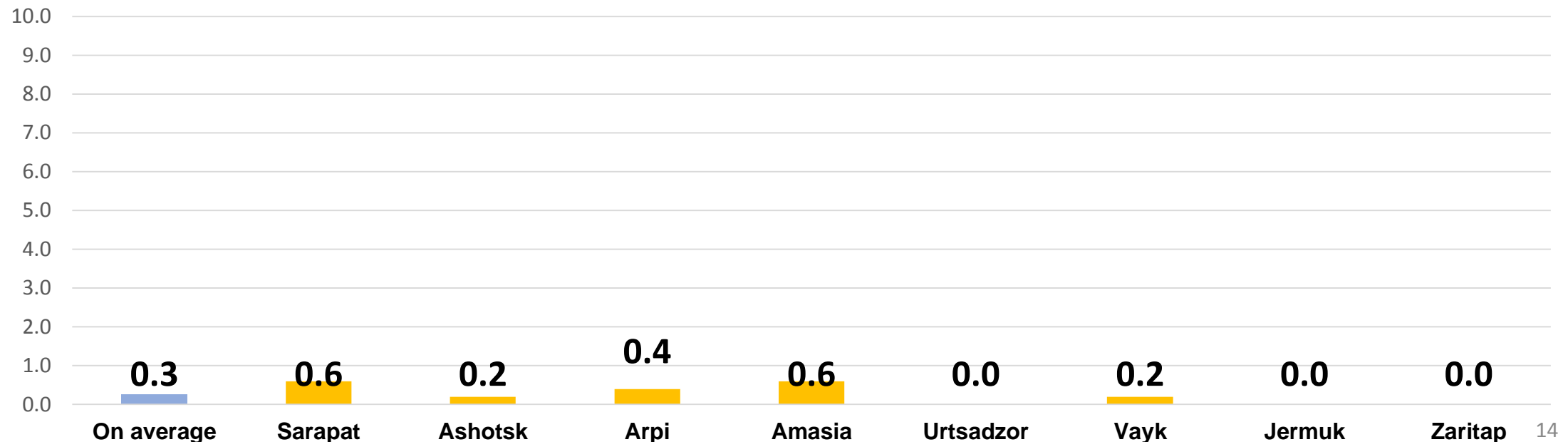
- ✓ Cooperation and costs distribution with other communities ensure increase in the level of effectiveness.
- ✓ Clarifications are given about the costs distribution, advantages, expected results and long-term financial consequences during the implementation stage, and they are reflected in the budget.



Joint use of administrative and professional resources

on average - 0.3 points

- ✓ Objectives of the intercommunity cooperation are announced,
- ✓ LSGBs cooperate with the purpose to increase the quality of main services provision,
- ✓ Certain volume of jointly organized technical services (utility, transport),
- ✓ Joint procurement of goods and services,
- ✓ Using electronic procurement system for goods and services.



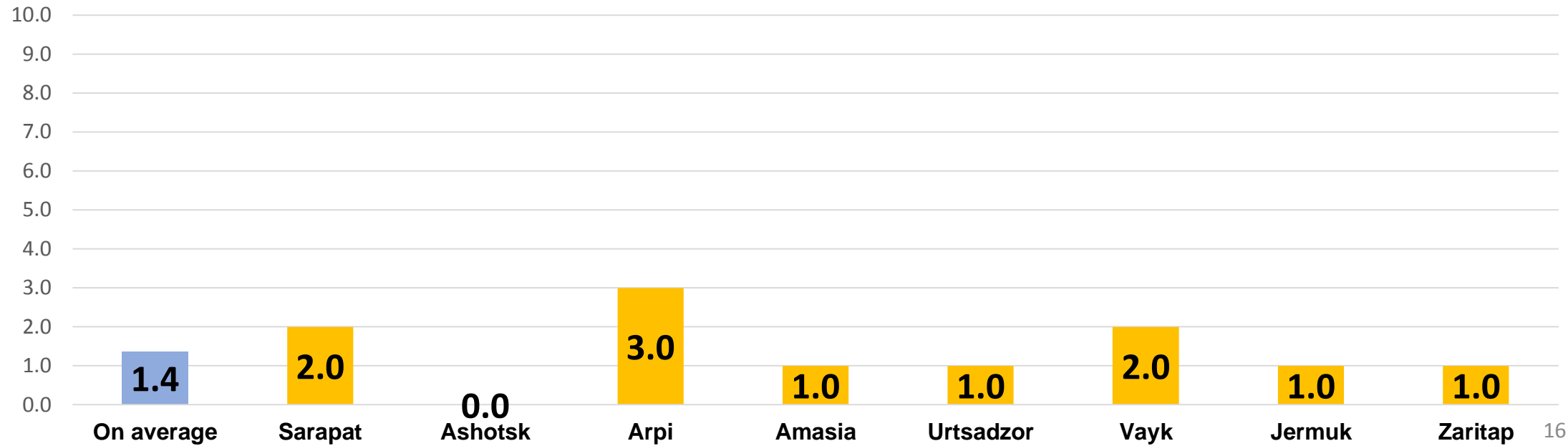
Assessment results

Special rules for budget implementation and change

Regularly conducted assessments enable to conduct budget monitoring

on average - 1.4 points

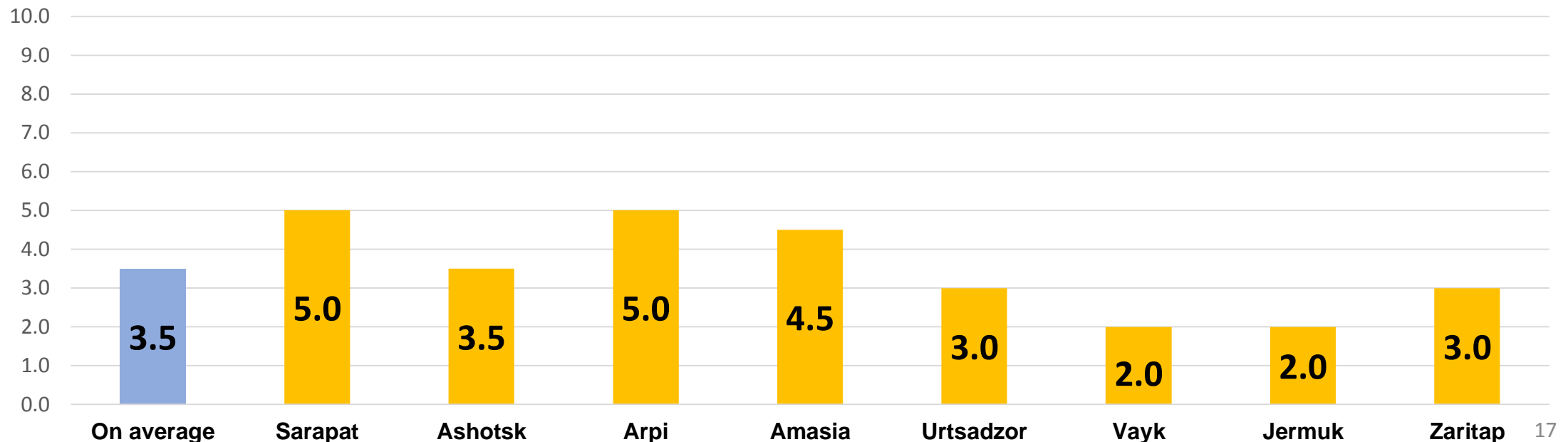
- ✓ The assessments on six-month basis, quarterly reports about the monitoring enable to regularly conduct supervision over the implementation.
- ✓ They enable to make decisions about the necessary changes.



A local system for supervision, monitoring and accountability has been established with the purpose of organizing audit of budget implementation

on average - 3.5 points

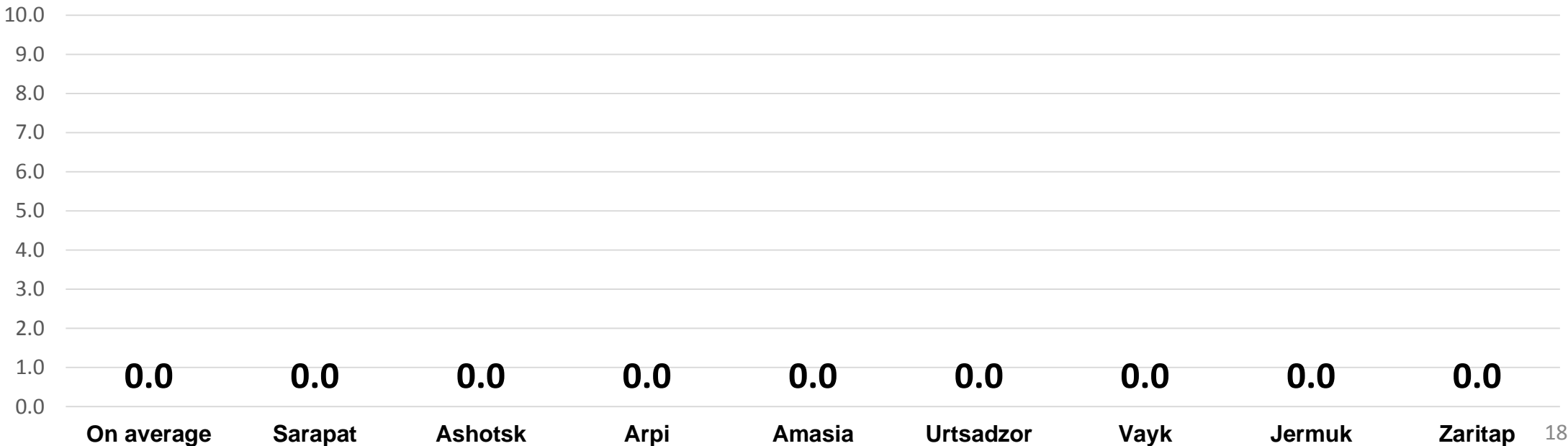
- ✓ The final report is made the same way as the budget.
- ✓ There are relevant clarifications about the budget implementation; differences are commented on.



Independent conclusion about final and financial reports

on average - 0.0 points

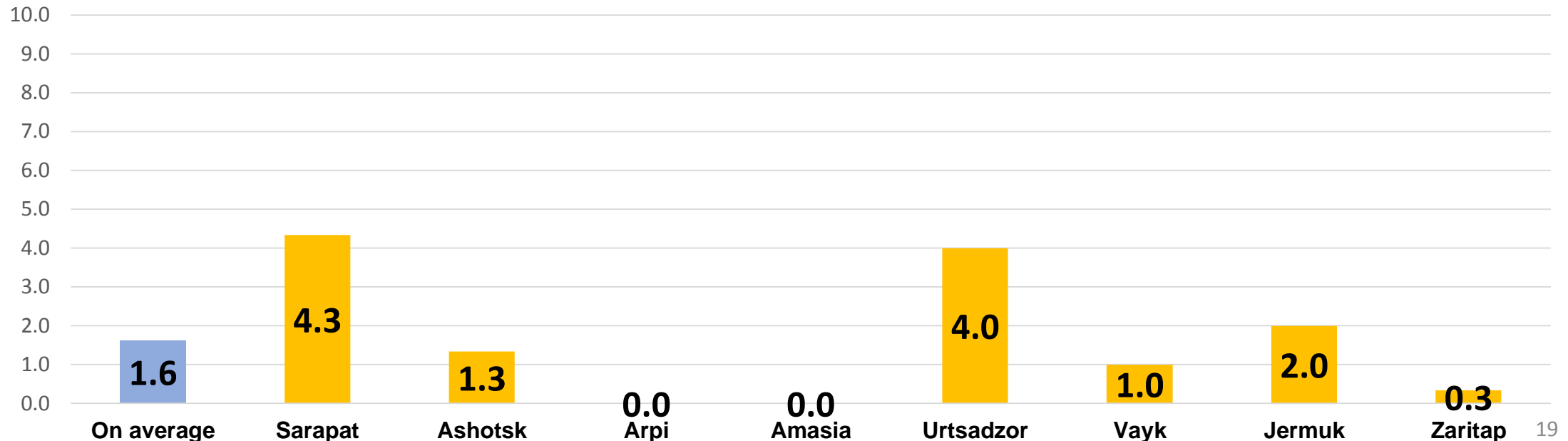
- ✓ The independent conclusion (external audit) enables the members of the elective body to make sure of the accuracy and reliability of the reports.
- ✓ If the external auditor dose not approve the report, that speaks of the fact that significant inconsistencies have been identified which may impact the decision-making.



The change in the budget on annual terms is limited.

on average - 1.6 points

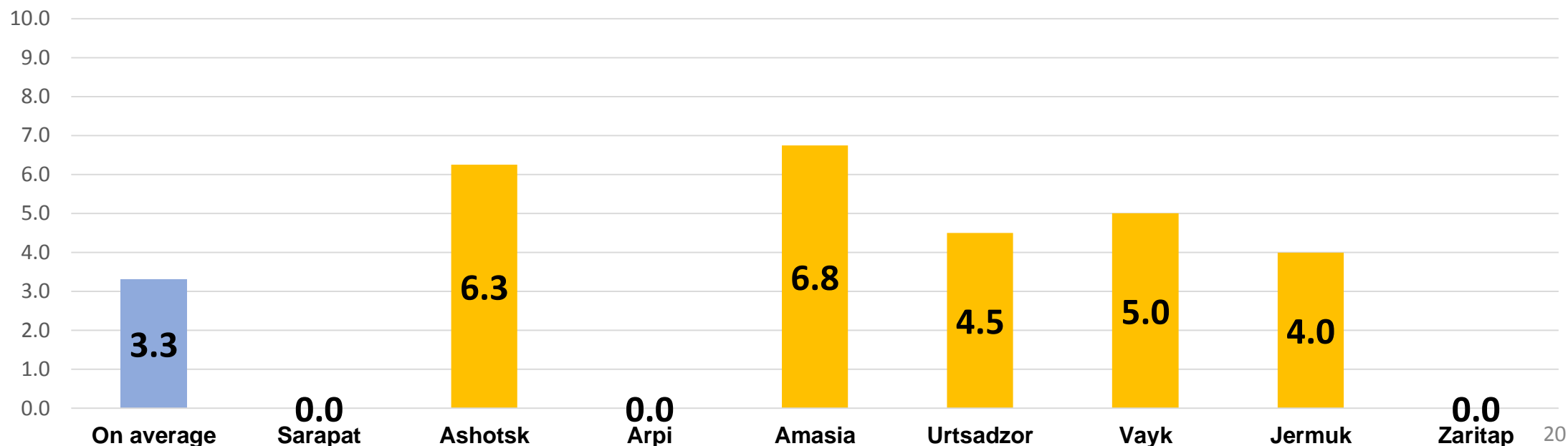
- ✓ The need to change the budget is defined in advance.
- ✓ Frequent changes impact the decision making, which can result in the changes of the initial objectives.
- ✓ Frequent changes disrupt the principle of transparency, as the respective topics can be left out of the open discussions.



The relations of the LSGBs and the subordinate organizations are regulated through transparent agreements

on average - 3.3 points

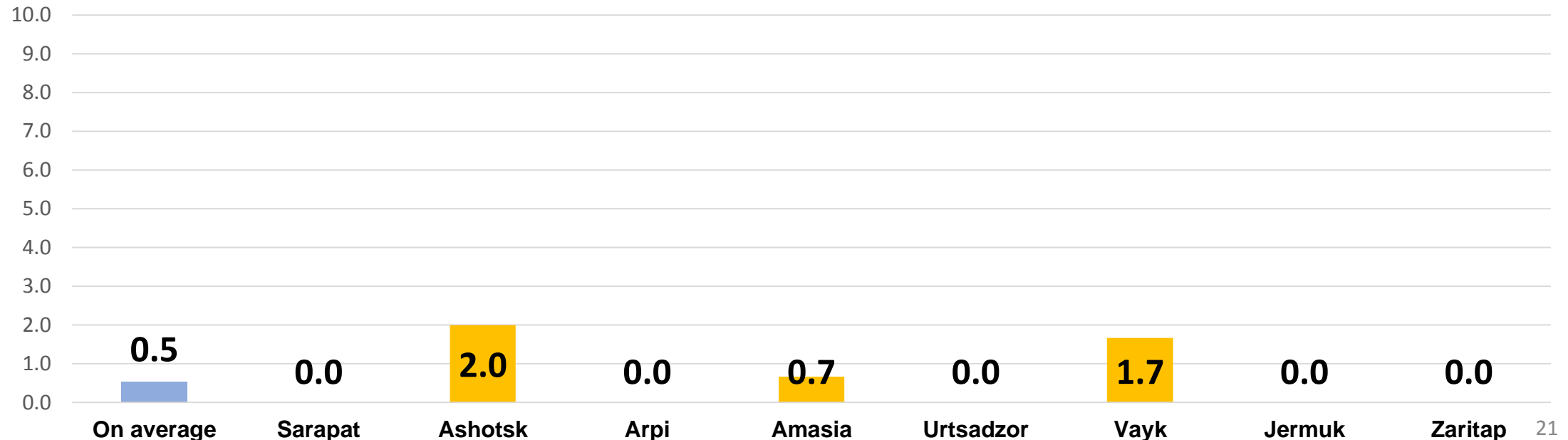
- ✓ The financial resources of the LSGB and the service providing organizations are clearly distinguished,
- ✓ Service provision is conducted based on the contract,
- ✓ Sources of funding for contract-based services (dues collected from the consumers, payments, subsidies, loans, etc.) are decided on annual bases,
- ✓ In accord with the national legislation, information related to contracts about service provision is available to public.



The service provision contracts concluded by the LSGBs include issues related to assets management

on average - 0.5 points

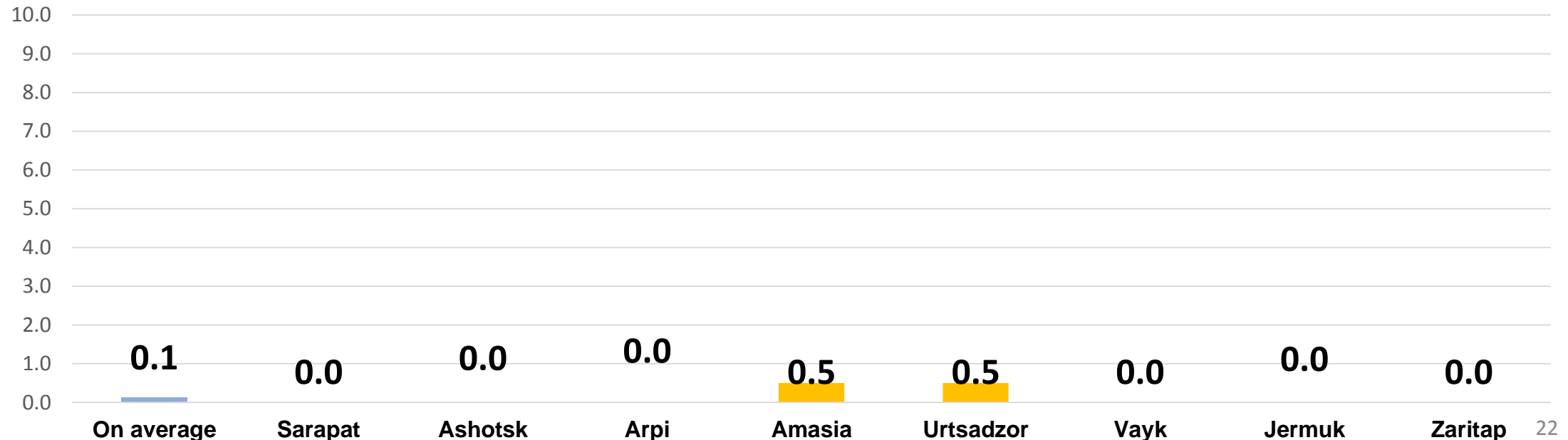
- ✓ The procedure on operating assets belonging to the communities by the service providing organizations are defined in the contract.
- ✓ The obligations of operating, maintaining, repairing and restoring the transferred assets are defined.
- ✓ The LSGBs receive compensation for the operation of their assets by a third party



Management of the local services must be implemented effectively

on average - 0.1 points

- ✓ There operates an effectiveness assessment system of service provision,
- ✓ The results of community services provision are regularly assessed,
- ✓ The price per unit of service is assessed,
- ✓ The effectiveness of the service is the main index of the service providing organization's activity and its management



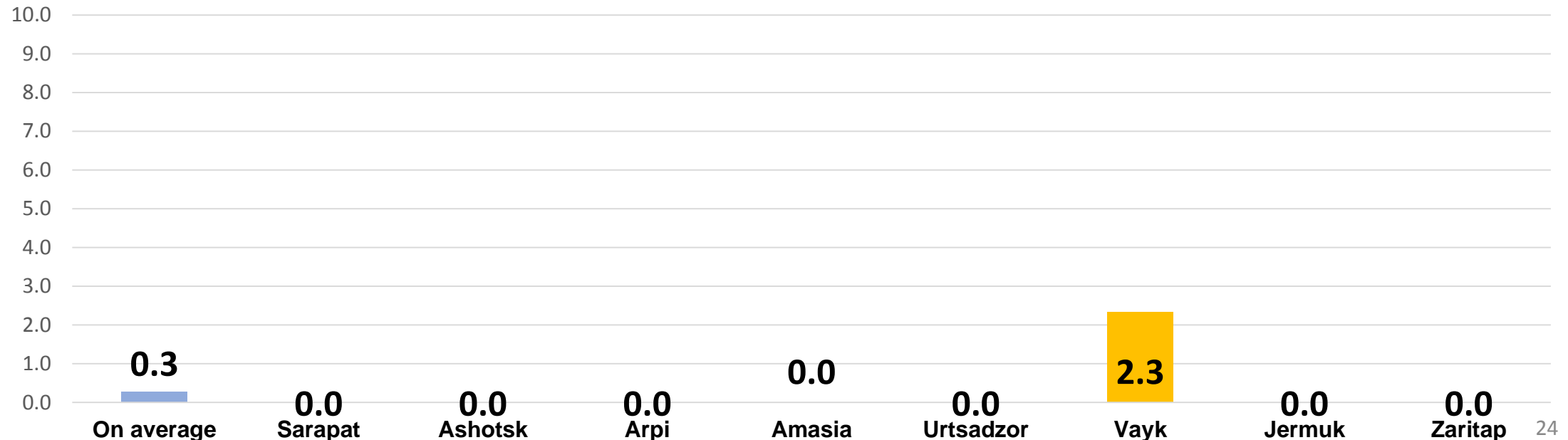
Assessment results

Control and audit

The role and scope of conducting internal audit

on average - 0.3 points

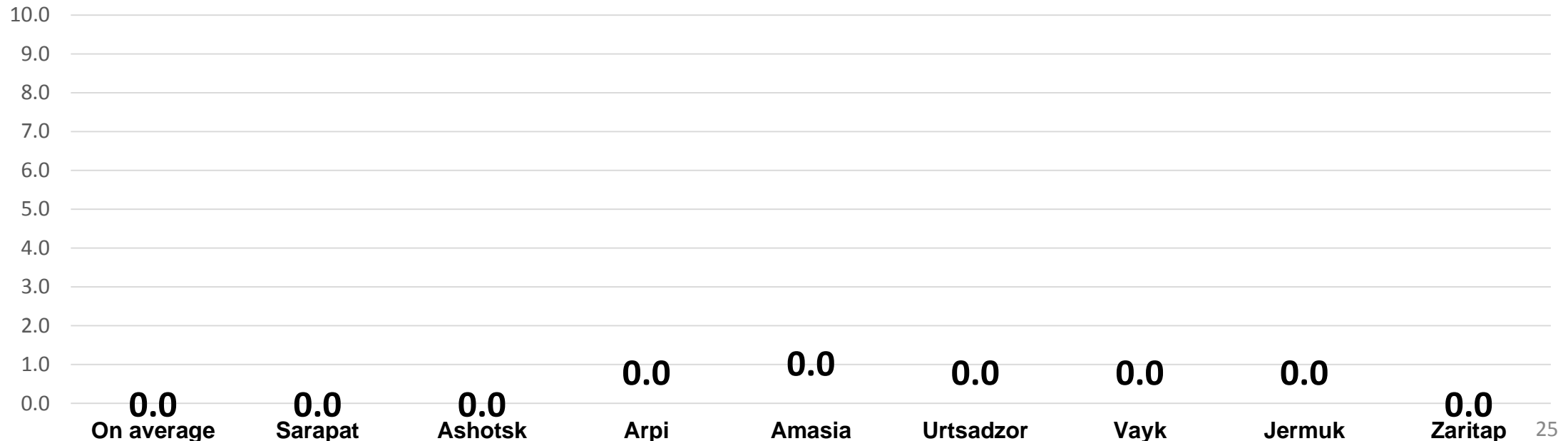
- ✓ Clearly defined powers of internal audit
- ✓ The purpose of the internal audit is supporting the high level managers and increasing the effectiveness of the LSGB activity,
- ✓ Lack of resources allocated to the audit should foster effective cooperation of two types of auditing activity



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

on average - 0.0 points

- ✓ Cooperation of the private and public sectors is a possible source of funding community infrastructure, and in the given case, a way of saving resources. However, a responsible approach should be demonstrated to avoid future additional costs and high risk.
- ✓ Proper discussion enables to assess the benefits (losses) and safeguards (risks) as a result of cooperation of private and public sectors.



Conclusions and recommendations

Effectiveness indexes of managing community finances

- 2,63- index of comparative analysis of the financial resources per one averaged community
- 2,8- assessment of community financial management per one averaged community
- 2,71- total averaged index of the effectiveness of community financial management

The main directions of increasing effectiveness of community financial management

- Ensure residents' participation at all stages of the budget process (including application of innovative approaches, information technologies, etc.), including during the process of making important changes in the budget
- Increase the transparency of the community budget and accessibility for the community residents
- Regular assessment of community staff capacities, and development in accord with the assessed needs.

The main directions of increase effectiveness of the community financial management (2)

- Regular updating of the local tax bases
- Prevent tax evasion via simplifying tax administration, informing tax-payers, increasing the residents' awareness about their obligations and about possible consequences as a result of tax evasion
- The make the information about local taxes and collection much more understandable and accessible
- Create an effective system of internal audit and special supervision, while paying special attention to the training program of this field

The main directions of increasing effectiveness of community financial management (3)

- Contribute to the cooperation with other communities both in issues of implementing administrative functions, as well as in issues of providing community services, supporting to mutually beneficial business projects, in particular projects of cooperation with the private sector
- Establish a system of assessing effectiveness of service provision, while regularly assessing the price per unit of service, conducting fundamental calculations to define the tariffs of services

The main directions of increasing effectiveness of community financial management (4)

- Pay serious attention to the community's mid-term planning, to the issues of ensuring residents' direct participation in that process and ensuring direct interconnection with the budget
- Regular analysis of reports on the community budget implementation, while taking efforts to optimize current expenditures and to save resources for investment purposes
- Cooperate with non-governmental organizations functioning in the community and with various groups in the society.

Thank you!