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# **Community financial management assessment**

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*Yerevan, November 22*

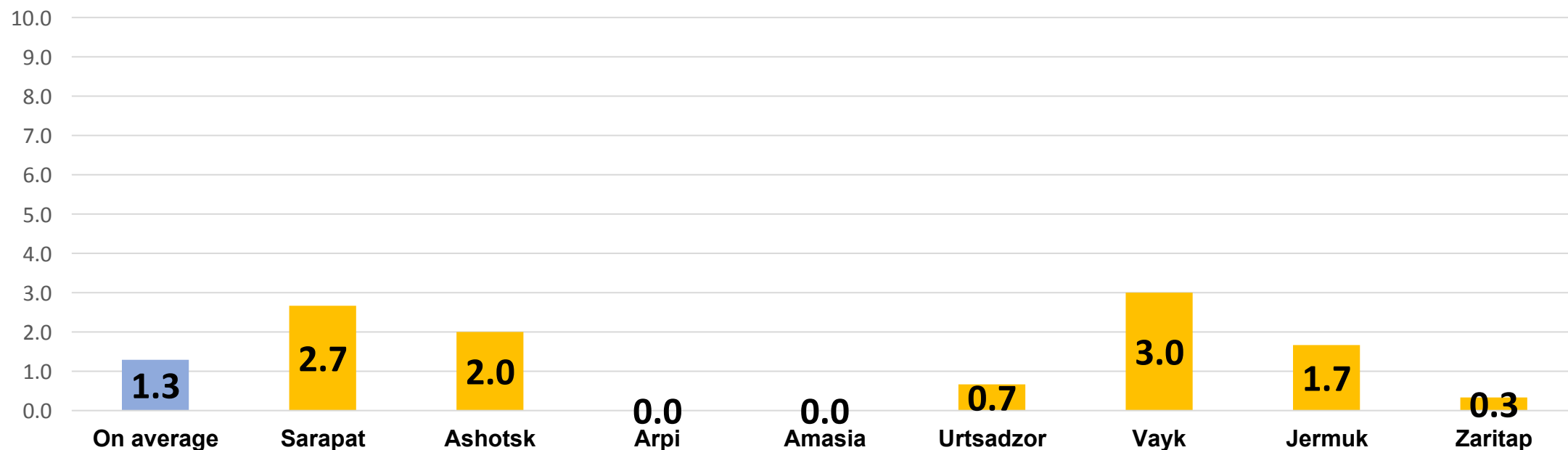
# Assessment results

**Reasonable tax and budget planning**

# Financial structure of a long-term budget

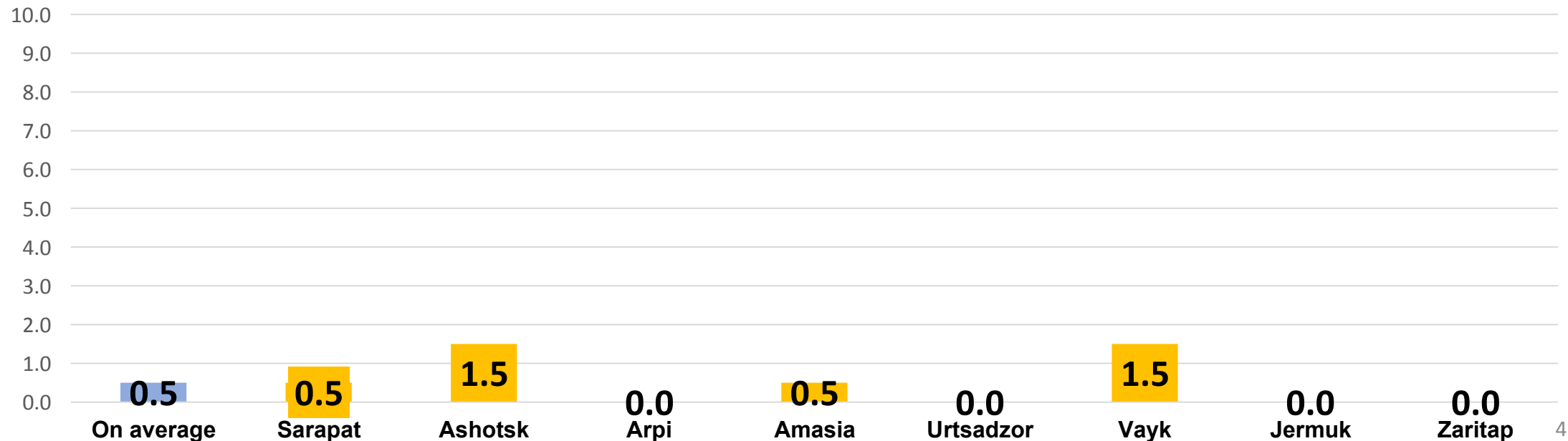
average - 1.3 points

- ✓ 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

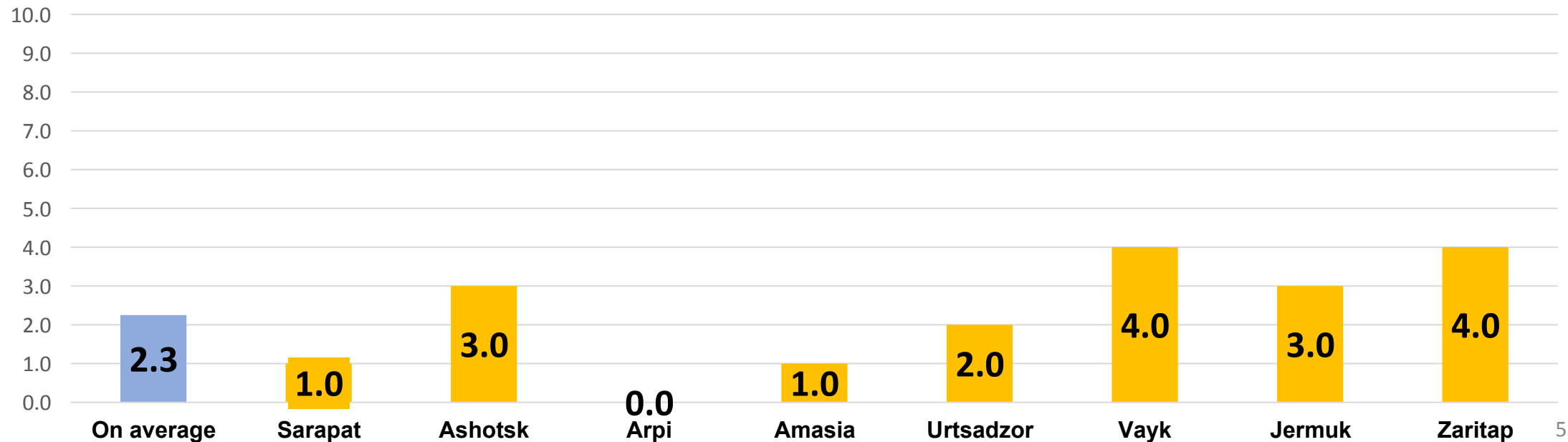
- ✓ The long-term/CDFP program is a condition for a balanced annual budget, in which levels and resources of the program are defined,
- ✓ The long-term program does not have a formal nature. Consequences of decisions having financial nature are included in it.



# Discussion of the budgetary strategy

on average - 2.3 points

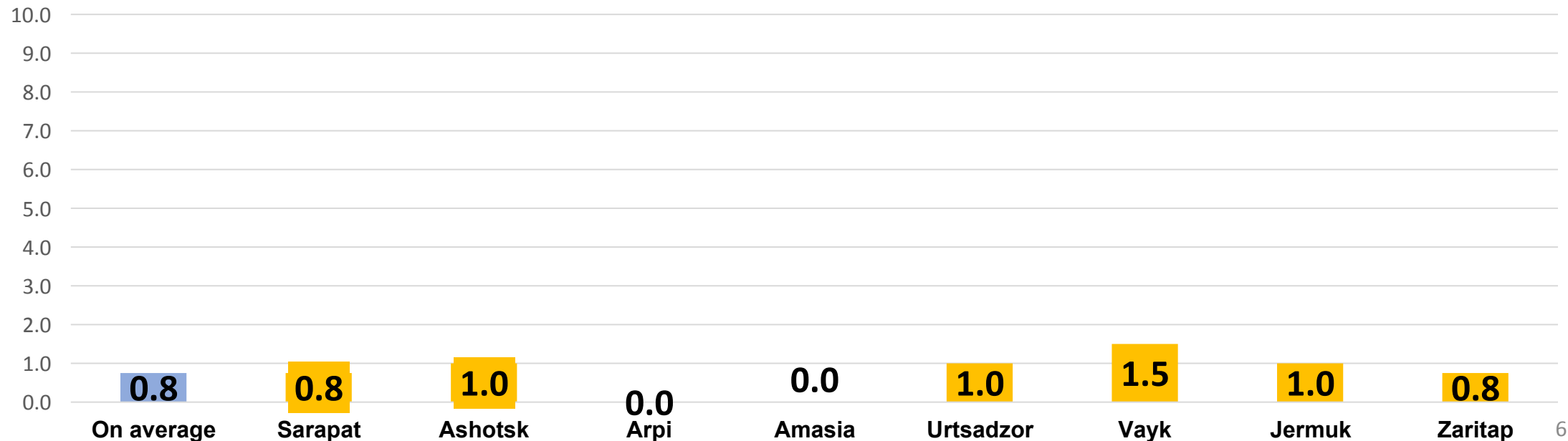
✓ During the first stage of budgeting, discussion and approval of the objectives of budget and tax and budget policy should be conducted



# Technical capacities of the budget preparation process

## on average - 0.8 points

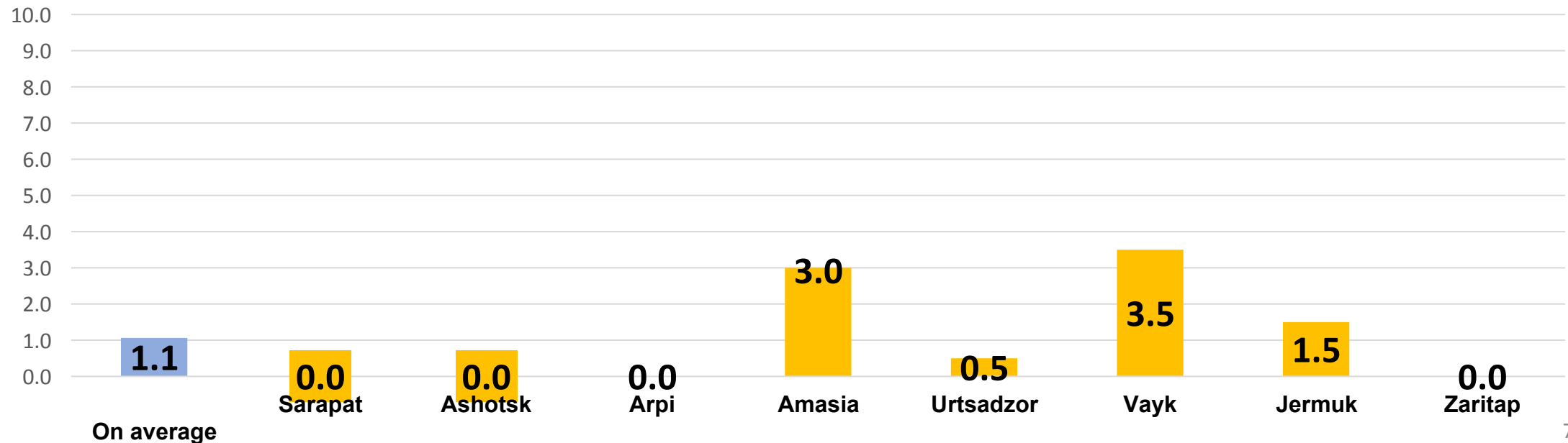
- ✓ Local experts in various aspects are participating in the budget preparation.
- ✓ Budget preparation is the most important instrument for the discussion of service provision options and selection of the best one.
- ✓ Comparative analysis is used for substantiation of further changes as compared with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

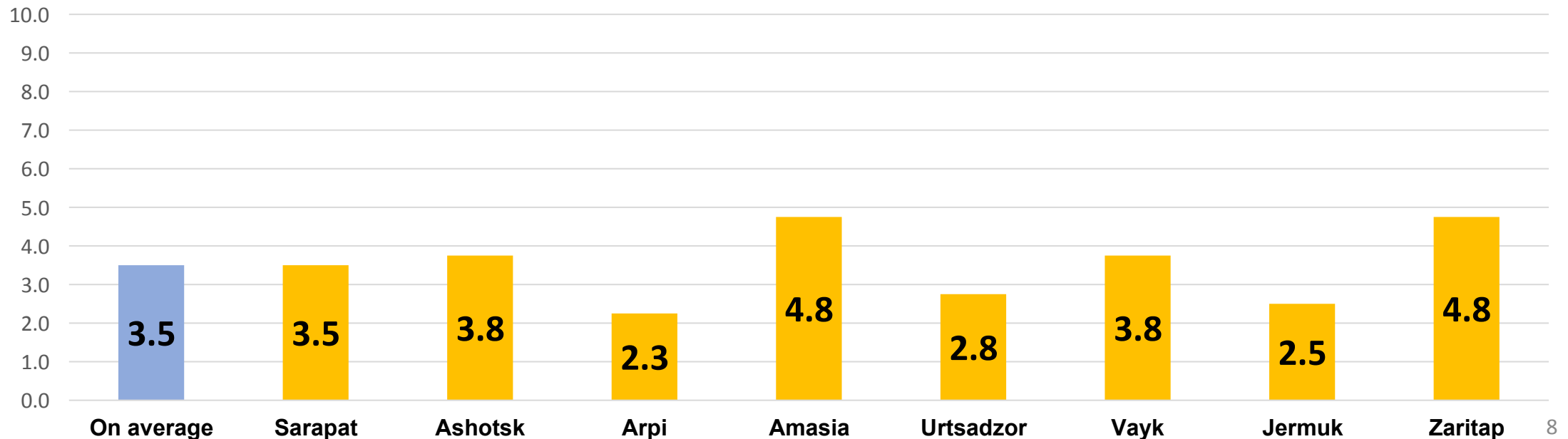
- ✓ The system of interconnected budget documents enables to better understand it, while providing various types of data.
- ✓ Analytical tools helps to better understand the importance of budgetary planning.



# 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.

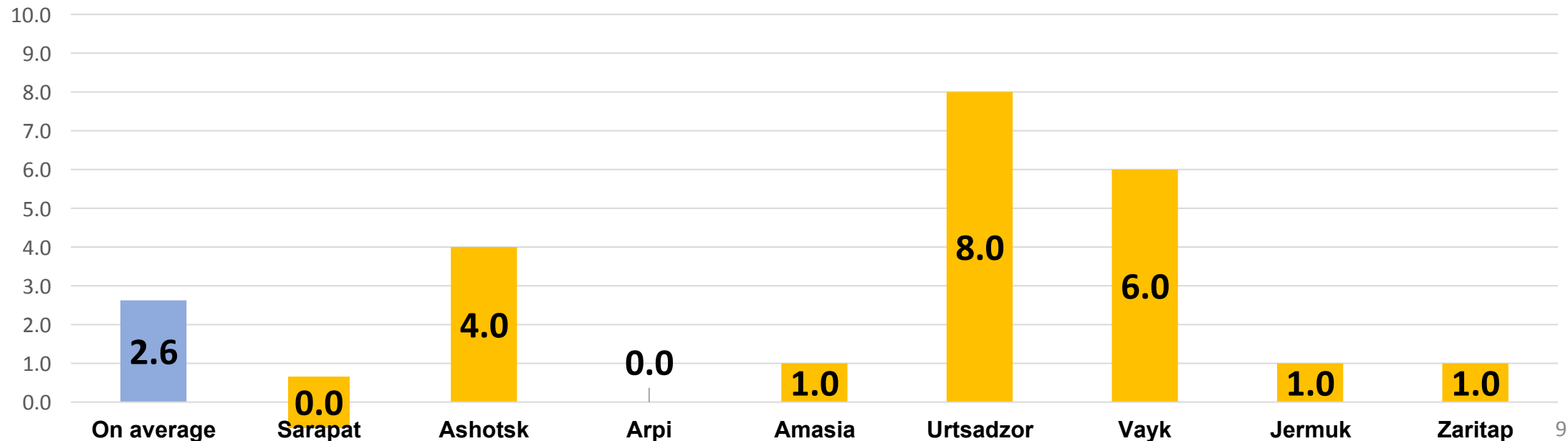




# Separate discussion and approval of big investment projects or other significant programs

on average - 2.6 points

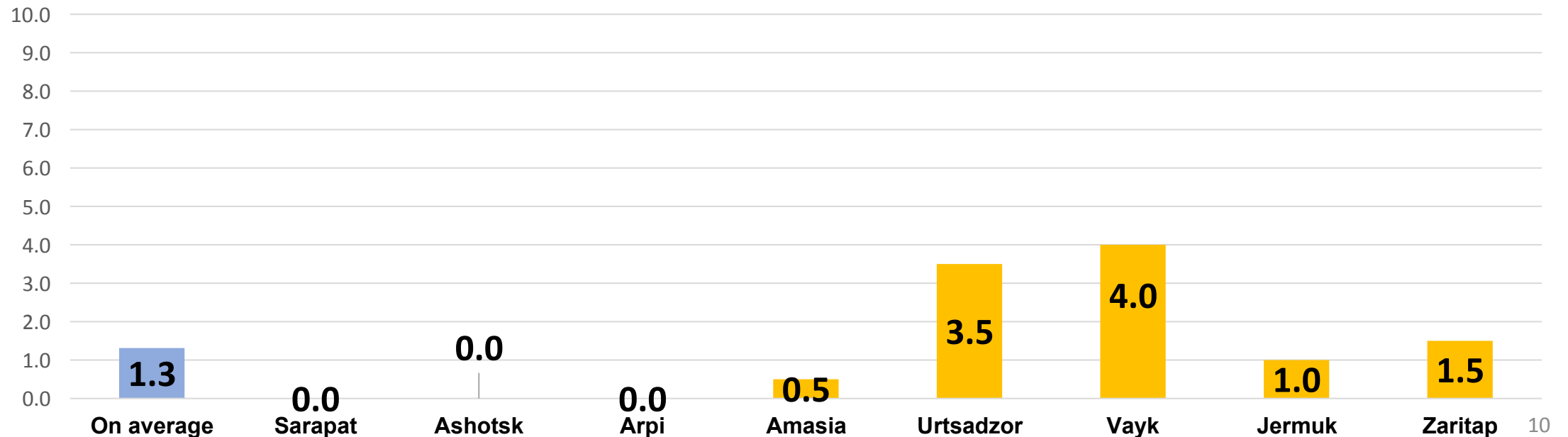
- ✓ Availability of processes ensuring participation of population in the process of identifying significant investment projects



# Enrollment of other participants increases the degree of responsibility

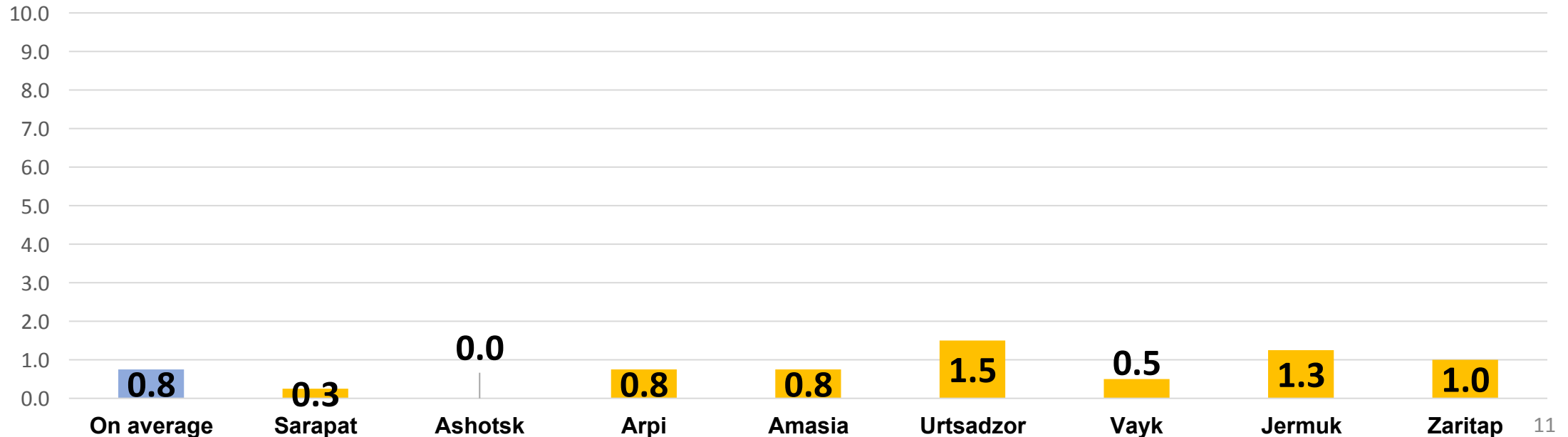
on average - 1.3 points

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



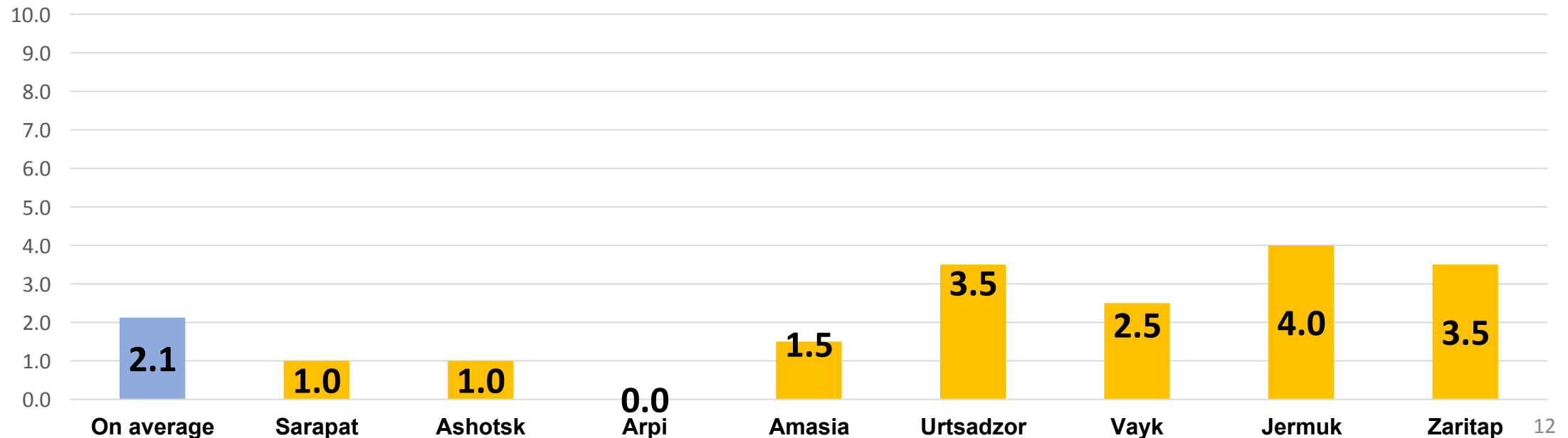
# Transparency, availability of budget-related documents on average - 0.8 points

- ✓ 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

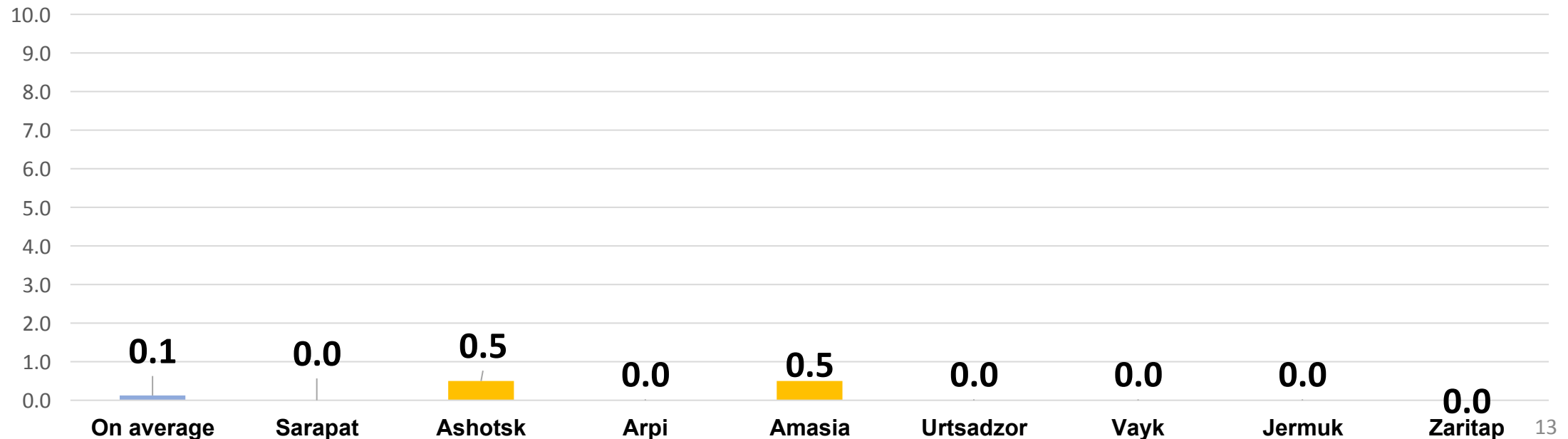
- ✓ Share of current expenditures in the local budget
- ✓ Share of the salary fund in the total administrative expenditures.



# Cooperation with other LSGBs

on average - 0.1 points

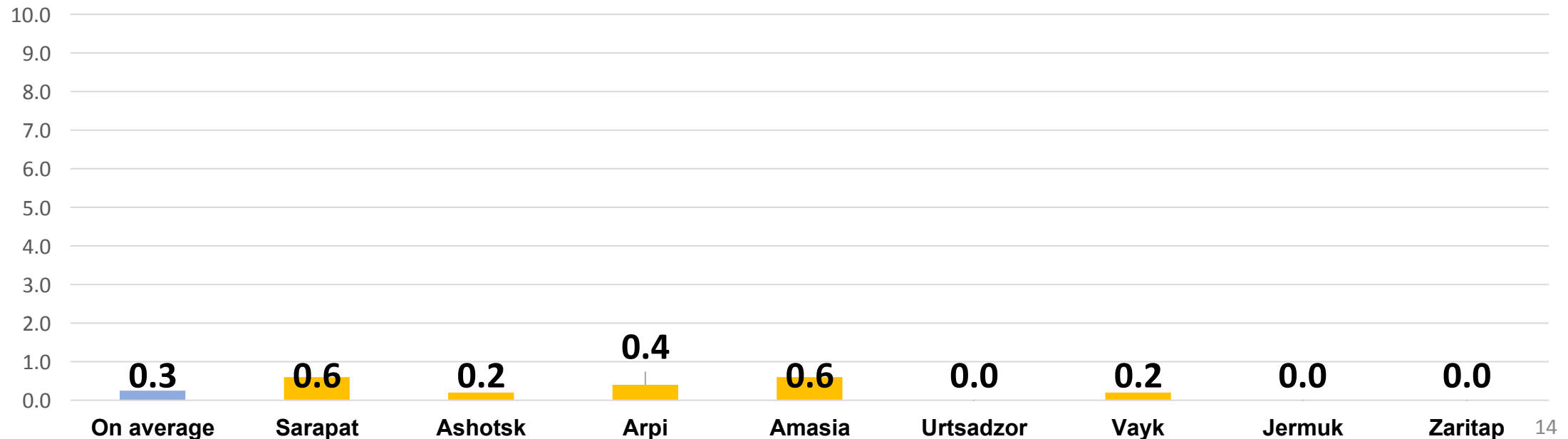
- ✓ Cooperation and distribution of expenditure with other communities ensure increase of effectiveness level.
- ✓ Clarifications are provided about distribution of expenditures, advantages, expected results and about long-term financial consequences during the implementation stage, and are reflected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



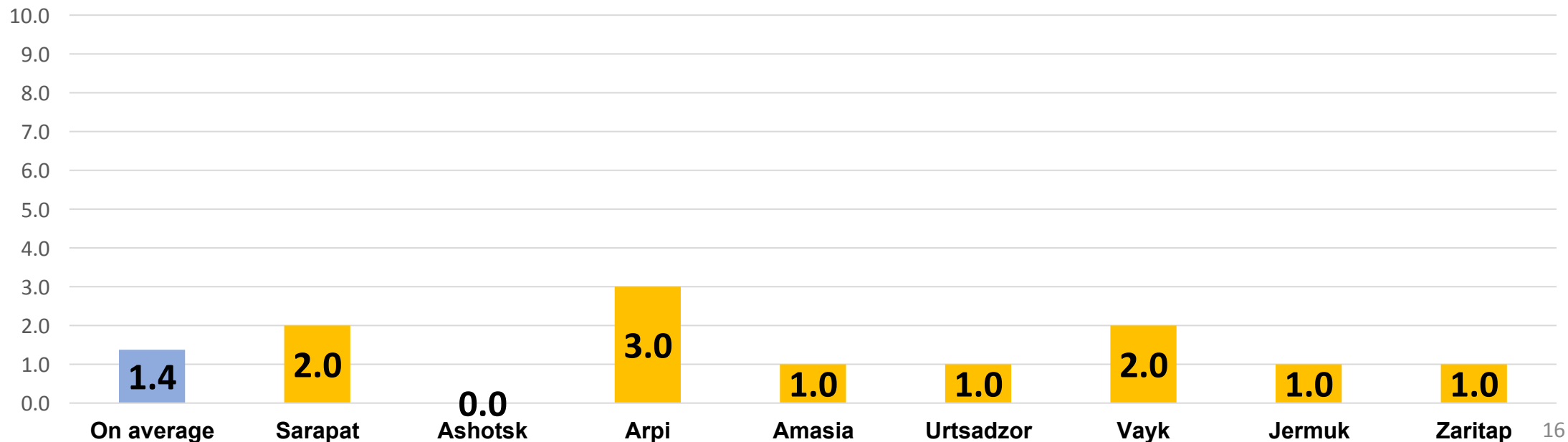
# Assessment results

**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.

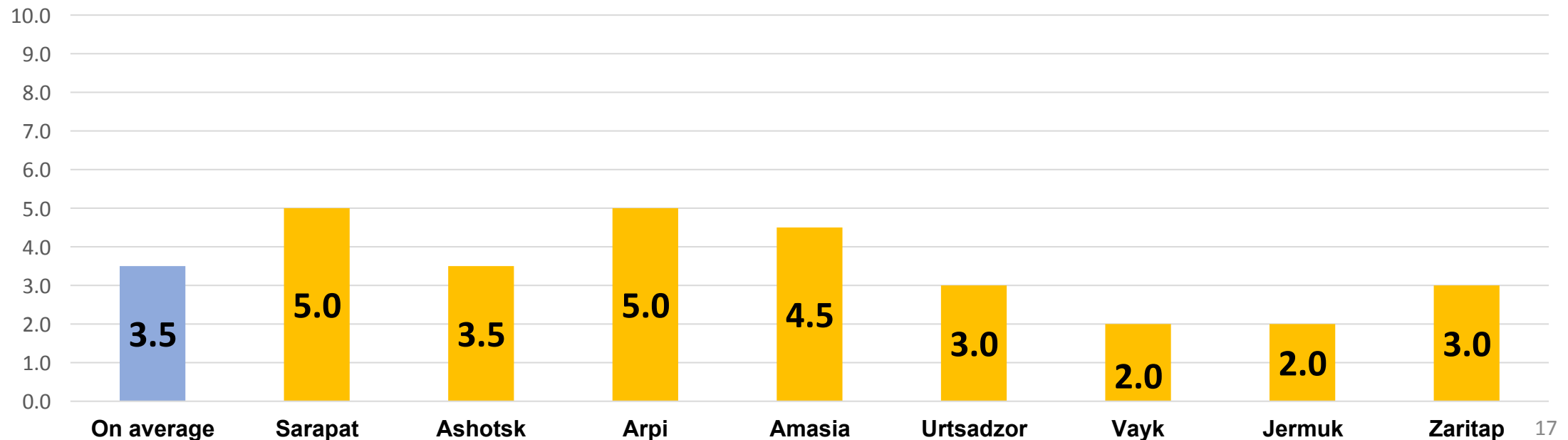




# A local system of supervision, observation and accountability is created to organize the audit of budget implementation.

**on average - 3.5 points**

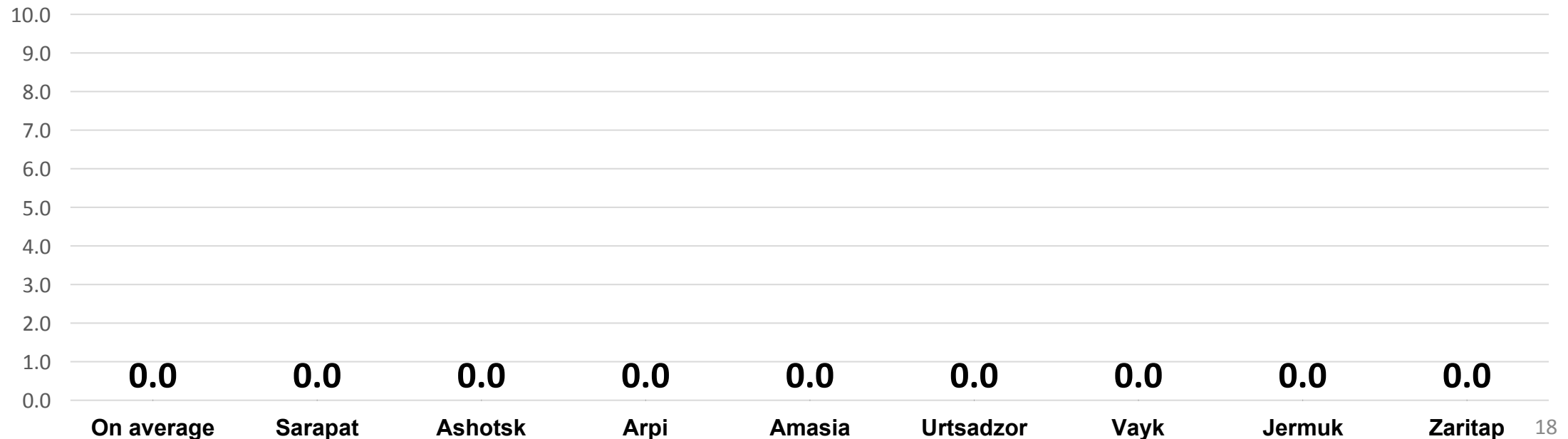
- ✓ The final report is made the same way as the budget.
- ✓ There are relevant clarifications about the budget implementation; differences are being commented on.



# Independent conclusions about the final and financial reports

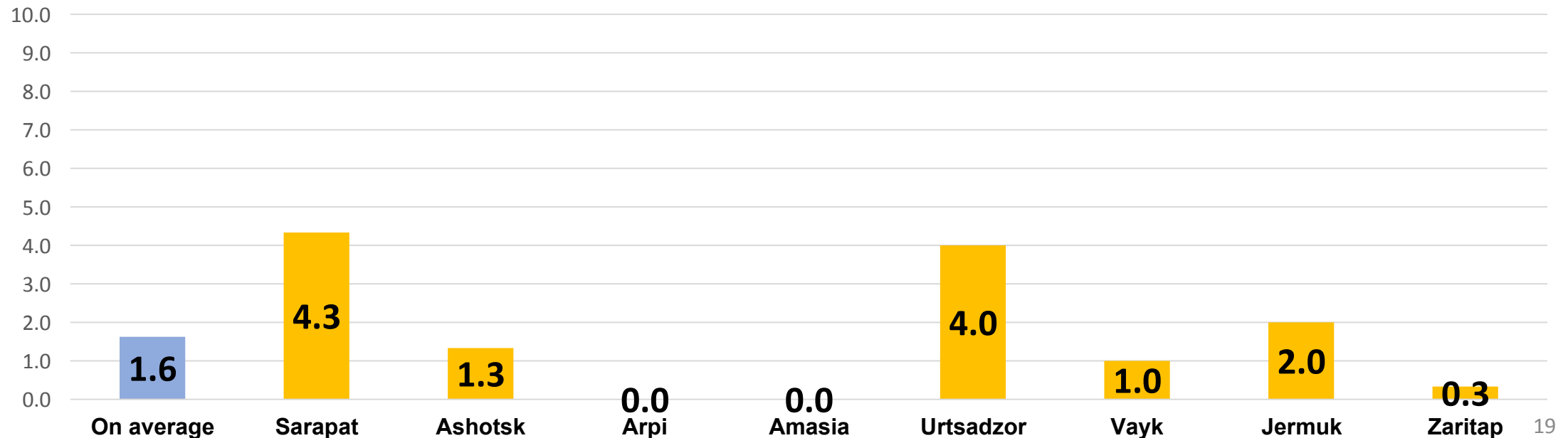
**on average - 0.0 points**

- ✓ 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

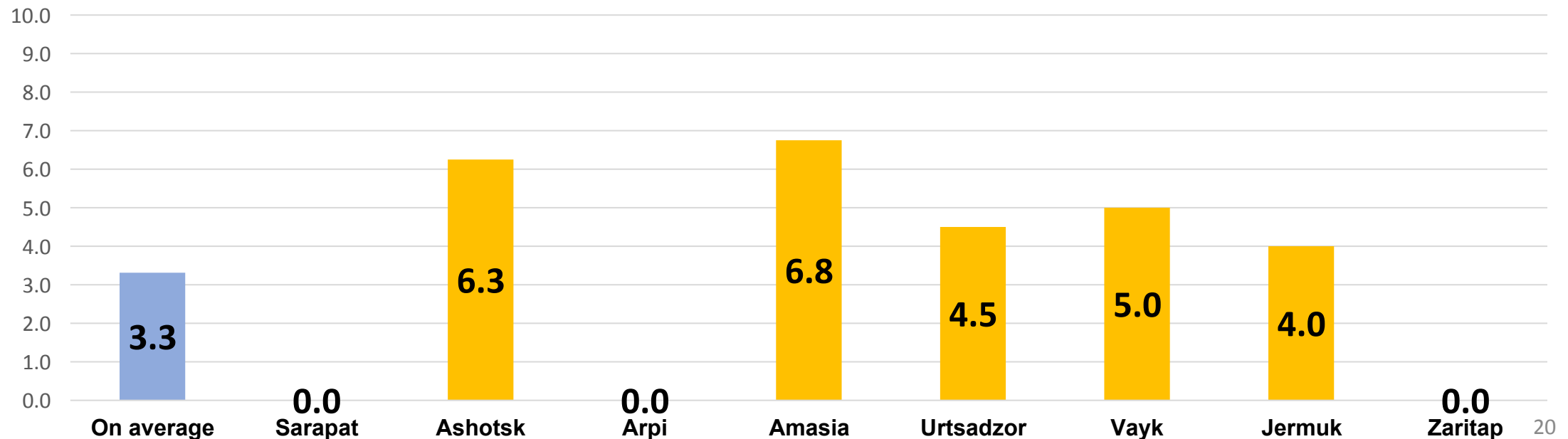
- ✓ The need for change in the budget is decided in advance.
- ✓ Frequent changes influence the decision-making, which can result in the change of initial objectives.
- ✓ Frequent changes disrupt the principle of transparency, as the respective topics can be left out of the open discussions.



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

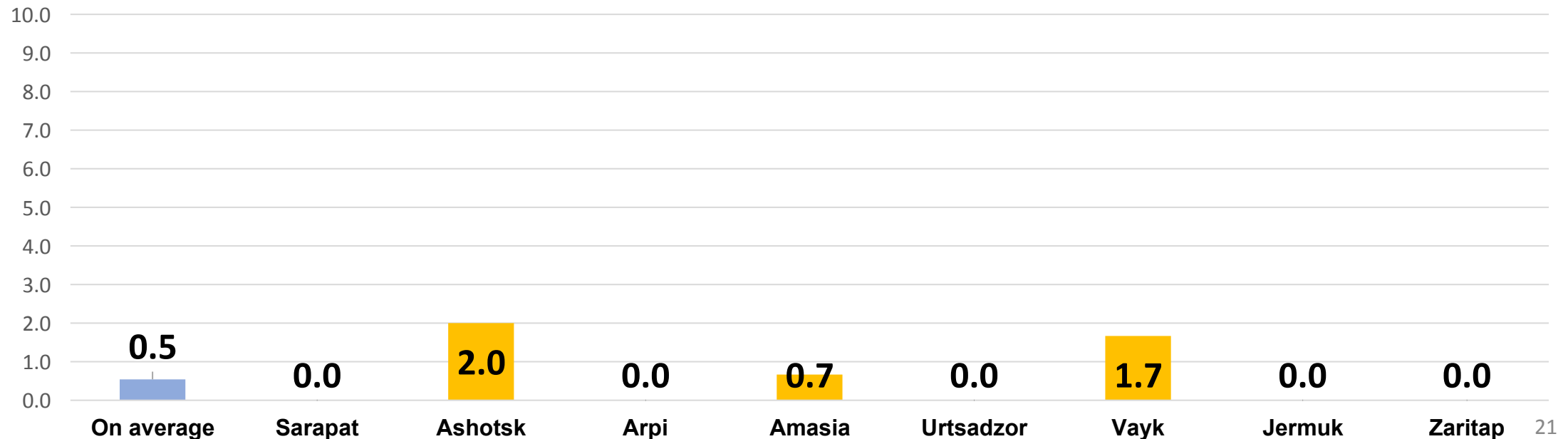
on average - 3.3 points

- ✓ 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**

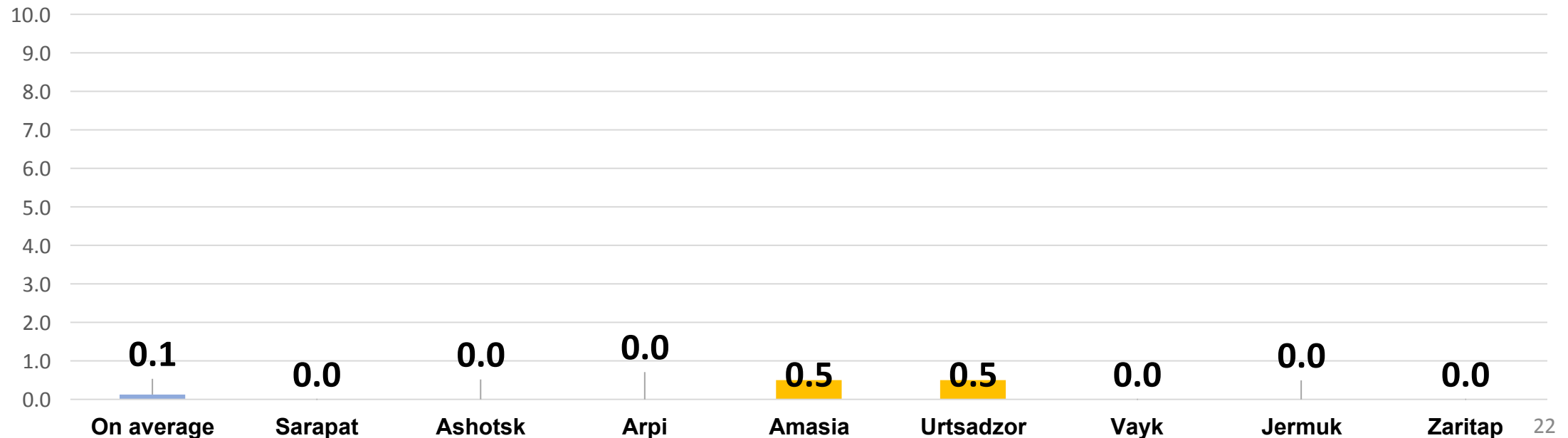
- ✓ The procedures for the maintenance of community assets by the service providing organization are defined in the contract
- ✓ The maintenance, service, repair and renovation obligations of the transferred assets are defined
- ✓ The LSGBs receive reimbursement for the maintenance of their assets by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

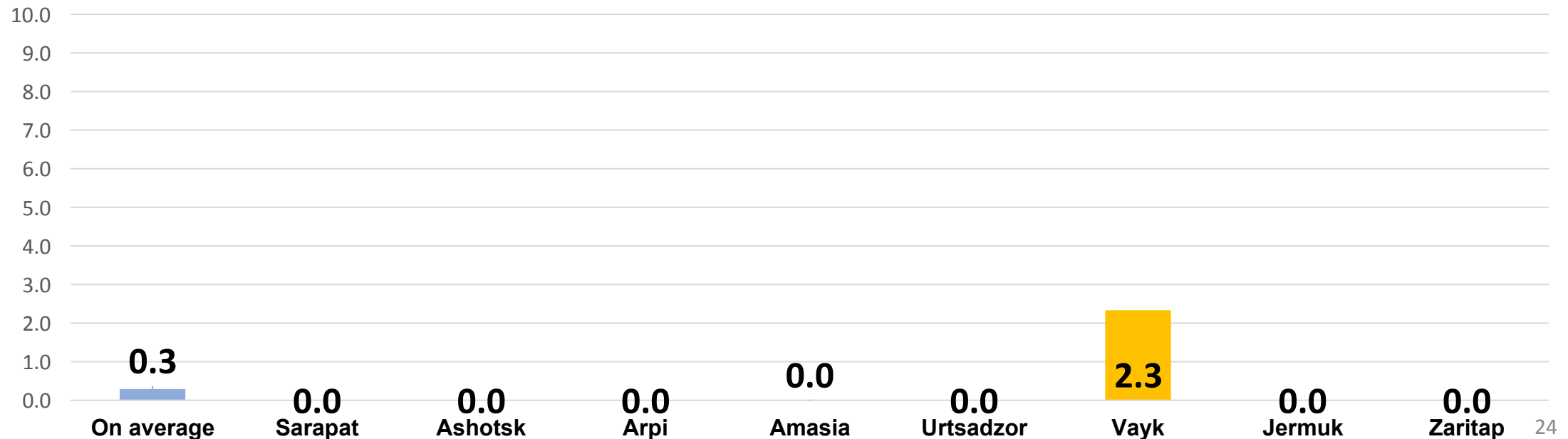


# Assessment results

**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.

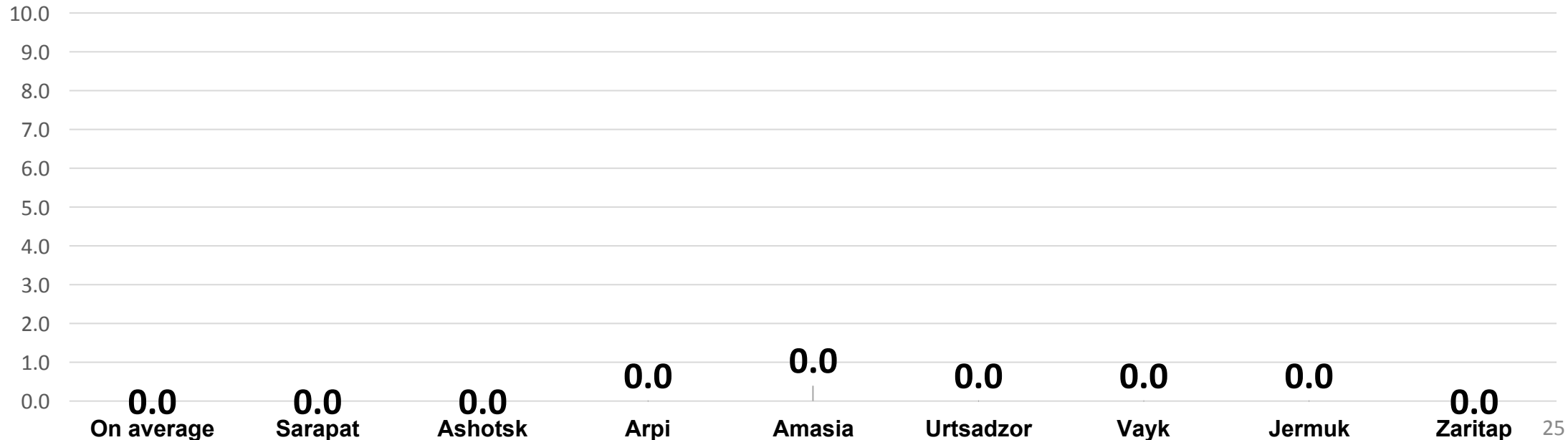




# Special attention is paid to the projects of cooperation with the private sector

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!**