



PIFC POLICY PAPER WITH ACTION PLAN 2019-2021

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WHY DO WE NEED PIFC POLICY PAPER?

- Strategic document for further development of internal control system in the public sector in the Republic of North Macedonia
- Strategic document for further development of internal control system in the public sector in the Republic of North Macedonia

INCREASE



ACCOUNTABILITY

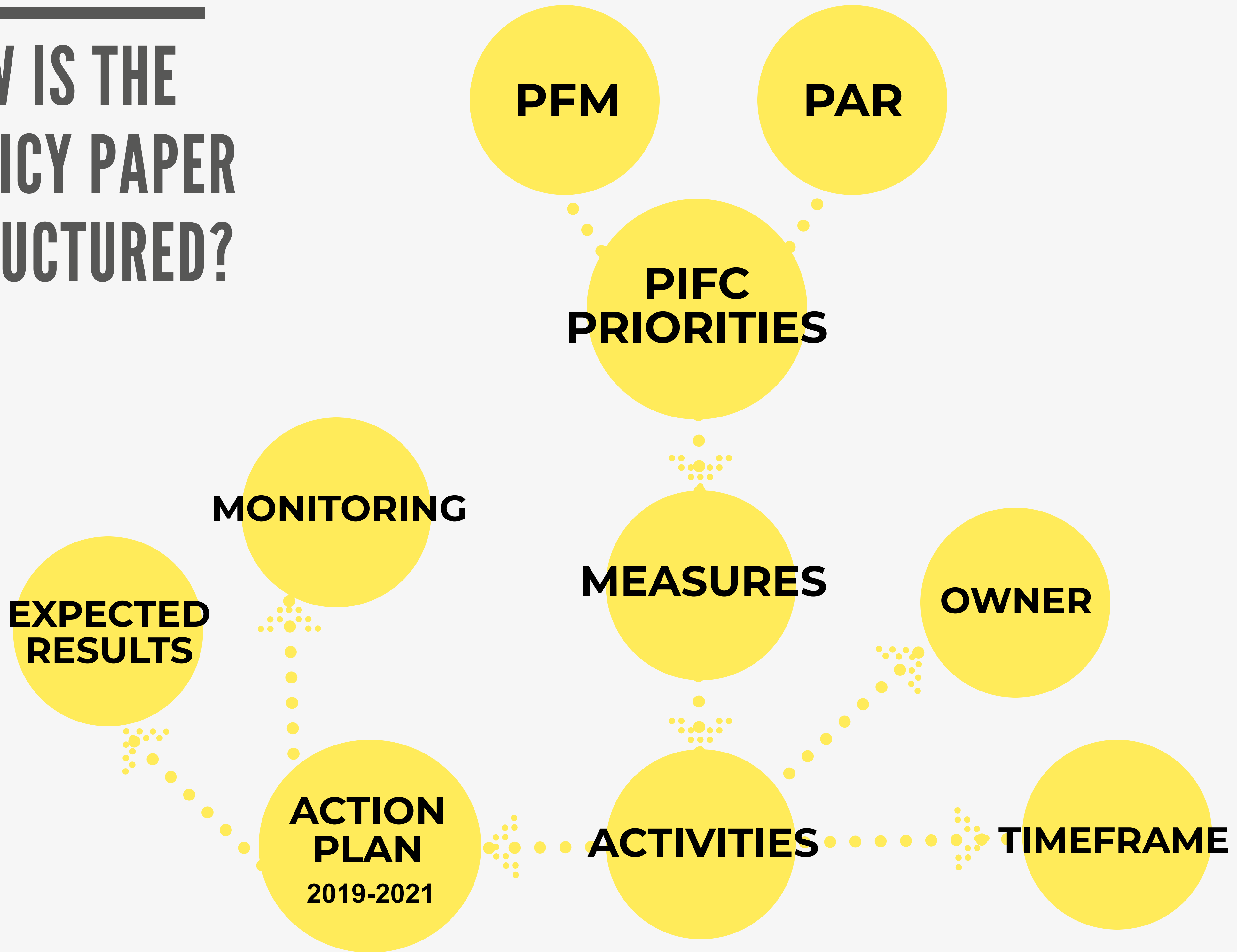


DECREASE

CHANCES OF MISSUSE

- To define the framework of the contemporary, adequate and effective system on PIFC, including the financial management and control, internal audit, central coordination and harmonization and the public financial inspection

HOW IS THE POLICY PAPER STRUCTURED?

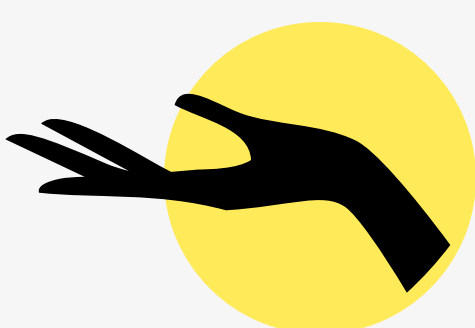


PRIORITY
01

IMPROVING THE RELATIONSHIP BETWEEN STRATEGIC PLANNING AND PLANNING OF RESOURCES



NEEDS



Harmonise strategic and financial planning timeframes with clearly defined limits for each sector with the MTBFs for the Ministries

Ensure that strategic and annual plans are in line with sectoral strategies and limits

MEASURES



- Harmonization of timeframes for strategic and financial planning
- Including clearly defined limits for each sector in the Fiscal Strategy and the MTBF for the Ministries within their overall competence
- Harmonization of timeframes for strategic and financial planning

RESULTS



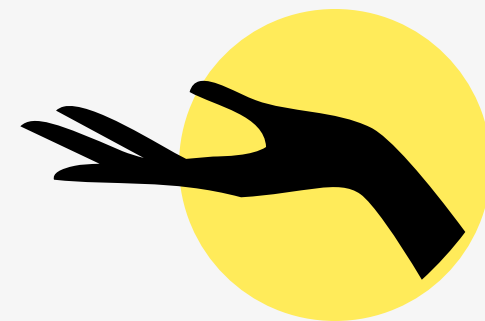
- Adjusted timeframes for strategic and financial planning
- Developed Fiscal Strategy and MTBF for the Ministries
- Established cascading model for goals in strategic and annual plans



STRENGTHENING THE DECENTRALIZED MANAGERIAL ACCOUNTABILITY

PRIORITY
02

NEEDS

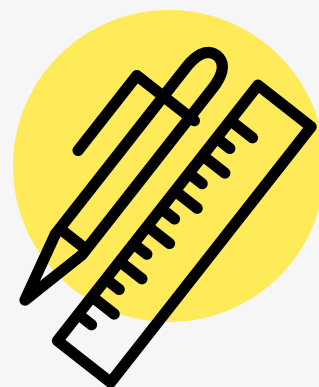


Strategic decisions to be adopted by the top managerial level

Operational decisions to be delegated at least at the level of the heads of departments and, when applicable, to the heads of subordinated bodies.

Inclusion of lower-level managers and heads of subordinated bodies in the setting the objectives

MEASURES



- Strengthening accountability and reporting lines, providing recommendations and their implementation in four pilot institutions
- Promotion the results from the enhanced accountability at the four pilot institutions

RESULTS



Removed overlapping of competences and enhanced accountability and reporting lines within and outside the institutions.

Ensured compliance with the principle for top managers to be responsible for making strategic decisions, while managers at lower levels to be in charge of making operational decisions

Provided sufficient autonomy and resources for managers to achieve the expected results in accordance with the granted authorisations.



EFFICIENT RISK MANAGEMENT



WEAKNESSES AND NEEDS

Risk management is not an integral part of everyday decision-making processes, it is often perceived only as legal obligation

HENCE

Appropriately established management structures, defined objectives and available management information

Further development of managerial accountability

Wider practical application of the risk management

MEASURES

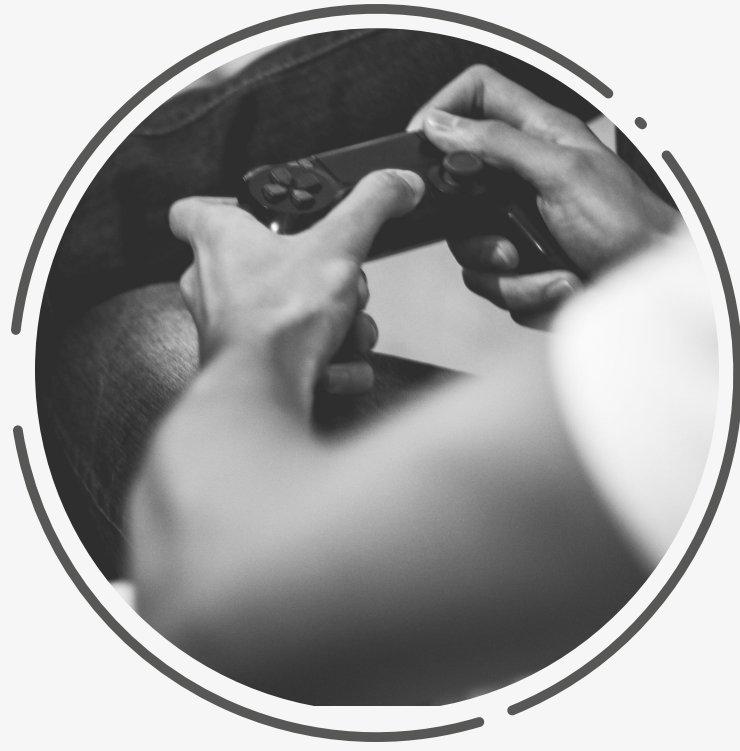
- Updated and applied guidelines for managing with key risks in achieving objectives, preventing fraud and corruption in public procurement, and preventing further areas creation from public sector entities
- Practical application of key risk management and providing a timely response to risks in four pilot institutions
- Promote the results



RESULTS

- Facilitate the process of risk management
- Increased awareness of the usefulness of risk management
- Provided timely response to new risks





CONTROL ACTIVITIES IN FINANCIAL MANAGEMENT

PRIORITY
04

WEAKNESSES

Lack of written rules, i.e. internal acts and procedures for financial management



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Lack of adopted procedures for the key business processes and quality management

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Lower quality of delivered public services than expected;
Arrears; Occurrence of fraud and corruption

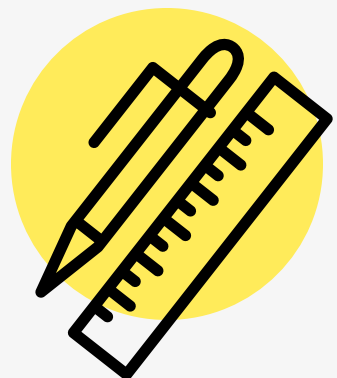
RESULTS

- Identified measures to improve the financial management and control
- Improved internal acts / procedures for financial management and control.
- Reduced level of arrears and of fraud and corruption in public procurement



MEASURES

- Determining weaknesses in key control activities in one pilot institution
- Enhancing control activities in financial management based on realistic assessment of key risks in achieving objectives, preventing fraud and corruption in public procurement, and preventing the further creation of arrears in four pilot institutions
- Promote the results



PRIORITY
05

INFORMATION, COMMUNICATION AND MONITORING



WEAKNESSES AND NEEDS

- Lack of exchange of information between internal units causes lower level of transparency and accountability of the institutions
- Improve the systems for internal reporting and accounting systems
- Strengthen the system of publicly published performance indicators



MEASURES



Strengthening information and communication systems in four pilot institutions

Strengthening monitoring systems in four pilot institutions.

RESULTS

Promoting results of strengthened reporting systems, communication and monitoring from the four pilot institutions to other institutions



Strengthened reporting, communication and monitoring systems





INTERNAL AUDIT

PRIORITY
06

WEAKNESSES AND NEEDS



Insufficient staffing of too many internal audit units

Low level of certified internal auditors affects efficient implementation of the International Standards and Quality Assurance in the Internal Audit

VS.

New criteria for organizing IA units

Introduction of regular IA operational quality checks

Program for conducting training and exam for national certification of internal auditors in public sector

MEASURES



Reorganization of internal audit structure

Strengthening of the internal audit quality



RESULTS

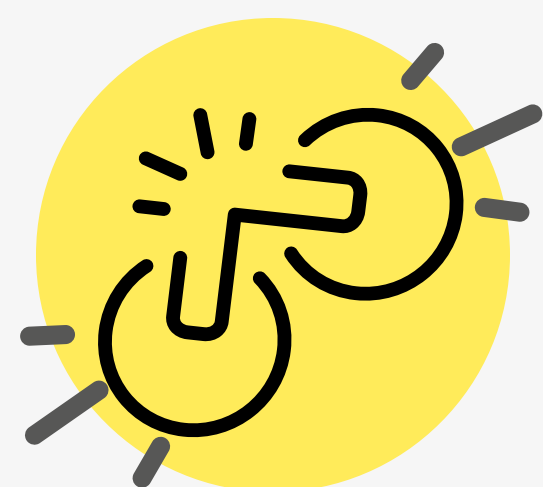


Established a new organizational structure of the internal audit and enlargement of the internal audit unit.

Conducted national certification of internal auditors in the public sector.

PRIORITY
07

FINANCIAL INSPECTION



WEAKNESSES VS. NEEDS

Insufficient administrative capacities for the functioning of the financial inspection

Untimely implementation of the inspection supervision of the public sector entities

VS.

To provide a control system that will disable frauds, irregularities and other types of financial mismanagement of public funds in the public sector entities.

The financial inspection will base its activities on received complaints, in function of the implementation of managerial accountability

MEASURES

Improving the regulation of financial inspection in the public sector

Strengthening the administrative capacity of the financial inspection



RESULTS

Harmonized regulation on financial inspection in the public sector.

Prepared program, organized exam and certified financial inspectors.



Staffed and professional financial inspection ready to respond to the requirements for performing inspection

PRIORITY
08

ENSURING THE PERMANENT QUALITY OF PUBLIC INTERNAL FINANCIAL CONTROL



MEASURES



- Strengthening the capacity of the CHU
- Strengthening the activity of the CHU



PIFC system requires continuous monitoring and evaluation in order to ensure that its implementation is according to the legal framework, international standards and best practices.



RESULTS



Changed Rulebook on Organization and Operations and Rulebook on Systematization of Working Posts in the Ministry of Finance in the part of the PIFC Department

Fulfilled jobs positions according to the amended systematization act.

Prepared Methodology for reviewing the quality of the operations of the internal audit units and the financial management and control.

Conducted reviews on the quality of the operations of the internal audit units and the quality of the financial management and control



MONITORING STRUCTURE

MONITORING COMMITTEE

PRIORITY 1



Led by General Secretariat of the Government

PRIORITY 2



Led by Ministry of Information Society and Administration

PRIORITY 3,4,5



Led by Ministry of Finance - Central Harmonization Unit

PRIORITY 6,7,8

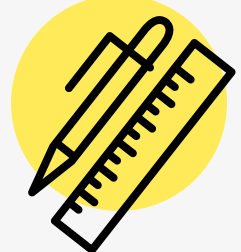






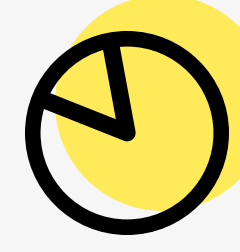




Led by Ministry of Finance - Central Harmonization Unit

REPORTS TO THE PFM COUNCIL



ACTION PLAN 2019-2021

Measure 	Activity 	Time-frame 	Owner 	Costs 	Sources 	Indicators 	Baseline indicator (2019) 	Expected results (2020) 	Expected results (2021) 
Measure 1.1: Harmonization of time-frames for strategic and financial planning.	Activity 1.1.1: Modification and amendment to the Strategic Planning Methodology in accordance with the new Organic Budget Law in order to harmonize the time-frames	Q1-Q2 2020	GS of the Government	369.000 MKD 6.000 EUR	State Budget	% of fully coordinated strategic and annual plans with resources in 4 pilot ministries	0%	75%	100%



TOTAL COST:
EUR 1.436.579

SOURCES:



State Budget
EUR 129.379



TwL Project
EUR 136.200



Tw Project
EUR 1.171.000



Bilateral project
w/ Netherlands

THANK YOU



www.finance.gov.mk