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TCOP WORKSHOP

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Overview

- Legislative / Constitutional Framework
- Government Banking Arrangements
- Budget Control Arrangements
- Budget Monitoring Arrangements
- Summary & Overview

Legislative/Constitutional Framework Background

- Westminster model
- Constitution provides for:
 - Minister for Finance to bring an annual Budget before the Parliament
 - Parliamentary approval for disposal of monies
 - 'Right of Initiative' with the Government
 - Government accountability to Parliament
- Treasury Single Account (Central Fund) i.e. 'single pot' for revenues and expenditures
- Separate Minister for Expenditure since 2011

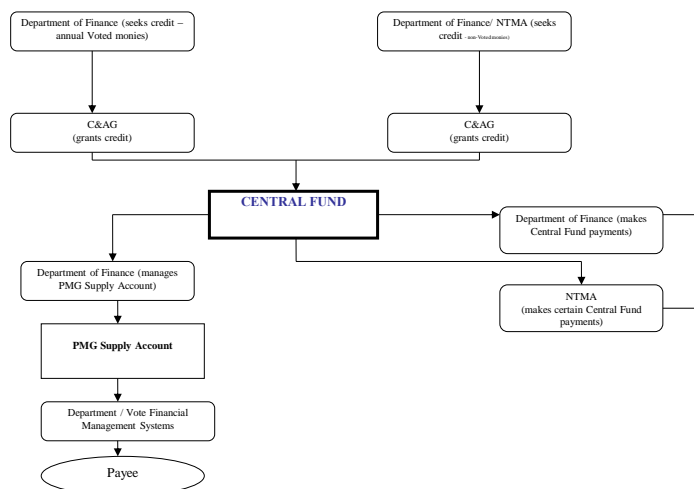
Legislative/Constitutional Framework Overview of Government Accounts

- Cash-based Central Fund or Exchequer Account
- Exchequer Revenues
 - Taxes
 - Other, including EU Receipts etc
- Exchequer Expenditure
 - Departmental ('Voted') Expenditure
 - 16 Departments with 40 'Votes', including Social Welfare, Health, Education etc
 - Non-Voted ('Central Fund') Expenditure
 - Debt Interest, Contribution to EU, Capital payments, e.g. Banks
- Non-Exchequer Central Government
 - Some Departmental expenditure financed through direct receipts
 - Non-Exchequer Funds, e.g. Social Insurance Fund

Legislative/Constitutional Framework Fiscal Institutions

- Department of Finance
 - Constitutional Basis (preparation of annual budget)
 - Exchequer control (incl. Aggregate Expenditure control)
- Department of Public Expenditure & Reform
 - Management of all Departmental spending, incl. budget
- Comptroller & Auditor General, responsibilities incl.
 - Authorises the release of funds from the Exchequer
 - Oversight of internal financial controls across all Departments
- Office of the Paymaster General (PMG)
 - Provides banking service for Government Departments
 - PMG Supply Account at the Central Bank (Departmental Accounts)

Legislative/Constitutional Framework Government Spending



Government Banking Arrangements Background

- **Central Government**
 - Central Bank holds Central Fund
 - Paymaster General's Supply Account at Central Bank
 - Non-Exchequer Funds
- **Line Departments**
 - Commercial Bank accounts
 - Record of all accounts held centrally (Finance)
 - Balances sent to Exchequer regularly
- **National Treasury Management Agency (NTMA)**
 - Provides asset and liability management services to Government

Government Banking Arrangements Departmental/Offices spending

- Departments issue payments from computer systems: Financial Management Systems or specialists systems e.g. payroll
 - Manage spend versus budget
- Payments are generally by Electronic Funds Transfer (EFT) or by paper payable order.
- All Government payments will be through EFT from 1 August 2013
- Payments must be made within 15 days of invoice

Government Banking Arrangements Government Payment System

- **Departments:**
 - make a payment electronically to payees bank account
 - send file containing details of all payments to commercial bank
 - send request to Office of Paymaster General to issue funds
- Office of Paymaster General requests Central Bank to forward funds from Paymaster General Supply Account to commercial bank
- Office of Paymaster General sends copy of its request to the Department of Finance
- Department of Finance issues request to Central Bank to transfer funds from Central Fund to PMG Supply Account to cover issues to the commercial banks

Budget Control Arrangements Central Government Controls - Legal/Formal

- **Comptroller & Auditor General**
 - Audits Final Accounts
 - Individual Accounts for Departments
 - Finance Account for Central Fund
 - Limit on spending prior to agreement of annual limits - credits
 - No spending without C&AG credit
- **Sanction of the Minister for Public Expenditure**
 - Delegated through detailed letter/ can be withdrawn
 - Transfers ('virement') on a sub-vote level
- **Supplementary Budgets for Departments**
 - Separate vote by Parliament during year for additional money
 - Also required to use additional Departmental receipts

Budget Control Arrangements

Central Government Controls – Informal/Procedural

- Department of Public Expenditure & Reform has a dedicated section for each Department
- Employment Control Framework
- Limits on Commitments
 - Infrastructural spending
- Flexibility where possible
 - Capital Carryover
 - EU Co-funded payments

Budget Control Arrangements

Overview of Checks

- Departments of Finance / Public Expenditure
 - Ensure proposed payment is covered by legislation
 - Obtain credits from C&AG (in advance)
 - C&AG grants credits and forwards copy to Central Bank
 - Payments made during quarter subject to sufficient credit being available
 - Obtain additional credit from C&AG (when necessary)

Budget Control Arrangements Internal Departmental Control (1)

- “Statement of Internal Financial Control” confirms that:
 - Financial responsibilities assigned appropriately
 - Reporting arrangements established at all levels
 - Procedures for reporting control failures and ensuring corrective action
 - An Audit Committee is in place to advise
 - Risk management system in place
 - Regular reviews by senior management of financial performance against forecast
 - Appropriate investment control guidelines in place
 - Internal audit function
- Provides assurance that assets are safeguarded, transactions authorised and properly recorded and material errors or irregularities are prevented or detected in an early manner

Budget Control Arrangements Internal Departmental Control (2)

- Service Level Agreements with larger Agencies
- Upper limits on spend for Bodies
 - Specific auditing arrangements for certain bodies
 - ‘Cash limiting’
- Certain Agency controls specified in establishing law
 - Ceiling on cash balances
 - Limiting level of contingency
- Political controls in extremis (take decisions to spend less, e.g. July 2008 spending decisions)

Budget Control Arrangements Reforms to Departmental Controls

- Departmental Statements of Strategy
 - Business Plans
- Management Information Framework
 - 'Point in time' information available
 - Budget management delegated to line managers in line with responsibilities – Finance unit oversight
 - Accurate, complete and timely information provided to management and staff to support planning, decision-making and control
 - Facilitates a review of programmes and activities - performance monitoring and financial control
 - Financial systems in place in Departments underpinned by Charts of Account
- Expansion of Service Level Agreements to cover all Agencies

Budget Monitoring Arrangements Voted Expenditure (1)

- Department of Public Expenditure
 - Monthly expenditure 'issues' from Exchequer
 - Self reporting
 - Monitoring purposes - allow for monthly deviations from profile
 - Also monitor spending funded by Departmental receipts
 - Press Conference on a quarterly basis
 - Regular reports to Government (also Departmental reports)
- Parliamentary Oversight
 - Ministers discuss Estimates with Select Committees
 - Accounting Officers before Public Accounts Committee
 - Committee on Finance & Public Expenditure has a role in considering budgetary strategy

Budget Monitoring Arrangements Voted Expenditure (2)

- Comptroller & Auditor General
 - Annual audit of Central Government (Exchequer Account)
 - Annual audit of Departmental Accounts (Appropriation Accounts)
 - Annual Report with selected topics
- Regular Public Reporting
 - End-month Exchequer Statements compared to profiles and targets for year as whole
 - End-quarter press conferences on emerging position compared to targets
 - Committee discussions are public
 - All C&AG reports published

Budget Monitoring Arrangements Non-voted Expenditure

- Daily monitoring by C&AG of payments made from Central Fund
- Finance Accounts
 - Finance Accounts signed by Secretary General, Department of Finance
 - Complete record of all voted and non-voted spend and tax and non-tax revenues
- Accounts signed by C&AG
- Accounts laid before Parliament following submission to Government

Budget Monitoring Arrangements Monitoring Reforms

- Increased role of evaluation / Expenditure Code
- “Whole of year” budgeting
 - Increased *ex ante* role for Parliamentary Committees
- Increased intensity of monitoring under new EU Regulations and Directives
 - Programme compliance scrutiny each quarter
 - Individual policy item scrutiny

Summary & Overview

- Irish system based around formal annual spending controls
- Intra-year monthly self-reported monitoring
- Intra-year controls formal but non-automatic
- Well established, well functioning system (aggregate spending normally within 1% of budget target)
- Reforms mainly around multi-annual controls, preventing expenditure ‘drift’ in years 2 and 3