



Republika e Kosovës
Republika Kosova - Republic of Kosovo
Qeveria - Vlada - Government

Ministria e Financave
Ministarstvo Finansija - Ministry of Finance

BOOK OF PROCESSES
FOR
MANAGEMENT OF PUBLIC EXPENDITURES

September, 2017

The Central Harmonization Department, respectively the Central Harmonization Unit for Financial Management and Control, based on the Law on Public Financial Management and Accountability amended and supplemented by the laws no. 03 / L-221 and Law no. 04 / L-116 article 6 as well as Financial Rule No.01 / 2010 Financial Management and Control supported by European Commission experts has prepared the " Public Procurement Management Process Book"

The Public Procurement Management Process Book is dedicated to all Budget Organizations as a guideline model for all levels of public sector entity management to enforce financial management and control requirements with a focus on risk analysis and management.

The purpose of this book process is to describe the work processes in the area of public finance management, the list of processes, description of the activities within the process diagram (schematic representation of the interconnection between organizations), risk identification and control activities for reducing, minimizing risks.

This process will help the organization increase the level of accountability, systematic controls, performance and better governance.

Bedri Hamza

Minister of Finance



Date: 19.10.2017

Abbreviations

CHU – Central Harmonization Unit

KFMIS – Kosovo Financial Management Information System

BDMS – Budget Management System

PIP – Public Investment Program

PIS – Payroll Information System

INTRODUCTION

1. PURPOSE OF THE BOOK OF PROCESSES

The Book of Processes represents a model for guiding the public sector entity at all levels of management in implementing the financial management and control requirements with focus on the risk management. It ensures uniformity in the running of business processes, identification of activities carried out, responsibilities for carrying out an activity as well as the deadline within which they should be executed, coupled with an overview of internal controls identified within a process, ensuring the achievement of the objective of the process. It will show whether or not there are weaknesses concerning the process definition and will give an overview of interrelation between the processes as well as of the opportunities for possible improvements to organisation's operations.

The purpose of this book of processes is to:

- Describe the business processes within public finance management area. **Examples of processes include budget preparation, budget execution, management of public expenditures and payroll management (as a specific sub-process);**
- Detecting risk areas;
- Assessing risks;
- And establishing a risk response and monitoring mechanism allowing to mitigate the risks and achieving the objective.

The objective is to describe clearly in schematic way:

- The organization/structure/official (Who does what?)
- The description of the processes, sub processes, activities (How work is done?)
- The compliance with relevant legislative framework
- The different approval levels and the related controls (accountability chain)
- The modalities of control
- The supporting tools of control (check list, supporting documentation, IT systems...)
- Reporting on activities

Sources used during the preparation of the process description include:

- ✓ Interviews with the competent officials of the Ministry of Finance (Budget Department, Treasury, Administrative Department (Procurement division, HR Division, Logistic Division), Division responsible for Finances, Certifying Officer) and with the Municipality of Fushë Kosova for specific issues related to local finances;
- ✓ compliance requirements (legal framework, rules and administrative instructions),
- ✓ organizational charts and job descriptions,
- ✓ management information systems (KFMIS, BDMS, PIP, PIS)
- ✓ process analysis and flows of activities with clear identification of the operations executed and the organization of tasks. The quality of documentation is a key subject.

The process descriptions are composed by the following sections:

- 1) The process mapping
- 2) The description of activities within the process
- 3) The flowchart (schematic presentation of interrelation between organizations/ structures)
- 4) The risk register. The risks are identified and assessed together with the representatives from main departments of MoF;
- 5) Mitigation control activities, which are proposed and agreed with middle management of the Ministry of Finance.

2. STRUCTURE OF THE BOOK OF PROCESSES

Section 1. Process mapping

The process mapping otherwise called list of processes can be used to collect data on the processes and their main activities. The best way to identify the key processes is to use the organizational objectives as a starting point and then identify the key processes that contribute to achieving these objectives.

The process mapping is an overview of the process objectives in four dimensions (strategic, operational, compliance and reporting), sequential steps of the process running within the entity, main outputs (product, results, reports), the departments/entities involved in the process. This will result in giving a general picture of how the entity manages its objectives.

Elements of the process mapping includes:

- The header which contains information on the name of public sector entity „Ministry of Finance“,
- Document name, Process code and document version. The process code implies a numerical or letter-type label of a process that the organisation may assign to individual processes. i.e. PEM-1
- Title of the process contains the name of the process assigned to it during the stage of its inclusion in the Process Identification Form. The title should briefly and concisely indicate which process is in question i.e. „Management of Public Expenditures“.
- The process objectives in four dimensions (strategic, operational, compliance, reporting)
- List of sub-processes or stages identified within a process.
- Process Owner - each process should have its owner or leader responsible for carrying out the process. Only one person can be a process owner. This person determines the manner in which the process is to be executed and is authorised to make changes to the process. It is recommended to put a job position title here, i.e. the function of a person rather than his/her name. This would avoid changing data entered in the book/map of processes should the person responsible for the given process leave the organisation. For the standard processes defined from the Ministry of Finance applicable to all central or local government entities, the „Minister of Finance“ position should be written here.
- Short Description of the Process contains information on process input, titles of sub-process or activities and process outputs.
- Risks identified and assessed which influence the fulfilment of objectives. This section is filled after the risk register is prepared.
- Link with other Processes/Sub-processes/Procedures. If a process is somehow linked with other processes running in entity or between entities or with sub-processes or with procedures, it is necessary to indicate linkage between them. It may so happen that there is no link with other processes or procedures describing some processes, in which case this row is to be left blank.
- Other entities and/or structures involved with the process and resources needed. Under the resources needed for process implementation section, one needs to identify and enter resources used for the performance of the activities under a process. This may include employees who carry out a process, equipment used during the course.

- Legal Framework - List of laws, regulations, and instructions relevant for the process.
- Timeline - If it exists.

Section 2. Description of activities and flow chart overview

This section describes in details the different steps of the process (activities) listed in sequence of their occurrence. Each occurrence is associated with a person and department in charge of it. The flowchart (audit trail) is a management tool that provides for tracing a process, on the one hand from start to end, and, on the other hand across the departments established within entity, and, where appropriate, between entities.

The overall purpose of the process description and flowchart is to help management to assess the adequacy of the financial management and control, identify any gaps, overlapping or duplications between the public officials/ internal structures and/or between entities.

Section 3. Risk register

Risk mapping is a tool used for identification, control and management of risks related to process objectives.

Each risk is identified, assessed and addressed through the questions/procedure presented in the risk register template described below:

Name of the Process _____

	Risk Reference number (Category; sub process; serial risk number)	<i>Category/Sub process/ serial Risk number</i>
RISK IDENTIFICATION	CATEGORY	<i>Strategic, Regulatory, Operational Systems, Financial, Management</i>
	SUB PROCESS	<i>Name of Sub process</i>
	OBJECTIVE	<i>What planning objective does this event affect?</i>
	RISK OCCURRENCE	<i>What is it that you are working to avoid or reduce the likelihood or impact of occurring? Risks are future events that could interfere with achievement of objectives.</i>
	RISK CAUSE	<i>What are the triggers, sources or circumstances that could act alone or together to increase the likelihood of the Risk Event occurring? There are usually multiple causes leading to a Risk Event.</i>
	IMPACT / CONSEQUENCE	<i>If this Risk Event did occur, how would it impact objectives? What are the longer-term or cumulative consequences?</i>
RISK ANALYSIS	EXISTING CONTROL MEASURES	<i>What are you doing now to reduce the likelihood or impact of the event?</i>
	Possibility (1-5)	<i>How likely?</i>
	Cause (1-5)	<i>How severe?</i>
	Result	<i>Result (P x C)</i>
ASSESSMENT	Risk priority	RISK RATING
	Adequacy of the existing measures	<i>Non-existent, Inadequate, Adequate, Robust, Excessive</i>
	ACTION	<i>Will you treat, monitor, transfer or avoid the risk?</i>

MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<i>What else are you going to do to better manage the risk?</i>
	FORM OF MEASURES	<i>What form will this mitigation take e.g. a project plan, a report, Treasury Board submission, other?</i>
	RESOURCES REQUIRED	<i>What is needed to develop and implement the mitigation?</i>
	RISK OWNER	<i>Who will take the lead on this mitigation?</i>
	COMPLETION DATE	<i>When is the deliverable to be ready?</i>
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	<i>Does the event or mitigation rely on another team or organization? Does it impact another group?</i>
	RISK STATUS AFTER THE MEASURES TAKEN	Risk after mitigation

Risk analyses is based in references stated below:

Opportunity and Effect Measurement Criteria:

Likelihood	Rating	Criteria	Probability
Almost certain	5	It is expected to happen. Will certainly happen this fiscal year or during the three year period of the Service Plan.	80% to 100% or frequently during the year
Likely	4	We expect it to happen. It would be surprising if this did not happen.	61% to 79% or at least once a year
Possible	3	Just as likely to happen as not. We don't expect it to happen, but there is a chance.	40% to 60% or once every 3 years
Unlikely	2	Not anticipated. We won't worry about it happening.	11% to 39% or once every 5 years
Almost certain not to happen	1	It would be surprising if this happened. There would have to be a combination of unlikely events for it to happen.	0 to 10% or once every 10 years

Consequence	Rating	Criteria / Examples
Catastrophic	5	<ul style="list-style-type: none"> - Major problem from which there is no recovery; - Significant damage to ministry credibility or integrity; - Complete loss of ability to deliver a critical program.
Major	4	<ul style="list-style-type: none"> - Event that requires a major realignment of how service is delivered; - Significant event which has a long recovery period; - Failure to deliver a major political commitment.
Moderate	3	<ul style="list-style-type: none"> - Recovery from the event requires cooperation across departments; - May generate media attention.
Minor	2	<ul style="list-style-type: none"> - Can be dealt with at a department level but requires Executive notification; - Delay in funding or change in funding criteria; - Stakeholder or client would take note
Insignificant	1	<ul style="list-style-type: none"> - Can be dealt with internally at the branch level; - No escalation of the issue required; - No media attention; - No or manageable stakeholder or client interest

Risk Rating Matrix

5	LOW	MED	HIGH	EXT	EXT
4	LOW	MED	HIGH	HIGH	EXT
3	LOW	MED	MED	HIGH	HIGH
2	LOW	LOW	MED	MED	MED
1	LOW	LOW	LOW	LOW	LOW
LIKELIHOOD	1	2	3	4	5
CONSEQUENCE					

L x C

Score 0 - 5 = Low

Score 6 - 10 = Medium

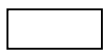
Score 12 - 16 = High

Score 20 - 25 = Extreme

3- AN UPDATED DOCUMENT

The Book of processes is not a fixed document – in the future some annexes can be added, some of them can be changed or improved. It has to be revised at least each time when objectives are changed. As a consequence the internal control support documents should be changed as well

SYMBOLS



Activity or action – a short title of activity is entered into the symbol.



Approval – decision-making symbol. The symbol is positioned in the procedure (a point in the procedure) where a decision is to be made. The symbol gives YES-NO options as its outputs.



Start or end of a procedure – the symbol is used to show the beginning and end of a process in the flowchart. Words "start" or "end" are written in the symbol.



Data – this symbol is used to mark manual enter in a Excel spreadsheet used in process activity management.



Process direction – this symbol is being used to mark the direction and order of activities in a process, i.e. to mark the course between the symbols in the flow chart – upward, downward and laterally.



Document – this symbol is used to mark a document created during the course of the process activities.



Multiple documents – this symbol is used to mark several documents created during the course of the process activities.



Manual operation – this symbol is used for a manual operation.



Database – this symbol is used to present a database in which data created during the course of the process activities are being electronically stored.

Public Sector Entity: MINISTRY OF FINANCE
Document: PROCESS MAPPING – Section 1
Process code: PEM -1
Version: No.1
Lead/prepared by: CENTRAL HARMONIZATION UNIT
Date: 10/06/2016

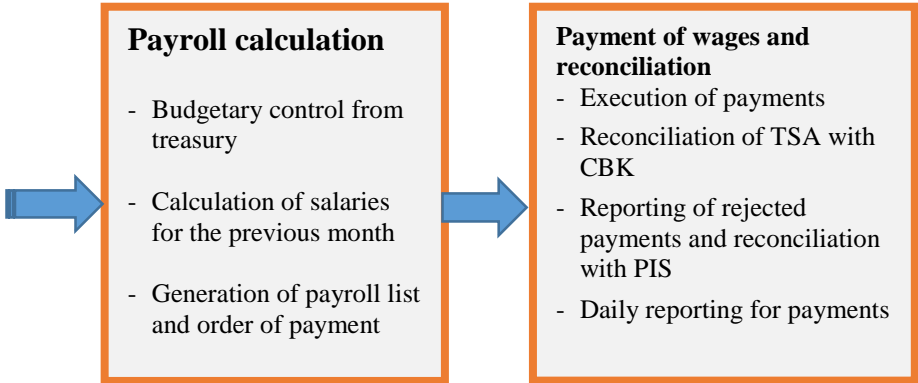
Name of process	Management of Public Expenditures
Sub processes	<ol style="list-style-type: none"> 1. Request for Initiation of Expenditures 2. Funds Commitment and Obligation 3. Verification and registration of expenditures occurred 4. Payments 5. Reconciliation
Strategic entity objective on PEM process.	Strategic State Objective: Expenditure Control / Fiscal Discipline Entity 'objective: <i>"Management of public expenditures ensure the effective and economic use of public funds and are in accordance with adopted Budget and other normative acts"</i>
Operational objectives related to sub processes	<ol style="list-style-type: none"> 1. "The proposed expenditures shall ensure the effective & economic use of the public funds and shall be in accordance with the budget and procurement plan" 2. "All obligations to pay from public funds should be signed ONLY after the funds are committed and timely registered in Treasury system". 3. "All expenses should be registered only on the basis of original documents that prove services performed and accepted or goods received" 4. "All payments should be performed within the budget ceilings, in timely manner and to the correct final destination" 5. Reconciliation/confirmation for accurate and timely financial reporting.
Process Objective – Compliance	"All financial transactions should comply with the legal requirements LPFMA, Public Procurement Law, Treasury Rules, and FMC procedures".
Process Objective – Reporting	<ol style="list-style-type: none"> 1. Execution of payment within 30 days from the acceptance of goods and services 2. Monthly Reporting to Treasury on arrears 3. Approval process for each administrative operation internally has to be made within 60 working days (Administrative Code) 4. Registration of invoice in KFMIS within three days after invoice acceptance in CFO office
Process Owner	Standard process: Minister of Finances Entity PEM process: Chief Financial Officer
Process description	<p>The main purpose of this process is processing of a public expenditure transaction, either current or capital expenditure, from the request of the budget holder for initiation of the expenditure, entity's legal and financial commitment of funds, expenditure performed, accounted, paid and reported up to the head of entity.</p> <p>All stages and sequential activities of the PEM process are shown below in a schematic way:</p>

	<pre> graph LR A["Request for Initiation of expenditures: - Request for expense - Needs assessment and approval of request - Control for availability of funds - Final approval for initiation of expenditures / procurement process)."] --> B["Funds Commitment and Legal Obligation - Commitment of Funds - Procurement process - Contracting process - Identification of supplier in Treasury - Recognition of legal obligation. - Release of unused funds"] B --> C["Verification and registration of expenses occurred. - Contract management activity - Invoice acceptance - Acceptance of goods and services - Compliance control - Registration of assets - Recognition of financial obligation – public expense"] C --> D["Payments - Approval of payments - Execution of payments"] D --> E["Reconciliation - Reconciliation of TSA with CBK - Reporting of rejected payments - Daily reporting on payments"] F[" "] --> C </pre> <p>For detailed description refer to the section 2 of the Book of Processes</p>
Main documents and the supporting information systems	<ul style="list-style-type: none"> - Request for expense. Hard copy. - Statement of Needs and Determination of Availability of Funds (Hard Copy) - Document for Commitment of funds (KFMIS) - Document for Obligation to Pay (Purchase order) KFMIS - Document for acceptance of goods and services. Hard copy and KFMIS - Order Obligation to pay (expenditures without procurement) KFMIS - Order of payment (once the service is done) KFMIS
Risks identified and assessed	<ul style="list-style-type: none"> - <i>Approval of unbudgeted requests or the cost-benefit analysis, or disrespect of activities agreed before</i> - <i>High percentage of unbudgeted requests by the Budget Holder</i> - <i>Commitment is done at the same time (or with very little difference) with obligation and invoice.</i> - <i>Multiyear commitments are not recorded and controlled</i> - <i>Commitments are recorded the same time with legal obligations and invoice</i> - <i>Commitments / obligations without funds available/ not in the due time or without taking into consideration technical request of the beneficiary</i> - <i>Inadequate segregation of duties and lack of monitoring</i>

	<ul style="list-style-type: none"> - <i>Lack of delegation of responsibilities or the opposite, total decentralization of responsibilities.</i> - <i>Discrepancy of the services carried out or goods/services received by the nature of contract, terms of references and deadlines.</i> - <i>Delay of the process of acceptance of services/goods and non-timely payment of invoices.</i> - <i>Duplication of functions/parallel functions</i> - <i>Existence of parallel and not integrated IT systems.</i> - <i>Insufficiency of liquidity in Treasury Single Account (unexpected event)</i> - <i>Re-payment from the banking system because of wrong final destination</i> - <i>Slowdown of the performance up to the blockage of IT financial systems and/or unauthorized access to the data.</i> - <i>Fraud Risk or Professional Incompetence.</i> <p>For details on PEM risks identified, assessed and addressed refer to Section 3 of the Book of Processes</p>
Other entities and structures involved with the process	<p>Every Entity (CAO, CFO, Budget Holders, Logistic division, Procurement Division).</p> <p>Ministry of Finance (Treasury and Budget Department)</p> <p>Central Bank of Kosovo</p>
Legal Framework	<p>Law on Public Financial Management and Accountability of Kosovo No.03/148 revised, Law on Public Procurement No.04/L-042, Treasury Rule No.1/2010, Treasury Rule No.2/2013 and FMC procedures, KFMIS Manual</p>
Timeline	<p>This process is carried out for each financial transaction of entity during all the fiscal year and reporting is prepared every month at list.</p>

Public Sector Entity: MINISTRY OF FINANCE
Document: PROCESS MAPPING
Process Code: PS -2
Version: No.1
Lead/prepared by: CENTRAL HARMONIZATION UNIT
Date: 10/03/2016

Name of process	Management of Payroll for Public Employees
Sub process	<ol style="list-style-type: none"> 1. Creation of New Employees 2. Time & Attendance 3. Managing payroll 4. Payroll calculations 5. Payment of wages and reconciliation
Strategic entity objective on PEM process.	Strategic State Objective: Expenditure Control / Fiscal Discipline Entity 'objective: <i>"Management of payroll system ensure the effective and economic use of public funds and is in accordance with adopted Budget and other normative acts"</i>
Operational objectives related to sub processes	<ol style="list-style-type: none"> 1. "Conformity of Decision Making System" 2. "Hours worked in reality to prepare payroll calculation" 3. "Reliable Payroll data" 4. "Accurate and Regular Payroll Execution" 5. "Ensure correct implementation within budget appropriations and cash allocations before payment"
Process Objective – Compliance	All transactions must be in compliance with the legislation and all regulations related to wages of public employees.
Process Objective – Reporting	<ol style="list-style-type: none"> 1. Preparation of list of payroll changes and submitting to Treasury until 11th of the following month. 2. Calculation of Payroll from Treasury (Wages Division) until 24th of the following month 3. Payroll Budgetary control of Treasury (Payment division) from 24th to 30 of the following month and Payments within the first day of the next month.
Responsible Structure	Standard process: Minister of Finances Entity Payroll process: Human Resource Management
Process description	<p>The main purpose of this process is processing of the wages expense for employees of public administration, including all stages from the creation of the employee data base, time attendance, payroll calculation, accounting, payment to the employee's bank account and reconciliation with CBK.</p> <p>All stages and sequential activities of the Payroll process are shown below in a schematic way:</p> <div style="display: flex; align-items: center; justify-content: space-around;"> <div style="border: 2px solid orange; padding: 10px; width: 30%;"> <p>Creation of New Employees</p> <ul style="list-style-type: none"> - Appointment of new employee - Signature of Work Contract and appointment of HR manager - Creation of data base for employees </div> <div style="font-size: 2em;">→</div> <div style="border: 2px solid orange; padding: 10px; width: 30%;"> <p>Time and Attendance</p> <ul style="list-style-type: none"> - Measurement of working hours - Order for overtime hours - Approval of actual working hours during the month (including overtime hours) </div> <div style="font-size: 2em;">→</div> <div style="border: 2px solid orange; padding: 10px; width: 30%;"> <p>Managing Payroll</p> <ul style="list-style-type: none"> - Data application form for payroll - Application form for changes of salaries during the month and retroactive payments - Treasury and TA compliance control (number of employees, ID, bank references, etc) </div> <div style="font-size: 2em;">→</div> </div>

	 <p>The detailed process is described in Section 2.2 of the Book of processes</p>
Main documents generated and supporting information systems	<ul style="list-style-type: none"> - Payroll Database Input Form (paper based) - List of changes in Payroll (paper based) - Monthly Wages document with components for each employee - SIP - Payment Order and Payroll – SIP
Main risks identified and assessed	<ul style="list-style-type: none"> - <i>Lac of written procedures.</i> - <i>Non-integrated IT systems (Payroll System with KFMIS)</i> - <i>Risk of unauthorised access to the data</i> - <i>Person doesn't show at work but it is on the presence sheet;</i> - <i>Authenticity of presented justifiable documents.</i> - <i>Risk to ineffective controls, human errors, quality of data.</i> <p>For details on Payroll risks identified, assessed and addressed refer to Section 3 of the Book of Processes</p>
Other entities and structures involved with the process	<p>Ministry of Public Administration, MoF Treasury (Payroll division) Public Entity: CAO, HR management Division and CFO</p>
Legal Framework	<p>LPFMA No 03.- L048, Civil Servant Law, State Administration Law, Law on Public Wages, Catalogue of Work Positions, recruitment criteria, and job descriptions approved by Government, March 2015</p>
Timeline	<p>This process is carried out for each financial transaction of entity, processed every month during the fiscal year and reporting is prepared every month at list.</p>

SECTION 2 – DESCRIPTION OF THE PROCESS

Title of the Process: Public Expenditure Management - Description of the process and the related risks Strategic Objective: Expenditure Control / Fiscal Discipline						
Chronological Steps	Activities /Tasks	Compliance objective (Ref.to Legal Framework)	Control Activities (Show Who does What and No. of approval levels)	Documents generated or accepted (specify if generated manually and/or IT system)	Decision Yes / No (Circulation Documents)	Reporting objective (latest reporting deadlines if required)
I	Sub process: INITIATION OF EXPENDITURES - Operational Objective: The proposed expenditures shall ensure the effective & economic use of the public funds and shall be in accordance with the budget and procurement plan					
1	Initiation of Expenditures	Art 3, 17 of LPFMA No.03/148. Treasury Rule No.1/2010 art 2, 7. Treasury Rule No.2/2013 Art 18.	Who: Officials of the Operational Departments prepare: 1. The request for expense of goods and general services which are not foreseen under the budget of the department: (i) one request per category of goods and services; (ii) as a rule the request should have been foreseen during the budget planning process; (iii) the justification should be given.. 2. Requests for Expense are prepared based on the needs and the budget of the department (trainings, per diems, reception fees, etc.).	1. Request for goods/ service. (hard copy). 2.Memo for trainings, travelling, etc.	To be sent to MIA	There are no recent specific deadlines (all administrative documents are approved within 60 days)

2	Need assessment and Approval of the request for expense.	Art 3, 17 of LPFMA No.03/148. Treasury Rule No.1/2010 art 2, 7. Treasury Rule No.2/2013 Art 18. Law on Public Procurement No.04/L-042, Art 9.1. FMC Procedure No.9	Who: Budget Recipient Controls: <ul style="list-style-type: none"> (i) the precise nature and scope of the needs that the service required is intended to satisfy; (ii) the estimated value and the proposed type and material terms of the public contract that will be the subject of the envisaged procurement; (iii) the proposed functional specifications of each object/project; (iv) the benefits expected; (v) in the case of equipment, durable goods and works, an estimate of the cost of ownership over the whole of the object's operational life, including acquisition, operating, and maintenance costs and residual value; (vi) an indication as to whether such procurement activity was included in the procurement forecast and, if not, a statement of reasons as to why it was not so included; and (vii) a clear statement as to how the procurement will promote the institutional objectives (viii) sign the Section II.1 of the Statement of Needs & Determination of Availability of Funds. 	1. Request for goods / service. (Hard copy) or Memo request for expenditures 2.Needs assessment (hard copy) 3.Statement of Needs and Determination of Availability of Funds (SND AF) Hard copy	To be sent to the CFO	See phase 1
3	Controls of availability of funds	Art 3, 17 of LPFMA No.03/148. Treasury Rule No.2. art 18.5. Law on Public Procurement No.04/L-042, Art 9.2 & 9.3 Manual of Procedures.	Who: CFO formally ensures that: <ul style="list-style-type: none"> (i) funds have been appropriated for the concerned procurement in an amount sufficient to fulfil any financial obligations that may arise during the course of the current fiscal year; (ii) fills and sign the Section II.2 of SND AF regarding the availability of funds. (iii) in case of a multi-year contract CFO must include in the concerned public contract a provision that clearly conditions the enforceability of future obligations on the availability of funds, under future appropriations legislation. 	The Documents generated under stage 2 are signed.	Yes: It will be delivered to CFO	See phase 1

4	Final Approval of the Request for Expense and for initiation of procurement.	Law on Public Procurement No.04/L-042, Art 9. CPA-Central Procurement Agency	Who: CAO <ul style="list-style-type: none"> (i) Determines that needs assessment justifies the conduct of the procurement activity. (ii) Controls if it is a new request and related to the department and the entity objectives. 	Statement of Needs and Determination of Availability of Funds (SNDAF). Hard Copy	Yes: it will be sent to CFO, ZP and APP No: Returns to Phase 2 or is rejected	See phase 1
II	Sub process- COMMITMENT OF FUNDS Operational objective "All obligations to pay from public funds should be signed ONLY after the funds are committed and timely registered in Treasury system"					
5	Commitment of Funds	LPFMA (art 36.1 & 37.1) request the commitment to be registered before procurement. Treasury rule 01/2013 art. 12, 13, 16, 17, 19.	Who: <u>Budget analyst</u> /administrative officer <ul style="list-style-type: none"> (i) Inquires in KFMIS if funds are available under the requested budgetary line and prepares the "Commitment Request for Purchase" registers the budget classification codes (funds code, organization code, program, project, function, economic codes) quantity and value and put signature. <u>Approval level:</u> CAO or Delegated Person ensure the availability of funds. <u>Commitment Officer</u> (CFO office) <ul style="list-style-type: none"> (i) Registers the data in SIMFK where automatic controls are effectuated on availability of funds under the requested budgetary line and the required funds are freeze for the future obligation. (ii) Registers the possible dates of payments. 	1. "Commitment Request for purchase". (Hard Copy) 2. "Request for goods and services"(created in KFMIS - Purchase module and signed by CO). 3. SNDAF received from CFO.	YES: To be sent to DNVDF in hard copy through CFO. NO: The whole process will be stopped and sent to the CAO	There are no specific deadlines
5/1.	Commitment of Funds for operating expenditures without procurement	Treasury rule 01/2013 art. 17 & 21, 30 to 35,	Who: <u>Budget analyst</u> ; <u>CAO or delegated Person</u> , <u>Commitment Officer:</u> For OPEX without procurement the registration of commitments and obligations is carried out in the same time and only when the invoice and the acceptance report is received.	Memo request for expenses, Invoice; acceptance report (all accepted hard copy); "Obligation order for Payment" (section A)- created in SIMFK-approval module.	CFO	Three days following the admission of the invoice from CFO

6	Procurement process	LPFMA art.13, 36.1 & Law of Public Procurement 04/L-042 art.8, 23; Treasury Rule 02/2013 art 20.	Who: <u>Procurement Manager</u> (i) fills the first Section of SNDAF and (ii) proceeds with the procurement process. <u>Central Contracting Agency</u> , if proposed by MoF and designated by Government, conducts consolidated or common (joint) procurement activities	1. SNDAF (Hard copy) 2. System of procurement.		
7	Contracting process	Law on Public procurement 04/L-042 art 26, 42; PPRC - Public Procurement Regulatory Commission. Treasury Rule 02/2013 Art. 15, 16, 17, 20	Who: (i) Procurement Manager, CFO and CAO reconfirm that the financial information remain as they are described in SNDAF (sign SNDAF Sec. 3); (ii) The procurement manager signs the works contracts under 500.000 Euro and supply/service contracts under 125.000 Euro. The signature confirms that the contract has been awarded in compliance with PPL; (iii) CAO & the Minister sign the contracts for higher amounts beside the procurement manager, accepting the rights and obligations established by the contract and confirming that the contract is in full compliance with PPL.	1. SNDAF (hard copy) 2. Contract (hard copy).	To be sent to CFO and CAO	The contract is signed only after the signing of the SNDAF (DNVDF) and 10 days after the publication of the contract award notice by the PPRC
8	Identification of the supplier in Treasury	Treasury Rule 02/2013 art.20.2	Who: CFO or the delegated person verify the identity of the supplier, prepares the required form and send to Treasury the bank references of the supplier/receiver of public money.	Form of Identification of Supplier and bank references	Notifies the procurement manager	The contract is signed only after the signing of the DNVDF and 10 days after the publication of the contract award notice by the PPRC Immediately after the contract is signed and before the KFMIS purchase order is generated and signed


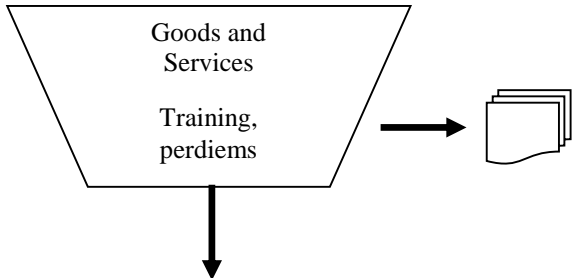
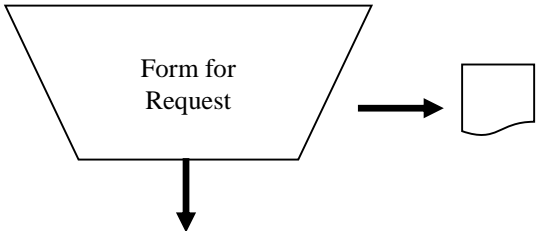
9	Undertaking Legal Obligation to pay	Treasury Rule 01/2010 and 02/2013 art.15. FMC procedure No.2; Treasury Procedure for KFMIS access rules 2009;	Who: <u>Procurement Manager</u> creates Obligation of funds in SIMFK after the contract is signed and bank references are registered in Treasury. Corrects the dates of payment. In addition the signature of supplier is required for reconfirmation of deadlines for completion of the services	Purchase Order in SIMFK	To be sent to CFO	Three days following the signing of the contract
10	Contract Management activity	Law on Public procurement 04/L-042 art 81.	Who: <u>CAO</u> appoints the contract manager describing all responsibilities. <u>Contract or Project Manager</u> (Budget Recipient or Logistic officer) prepares the contract management plan which includes legal, organizational, economical, technical aspects of contract management; management of payments/claims; complaints procedures; etc. and (i) the name of the officer (s) responsible for the management of the contract; (ii) number and categories of assisting personnel available to him; (iii) a time schedule Gantt charts, diagrams on activities covering the duration of the contract.	1. Decision for appointment of the contract manager (hard copy). 2. Contract/Project Management Plan signed by the contract manager and the supplier.	Notifies CFO and PB (receiver of budget)	Immediately after the signing of the contract
III Sub process - Operational Objective: Verification of Expenditures Occurred in compliance with Law and Regulations						
11	Acceptance of Invoice		Who: <u>Contract Manager</u> : Invoice accepted through protocol office.	Invoice and support documents (if civil works) Paper based	To be sent to the logistics official	
12	Acceptance of the goods and services	LPFMA, Treasury Rule No 2/2013, Treasury Procedure for KFMIS access rules 2009; FMC Procedure No.2&5&11	Who? <u>Contract Manager</u> : Monitors the contract and final acceptance of goods/services. Creates is necessary the commission for acceptance of goods/services with representatives from Budget recipient; <u>Official responsible for logistic</u> : Checks if the invoice is accepted from the adequate person; the process verbal and the warehouse document, compliance with the contract and invoice and generate the Acceptance Report	1. Process verbal of the commission (paper based) and 2. warehouse document (paper based) 3.Acceptance Report (KFMIS)	To be sent to the certifying official	There is no last specific deadline

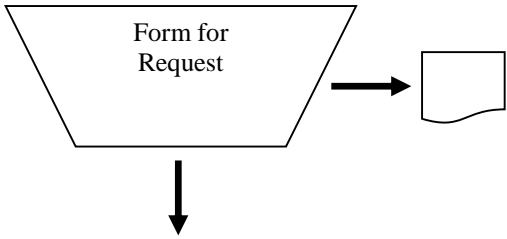
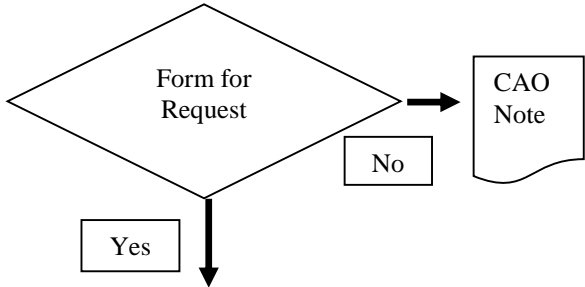
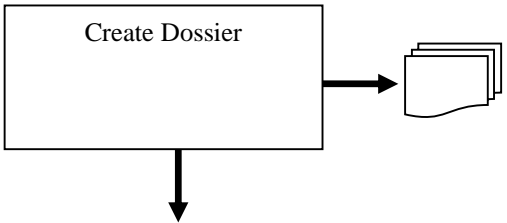
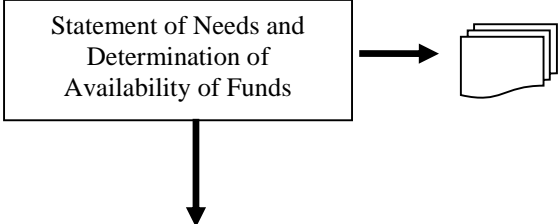
13	Compliance control	LPFMA, Treasury Rule No 1/2010 and 2/2013, FMC Procedure No.6	Who: <u>Certifying officer</u> : physical examination of documents as regulations require: (request for expense, SNDF, commitment of funds in KFMIS, purchase order in KFMIS, Contract, invoice/s, process verbal and acceptance report). Gives Approval to proceed further with the process	Paper based documents	Yes: to be sent to CFO No: reports to CAO	There is no last specific deadline
14	Investigation in case of irregularities	LPFMA	Creates ad-hoc commission for investigation of the procedures. The process is blocked until the final decision	1. Decision for administrative measures. 2. Approval of the process	Yes: Continue	
15	Registration of assets acquired	Treasury Rule 02/2013; FMC procedure No.2&5; Treasury Procedure for KFMIS access rights March 2009;	Who: CFO- <u>Assets Officer</u> : Receive the warehouse document. Requires again the signatures of the Budget recipient and the logistic officer for each long term asset. Registers inventory and all physical assets. Keep track of the location and the responsible persons for each asset	Document printed from local software; barcodes created from E-Assets which are placed on any device; financial data on KFMIS.	To be sent to the spending official	
16	Recognition of Financial Obligation/Liability	Treasury Rule 01/2010 and 02/2013; FMC procedure No.2&6; Treasury Procedure for KFMIS access rights March 2009;	Who: CFO- <u>Expense officer</u> checks (i) if the nature of commitment is compliant with nature of expense; (ii) checks if all support documents are attached; (iii) checks the payment is within cash allocations available. If not CFO adjusts the quarterly allocation plan.	1. Order of Payment KFMIS 2.Obligation Order for Payment without procurement in KFMIS 3. Review allocation plan	1&2 waiting for the approval by the certifying official, doc. 3 for the Treasury	Within three days from the acceptance of documents in the office

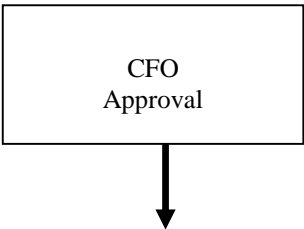
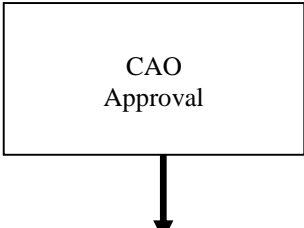
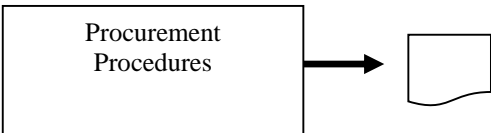
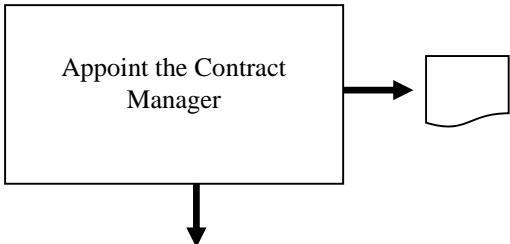
17	Release of unused funds	LPFMA, Treasury Procedure for KFMIS access rights March 2009;	Who: <u>Expense officer</u> checks the total value of invoices against the funds committed and prepares a request to Treasury for release of unused funds (as difference between commitment and actual expenditures). <u>First Approval</u> from CFO; <u>Second Approval</u> from CAO before sending the request officially to Treasury.	Request for release of unused funds. (paper based)	Yes: to be sent to the Treasury	There is no last deadline
IV	Sub process - PAYMENTS Operational Objective: "All payments should be performed within the budget ceilings, in timely manner and to the correct final destination"					
18	Approval of Payment	Treasury Rule 01/2010 and 02/2013; FMC procedure No.06; Treasury Procedure for KFMIS access rights 03/ 2009	Who: <u>Certifying Officer</u> controls the deadline for completion of the contract, the value and the banking reference of the final receiver/supplier	Payment Approval in KFMIS	Waiting for the Treasury approval	Within three days
19	Execution of Payment	LPFMA, Treasury Rule 02/2013; FMC procedure No.06	Who: <u>Treasury</u> (Division of Payments). Controls for available TSA liquidities and executes the payments from TSA based on the chronological order.	Centralized Electronic payments		Within three days from the payment order is conducted
V	Sub process - RECONCILIATION Operational Objective: Confirmation of payment by Treasury /Reconciliation process for accurate financial reporting.					
20	Reconciliation of data for TSA	LPFMA, Treasury Rule 02/2013; FMC procedure No.06	Who: <u>CBK</u> generate the electronic bank statement and the payment error file (returned from the banking system). <u>Treasury</u> communicates with CFO of institution on error payments and correct the files maximum next day.	Reports generated from CBK and communicated by Treasury	Communicating through e-mails with the CFO	Within next day
21	Reporting on daily payments	LPFMA, Treasury Rule 02/2013; FMC procedure No.06	Who: <u>CFO</u> (expense officer) Checks for any time difference between invoice date, order of payment date and payment date (Generates Reports on Payables and Payments and creates its own data base).	Daily report on Payables and Payments in KFMIS; Excel		Payments to be done within 30 days from the invoice date

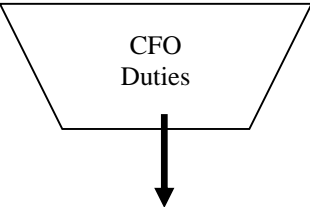
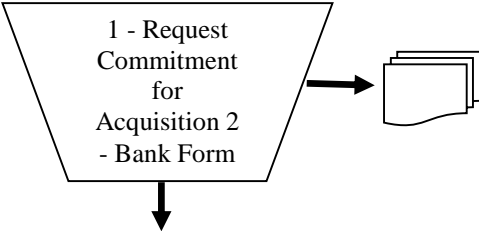
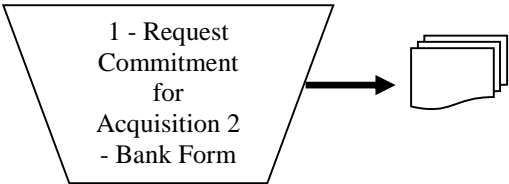
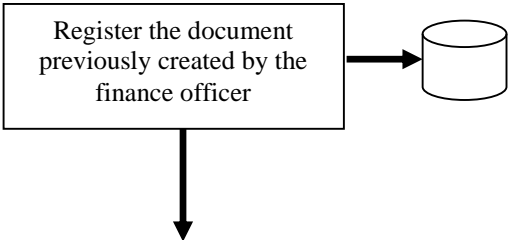
PEM-Flow of information

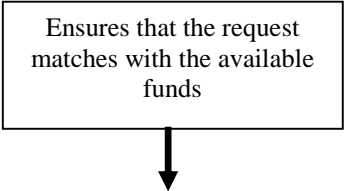
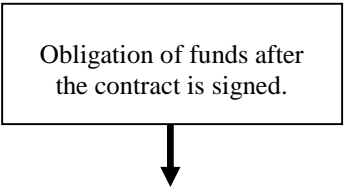
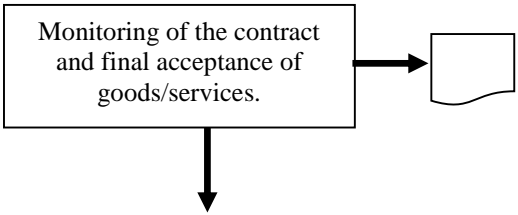
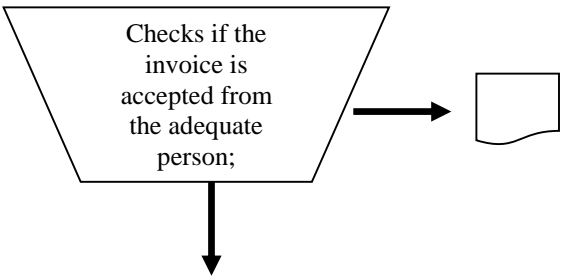
Below is the flowchart of the PEM-Flow of information.

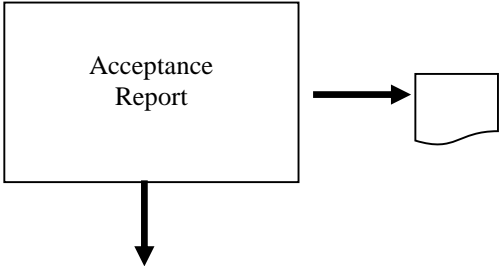
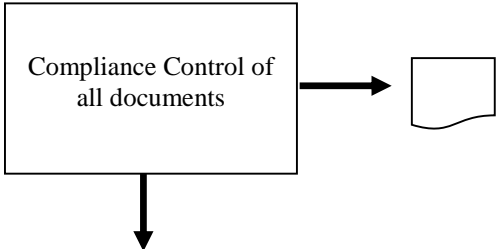
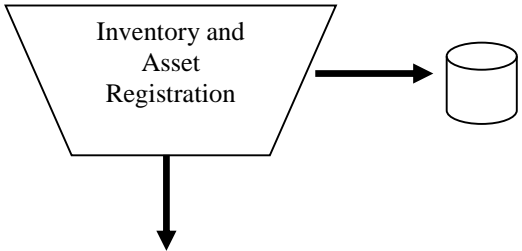
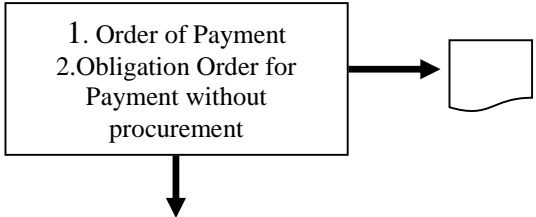
		Activity	Execution	Systems	Documents
ID	Flowchart	Description	Responsibility		Generated
					
1. Initiation of expenditures					
1.1		(i) Form of the Requests are prepared by the operational expert for goods / equipment / services which are not foreseen under the budget of the department and is approved by the head of department (ii) Requests for Expense are prepared by the operational expert based on the needs and the budget of the department and is approved by the head of department.	Budget Recipient	Paper based document	1. Form for Request for goods and services; 2. Memo request for trainings, per diems.
1.2		Codification of the request (internal protocol)	Logistic officer	Local simple software	1. Form for Request

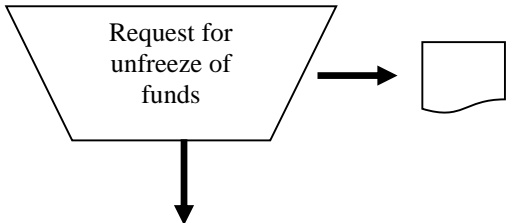
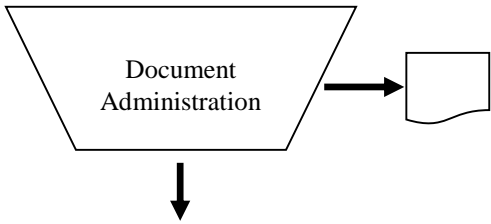
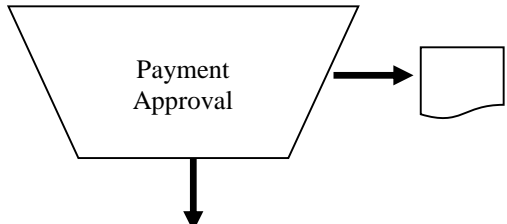
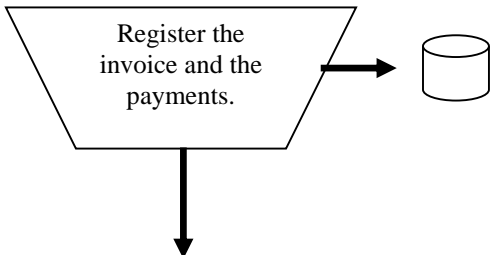
1.3		First Approval: controls the availability of funds	CFO	BDMS, PIP	1. Form for Request
1.4		Final approval. If NO CAO writes a note	CAO	Paper based documents	1. Form for Request
1.5		Create the dossier and notify the procurement officer	Logistic officer	Paper based documents	
1.6		PO prepares the Statement of Needs and Determination of Availability of Funds (SND AF); BR signs as requester of the service	Procurement officer and Budget Recipient	Paper based documents	SND AF

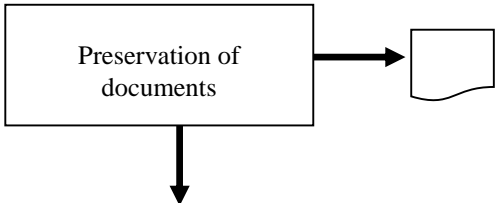
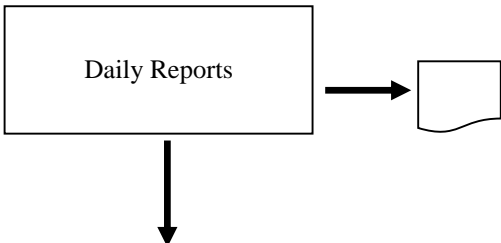

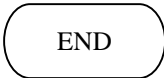
1.7		Formally Ensures the Availability of funds	CFO	Local Software	SNDAF
1.8		Final Approval for initiation of procurement process	CAO	Paper based documents	SNDAF
1.9		Carry out the procurement procedure	Procurement officer	Manual System	Contract
2. Commitment of funds					
2.1		Appoint the contract manager describing all responsibilities	CAO	Paper based documents	Decision for appointment of the contract manager

2.2		As a rule CFO receive the documents from the protocol office and delivers them to finance officer. Checks if invoice is paid/processed or not before	CFO	Simple software for financial archive	
2.3		Checks the completion of documents and write the budget classification codes (funds code, organization code, program, project, function, economic codes) quantity and value. Send to Treasury the bank references of the supplier.	Financial Officer CAPEX, OPEX high values	Manual and Local finance software	1. Request Commitment for Acquisition 2. Form of bank references of the supplier
2.4		Only when the invoice and the acceptance report is received. Checks the completion of documents and write the budgetary codes and necessary references. Send to Treasury the bank references of the supplier/receiver of public money.	Financial Officer OPEX without procurement	Manual and Local finance software	1. Request Commitment for Acquisition. 2. Form of bank references of the supplier/ receiver
2.5		Register the document previously created by the finance officer (Commitment of funds in KFMIS where automatic controls are effectuated on availability of funds under the requested budgetary line and the required funds are freeze for the future obligation. Register the dates of payments for contracts.	Commitment Officer	KFMIS	Request for Goods and Services

2.6		Ensures that the request matches with the available funds	CAO/ Heads of Departments	Paper based documents	Request Commitment for Acquisition
2.7		Obligation of funds after the contract is signed.	Procurement Officer CAPEX, OPEX with procurement	KFMIS	Purchase order
3. Verification and registration of expenditures					
3.1		Monitoring of the contract and final acceptance of goods/ services. The commission is created by the contract manager	Contract manager	Local Software and hard copy. (Not a unified format)	1. Plan for management of the contract; 2. Invoice received in hard copy; 3. Process verbal of the commission and 4. warehouse document
3.2		Checks if the invoice is accepted from the adequate person; the process verbal and the warehouse document, compliance with the contract and invoice and generate the Acceptance Report	Logistic officer	KFMIS	Acceptance Report

3.3		Approval for all expenses over 1000 Euro calculates the respective amount and convert them to vacation days.	CAO	Hard copy (printed from KFMIS)	Acceptance Report
3.4		Compliance Control: physical examination of documents as regulations require	Certifying Officer	Paper based documents	All documents mentioned above
3.5		Receive the warehouse document. Requires again the signatures of the Budget recipient and the logistic officer for each long term asset. Registers inventory and all physical assets. Keep track of the location and the responsible persons for each asset.	Assets Officer	KFMIS for assets over 1000 Eur. E-Assets for all inventory and long term assets. Local software as well	Document printed from local software and barcodes created from E-Assets which are placed on any device.
3.6		Checks if the nature of commitment is compliant with nature of expense; checks all documents attached	Expense Officer	KFMIS	1. Order of Payment 2. Obligation Order for Payment without procurement

3.7		Checks the total value of invoices against the funds committed and prepares a request to Treasury for annulation/unfreeze of funds for the difference. EO gets approval of CFO and CAO before sending the request officially to Treasury	Expense Officer, CFO and CAO	Paper based documents	Request for unfreeze of funds
4. Payment					
4.1		Send the documents to the Certifying Officer	Financial Archive officer	Protocol in excel format	
4.2		The deadline for completion of the contract, the value and the banking reference of the final receiver/supplier.	Certifying Officer	KFMIS	Payment Approval
4.3		Register the invoice and the payments. Print the Payroll from the HR system sign it together with CAO. NO checks are carried out.	Finance Officer	Local software of finance	Reports are generated directly from CFO

4.4		Protocols and Preserve the documents for 7 years	Financial Archive officer	Simple software	
5. Reconciliation					
5.1		Checks for any time difference between invoice date, order of payment date and payment date.	Expense officer	Excel, KFMIS	Daily Reports on Payables and Payments
5.2		Generates reports on payments and payment errors (returned from the banking system) and communicates with institution	Treasury	KFMIS	
					

"Process Title: Preparation and Content of the Proposal of Kosovo Consolidated Budget								
Strategic Objective: The budget preparation process								
Chronological Steps	Sub process / Activities	Compliance objective (Ref.to Legal Framework)	Control Activities (Show Who does What and No. of approval levels)	Documents generated or accepted (specify if generated manually and/or IT system)	Yes/No decision (Circulation of Documents)	Reporting Objective (Deadlines of reporting if applicable)	Risks related to objectives	Responsible Departments & Persons (Show the final decision maker)
III	Budget Process in the Budget Department-Ministry of Finance							
1	Preparation of Instruction for Medium Terms Expenditure Framework for budget organizations	Law No.03/L-048 on Public Financial Management and Accountability, article 19	1. Office of ministry of finance receives priority declaration by the office of Prime Minister. 2. A working Group is formed within the budget department. 3. Except for the priorities of the government, from the budget organizations it is required to focus on their priorities that are related with those of the government. 4. An example as an annex is given on the instructions.	Instructions are sent in PDF and word doc.	Yes	Latest 31 March	System of PIP and BDMS are not used in MTEF.	Budget Department
2	Acceptance of documentation prepared by budget organizations	Law No.03/L-048 on Public Financial Management and Accountability, article 19	Based on instructions released by MoF, all budget organizations are obliged to prepare requested materials and to submit to MoF latest by the first of April. Budget analyst for the respective organization is in direct and continuous contact for the necessary guide and assistance for the budget organization.	In word document	Yes	Latest 01 of April		Budget Department

3	Preparation of MTEF	Law No.03/L-048 on Public Financial Management and Accountability, article 19	<ol style="list-style-type: none"> 1. Materials from all budget organizations are received (received through archive with the protocol). 2. From the archive, the assistant distributes the materials to respective budget analysts. 3. Analysts reviews the materials received by the budget organizations. 4. Within the budget department, continuous meetings are held to harmonize inputs by the budget organizations with the priorities of the government. This activity is ongoing until the final version of MTEF. 	In word document	Yes	30-Apr		Budget Department
4	Preparation of First Budget Circular	Law No.03/L-048 on Public Financial Management and Accountability, article 20	<ol style="list-style-type: none"> 1. Subsequent to approval of MTEF by the government, the first budget 2. Circular is prepared. 3. In the budget circular, additional instructions are given to the budget organization for the more detailed level of budget planning. In the circular is also given the calendar of budget limits on organizational level. 	In word document	Yes	15-May		Budget Department
5	Budget organizations make their requests through submission back of the document in accordance with the instructions on first budget circular.	Law No.03/L-048 on Public Financial Management and Accountability, article 20	<ol style="list-style-type: none"> 1. Based on the circular issued by the MoF, budget organizations are obliged to prepare materials and submit to MoF latest by the 25 of June. 2. The whole process is performed through software of BDMS and PIP. 3. In word doc. are prepared only the explanatory memos for budget limits. All materials are signed by the CAO. 	Documents are submitted through the systems of BDMS and PIP and in word document.	Yes	25-Jun		Budget Department

6	Analysis of budget request by the budget department at the ministry of finance	Law No.03/L-048 on Public Financial Management and Accountability, article 5	<p>Budget analysts perform detailed review of the requests made by BO and along with the director provide recommendation throughout the budget process.</p> <ol style="list-style-type: none"> 1. Whole time correspondence between the analysts and BO. 2. Analysts require additional explanations by the BO regarding the specific items when they exceed expenditure of past year. 	BDMS, PIP also in Word document	Yes	July August		Budget Department
7	Release of second budget circular (on as needed basis)	Law No.03/L-048 on Public Financial Management and Accountability, article 20	The document of the Minister of Finance is approved by protocol from the Heads of Budget Organizations. The second circular also provides detailed information on budget hearings for all budget organizations. Also, the date and time for each budget organization is determined when the hearings will take place.	In word document	Yes	15-Aug		Budget Department
8	Budget Hearings	Law No.03/L-048 on Public Financial Management and Accountability, article 5	<ol style="list-style-type: none"> 1. Budget organizations are obliged to attend the budget hearings based on schedule issues with the second circular. 2. In the budget hearings attend: minister, CAO, CFO, directors of divisions and departments, responsible persons for BDMS and PIP. Budget hearings are held with each organization at the time. 	In word document	Yes	September		Budget Department
10	Updating the budget circular based on hearings	Law No.03/L-048 on Public Financial Management and Accountability, article 5	<ol style="list-style-type: none"> 1. Based on conclusions from budget hearings, OB must update information in BDMS and PIP and to reconcile them with the agreed amounts on budget hearings. 2. Updated information by OB are reviewed by respective budget analysts (for the projects so they are not above the budget limits set). 					

			<p>3. Responsible persons for BDMS and PIP perform the final check of the budget before it is sent to the government.</p> <p>4. When assured that table 3.2 and 3.1 are reconciled based on recommendations made by the budget organizations, the import of information for capital expenditure is performed from PIP to BDMS in the level of economic subcategories (chart of accounts).</p> <p>5. Office of the minister sends the budget to the government</p>					
11	Preparation of Draft law on budget and sending it to government	Law No.03/L-048 on Public Financial Management and Accountability, article 22.	Government approves the draft law on budget by 31 of October	PDF (BDMS and PIP) and Word macro fiscal framework	Yes	Before 31 of October		Budget Department
12	Submission of draft budget law to the Parliament by the Government	Law No.03/L-048 on Public Financial Management and Accountability, article 22.1	Government sends the draft law on budget to the parliament by the 31 of October.	PDF (BDMS and PIP) and Word macro fiscal framework	Yes	Before 31 of October		Budget Department
13	Review of draft law on budget by respective parliamentary commissions	Law No.03/L-048 on Public Financial Management and Accountability, article 22.2	Review of draft law on budget by respective parliamentary commissions	In word document	Yes	November December		Budget Department
14	Potential amendments of law on budget	Law No.03/L-048 on Public Financial Management and Accountability, article 22.2	After the approval in the parliament of Kosovo, the budget department makes the changes in BDMS and PIP software. Same process as in point 10, only for parliamentary commission this time.	In word document	Yes	December		Budget Department


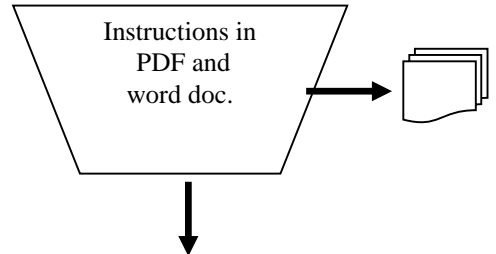
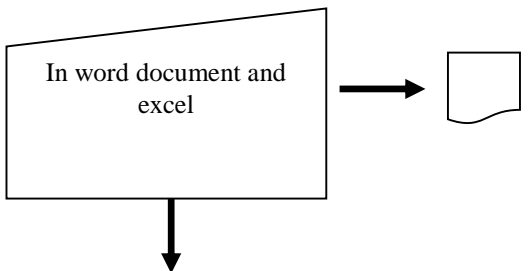
15	Approval of law on budget by the parliament	Annual Budget law t; article 1.14	Parliament should approve the law on budget by the 31st of December.	In word document	Yes	Before 31 of December		Budget Department
16	Preparation of instruction for budget review if needed	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Documents of the ministry of finance are received by the official protocol through archive	In word document	Yes			Budget Department
17	Budget organizations make budget request subsequent to issuance of instructions for budget review	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Based on instruction for budget review by ministry of finance, budget organizations are obliged to prepare the materials and submit them to MoF.	Documents are submitted through the systems of BDMS and PIP and in word document.	Yes			Budget Department
18	Analysis of budget request by the budget organizations in accordance with the instructions issued on budget review	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Budget analysts, analyse in detail all request by the budget organizations and along with the director they make suggestions on budget process	BDMS, PIP and word document	Yes			Budget Department
19	Preparation of draft with the changes and additions and sending it to government for the changes in budget after the review	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Government should approve draft review of the budget along with the changes and additions.	PDF (BDMS and PIP) and Word macro fiscal framework	Yes			Budget Department

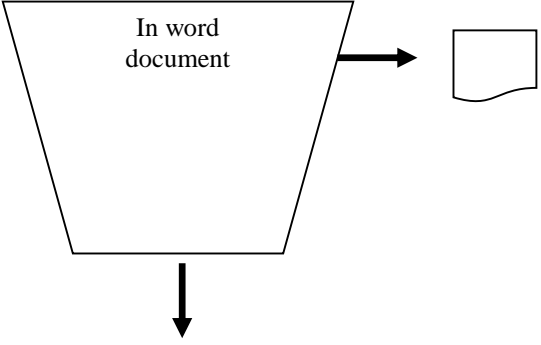
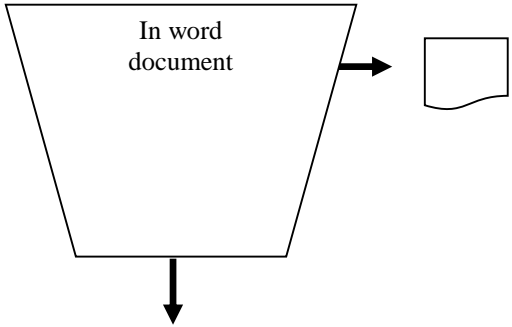
20	Review of draft with changes and additions on current year budget the respective parliamentary commissions	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Parliamentary commissions review the draft with the changes and additions for the law on budget (review) proposed by the government	In word document	Yes			Budget Department
21	Potential amendments on draft additions and changes to current year budget (review)	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Parliamentary commission propose amendments to the draft law on budget which are duly approved by the parliament. After the approval by parliament, budget department makes the changes in BDMS and PIP software.	In word document	Yes			Budget Department
22	Approval of Budget review by the Parliament	Law No.03/L-048 on Public Financial Management and Accountability, article 25	Kosovo parliament should approve changes and additions to current year budget.	In word document	Yes			Budget Department
23	Instructions of budget law article 7	Law on Budget Article 7	<p>Coverage of the obligations contracted for more than one period. The most important are unsettled debt from previous years.</p> <ol style="list-style-type: none"> 1. Budget organizations bring their requests for covering unsettled debt along with the contracts and justification for settling of such debt. 2. Analysts review the contracts and compare them with outstanding balance on PIP and Free balance. 3. Analysts forward the excel with changes to the responsible PIP official. 4. Together with the analyst, the budget responsible person of PIP updates the with the details, whereas in BDMS are given only totals. 	Document in word with instructions		30 January or 30 days after the budget law is published in official website.		

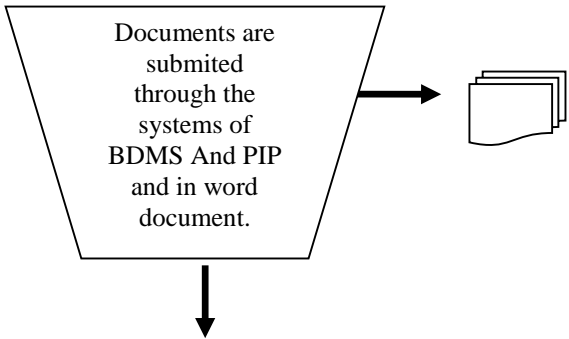
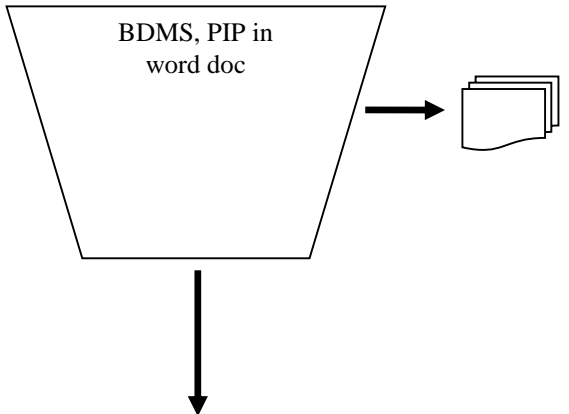
			<p>5. Final documents are sent to government as PDF files (information for this document is generated by PIP and BDMS).</p> <p>6. The parliament is only informed of the changes by the government cabinet (CAO and CFO of the prime ministers cabinet). The materials are also sent to the parliament as part of the notification.</p>					
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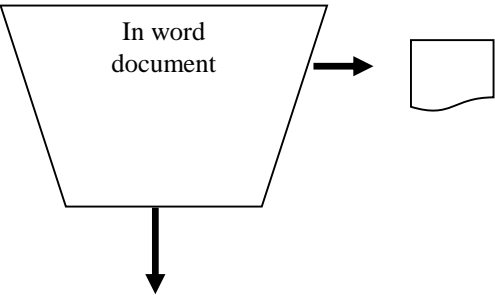
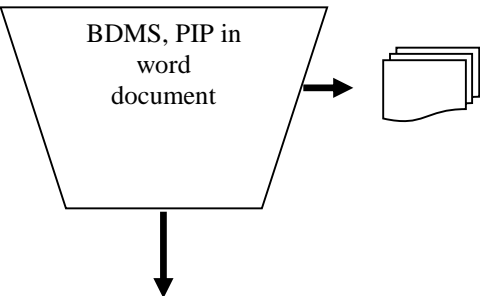
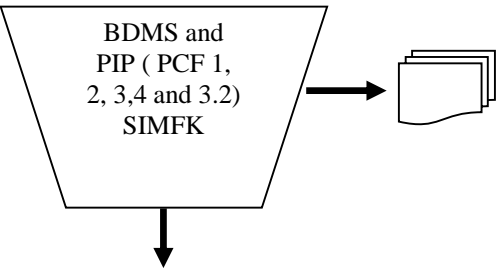
Budget processes central level - Flow of information

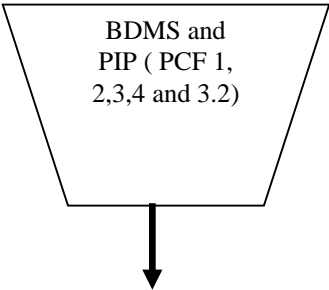
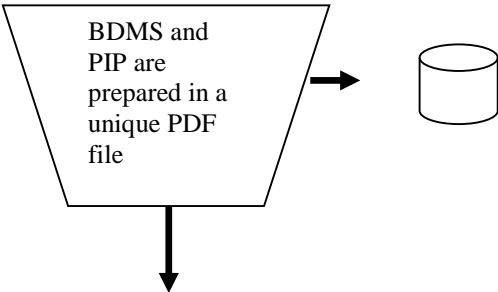
Below is the flowchart of the Budget processes central level.

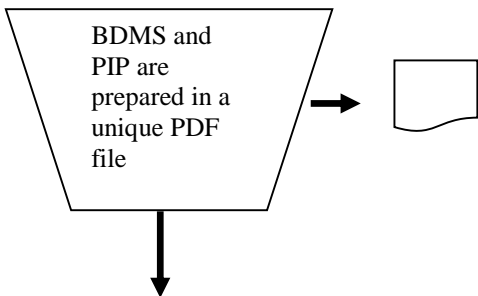
		Activity	Execution	Documents
ID	Flowchart	Description	Responsibility	Generated
				
1. Budget process in the Department of Budget--Ministry of Finance				
1		Preparation of Instruction for Medium Terms Expenditure Framework for budget organizations	<ol style="list-style-type: none"> 1. Cabinet of the Minister of Finance receives statement of priorities by the Prime Minister's Office. 2. The Director of the Department of Budget establishes a working group within the Department, with the aim of preparing the instructions for KASH (budget department employees are part of the working group). 3. Budget organizations in this instruction are required to focus on sectorial and organizational priorities, but always taking into consideration the link with the Government priorities. 4. In KASH instruction the Annex with the format sample of preparation of KASH is released (as well as what the tabular text). The instruction is signed by the Minister of Finance and it is submitted to all budget organizations in official form (protocolled). 	Instructions are sent in PDF and word doc.
2		Acceptance of documentation prepared by budget organizations	Based Instruction issued by MF, OB's are required to prepare the required material and deliver it to MF by the latest until April 01. Analysts hold meetings and are available for continuous contact at all times for providing assistance and expert advice.	In word document and excel

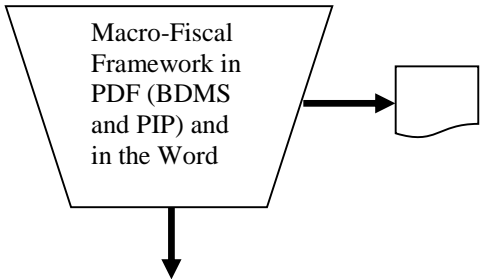
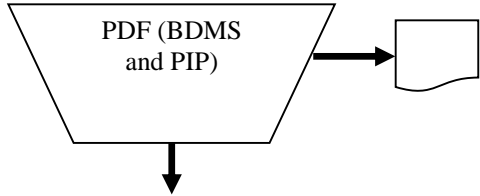
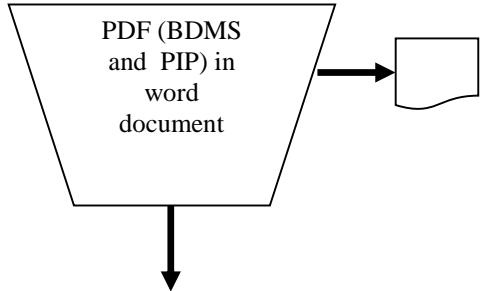
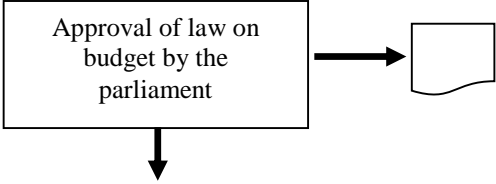
3		Preparation of MTEF	<ol style="list-style-type: none"> 1. Materials are received from all budget organizations of central level <ol style="list-style-type: none"> a. Received through archives in the protocol , b. Archive sends the material in the Budget Department to the director's assistant, who then sends them to the respective analysts). 2. All analysts receive materials from the organizations they are responsible for. 3. Analysts analyse these documents received from budget organizations. 4. Regular meetings are held within the Department with the aim to harmonize inputs of budget organizations with the instruction of KASH (released by MF). This happens until the preparation of the final KASH document. Medium Term Expenditure Framework must be approved in the government the latest until April 30th of the fiscal year. 	In word document
4		Preparation of First Budget Circular	<ol style="list-style-type: none"> 1. After the approval of KASH by the Government, the first Budget Circular is complied. 2. The budget circular is prepared from the Budget Department (Director of department in cooperation with the Cabinet of the Minister). 3. In the circular there are data and detailed instructions for the budget planning. Also in this document is given a calendar of the whole process and budget limits of the budget organization's economic category and number of employees. The circular signed by the Minister of MF is sent with protocol to the Heads of the Budget Organizations. 	In word document

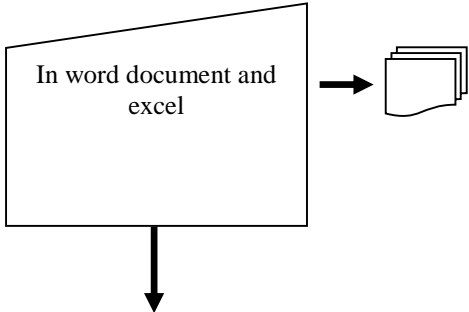
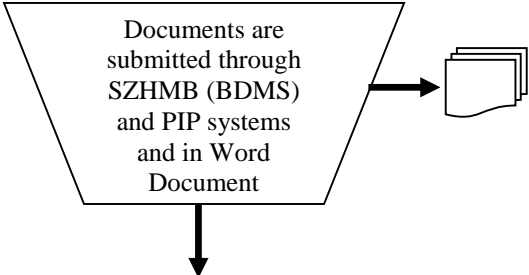
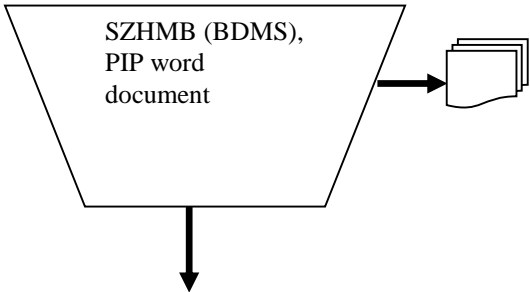
5		<p>Budget organizations make their requests through submission back of the document in accordance with the instructions on first budget circular.</p>	<ol style="list-style-type: none"> 1. Based on the circular issued by the MF, budget organizations are required to prepare and submit material on the latest MF until 25 June. 2. The whole process is prepared through systems of PIP and SZHMB (BDMS). 3. Budget analysts and responsible officials for SZHMB and PIP systems are in continuous contact with all budget organizations to help on the budget planning in accordance to the limits set in budget circular. 4. Budget Organizations prepare the accompanying note in word document in which the budget requirements are justified along with eventual requirements over the allowed budgetary limits. All notes along with accompanying materials are signed by the General Secretary (ZKA) 	<p>Documents are submitted through the systems of BDMS and PIP and in word document.</p>
6		<p>Analysis of budget request by the budget department at the ministry of finance</p>	<ol style="list-style-type: none"> 1. Materials are received from all budget organizations of the central level <ol style="list-style-type: none"> 1a. Received through the archive with the protocol, 1b. Archive sends the material in the Budget Department to the director's assistant, who then sends them to the respective analysts). 2. All analysts receive materials for organizations they are responsible for. Budget analysts analyse in detail the requirements of budgetary organizations and together with the Department provide their recommendations on the applications submitted. 3. At all times the budget analysts are in constant communication with the budgetary organizations. 4. Analysts require further clarification from the relevant budget organizations about specific requirements that exceed the limits of the budget provided for the economic category. 	<p>BDMS, PIP in word doc</p>

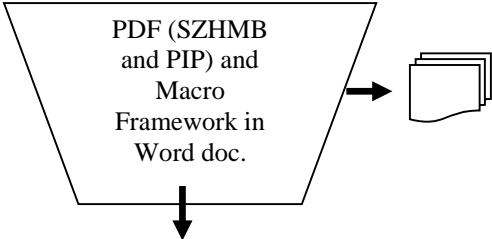
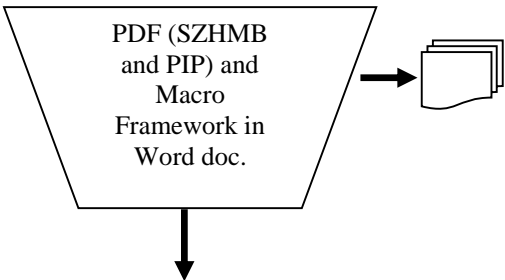
7		Release of second budget circular (on as needed basis)	<ol style="list-style-type: none"> 1. Preparation of the second budget circular from The Department of Budget in close cooperation with the Cabinet of Minister. 2. It is submitted to all budget organizations through archives. 3. Second Budget Circular is received with protocol from Heads of Budget Organizations. 4. Apart from the general instructions in the second Circular detailed information is also provided about the budget hearings for all budget organizations which sets date, time for each budget organization when budget hearings will be held. 	In word document
8		Submission of budget requests by Budget Organizations after the second circular	<ol style="list-style-type: none"> 1. All budget organizations should prepare their budget requests based on the second circular. 2. All requirements should be prepared through PIP and SZHMB (BDMS) systems. 3. At all times officials in the budget organizations are in continuous contact with responsible officials for PIP and SZHMB systems and with respective analysts to equalize data in accordance to the budgetary limit. 4. After equalizing data and the approval in accordance to the approval levels of PIP and BDMS systems, the whole materials of the second budget requirements is generated from PIP AND SZHMB systems and submitted to MF, along with accompanying note that contains requirement justifications as well as extra requirements. 	BDMS, PIP in word document
9		Analysis of budget request by the budget department at the ministry of finance	<ol style="list-style-type: none"> 1. Materials received from all budget organizations of central level. <ol style="list-style-type: none"> 1a. Received through archive with protocol, 1b. Archive sends material in budget department, at the director's assistant, which then sends it to respective analysts). 2. All analysts receive materials for organizations they are responsible for. 	BDMS and PIP (PCF 1, 2, 3,4 and 3.2) SIMFK

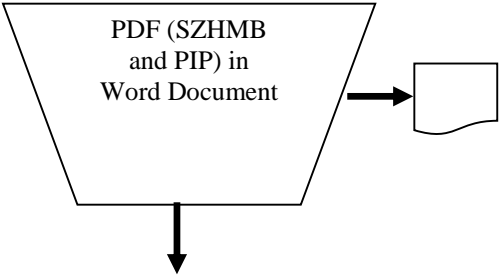
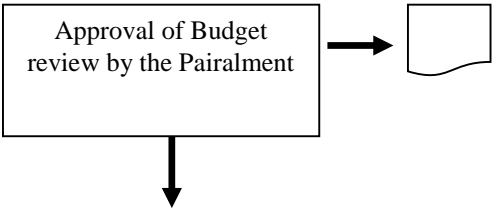
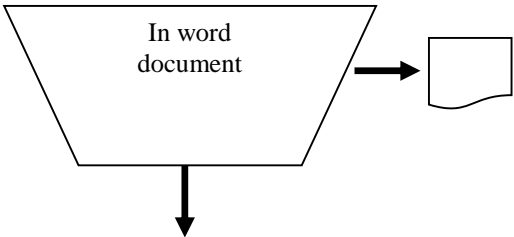
			<ol style="list-style-type: none"> Budget analysts after receiving second budget requirements, prepare the material for budget hearings. For the preparation of the material, they are provided with data submitted from budget organizations and from PIP and SZHMB systems and from SIMFK, as well as generating reports from these two systems. 	
10		Budget Hearings	<ol style="list-style-type: none"> Budget hearings are held in the Ministry of Finance. In budget hearings, all budget organization are required to participate based on the schedule set with the Second Circular. From Budget organizations participants include: Minister, General Secretary, ZKF, Heads of Agencies and Department Directors. From the Ministry of Finance participants will be: Minister, vice Minister, Budget Director, budget analysts, division chef and responsible staff of PIP and BDMS systems. 	BDMS and PIP (PCF 1, 2,3,4 and 3.2)
11		Third budget circular with strong budget limitations	<ol style="list-style-type: none"> Based on the conclusions from budget hearings, third budget circular is released from the budget department with strong budgetary limits. It is delivered though the archive to all budget organizations. Third budget circular is received with protocol from Heads of Budget organizations. Budget organizations must update data in PIP and SZHMB (BDMS) and harmonize them with agreed values of budget hearings. Updated data from budget organizations are checked from respective analysts. Responsible staff for PIP and SZHMBP (BDMS) systems make the final control of the budget in accordance with strong budget limits. When proved that tables 3.2 and 3.1, 3.1A are equalized in accordance with strong budget limits, the import of data for project capitals from 	Budget law in text form and all budgetary tables from BDMS and PIP are prepared in a unique PDF file which is submitted to the Government.

			<p>PIP and SZHMB (BDMS) is made in the level of budget allocations (Chart of Accounts).</p> <p>8. Tables 3.1 and 3.1a for operating expenses and table 3.2 for capital projects printed by BDMS and PIP systems and other tables were attached to the budget, and the draft on the budget law to be sent in the Government. Minister's office- MF sent the bill for approval in Government.</p>	
12	 <pre> graph LR A[BDMS and PIP are prepared in a unique PDF file] --> B[Document Icon] A --> C[Downward Arrow] </pre>	<p>Preparation of Draft law on budget and sending it to government for approval</p>	<ol style="list-style-type: none"> 1. Minister of MF presents the Budget Law Draft in front of the Government Cabinet. 2. Minister of MF notifies the Budget Department for possible changes in the Government meeting. 3. Budget Department notifies budget organizations for these changes. 4. Budget Organizations make the changes in PIP and SZHMB (BDMS) systems. 5. Budget Department checks/verifies changes made in accordance with the approval of the Law Draft from Government. 6. When it is verified that table 3.2 3.2 and 3.1, 3.1A are equalized in accordance with the approval of the Law Draft in Government, then the data import is made for capital projects from PIP to BDMS system in the level of budget allocations (Chart of Accounts). 7. Table 3.1 and 3.1a for operating expenses and table 3.2 for capital projects are printed out from PIP and SZHMB systems and get attached to other tables of the Budget and Budget Law Draft sent in the Assembly. Minister office-MF delivers the bill with changes approved in the Government in the Prime Minister's office, and later on in the Assembly. 	<p>Budget law in text form and all budgetary tables from BDMS and PIP are prepared in a unique PDF file which is submitted to the Government.</p>

13		Submission of draft budget law to the parliament by the Government	The Government should approve and submit the Draft Budget Law to the Kosovo Assembly no later than 31 October of the fiscal year.	Macro-Fiscal Framework in PDF (BDMS and PIP) and in Word
14		Review of draft law on budget by respective parliamentary commissions	Budget and Finance Committee and other parliamentary committees of the Assembly's review the Budget Draft Law proposed by the Government.	PDF (SZHMB and PIP)
15		Potential amendments of law on budget	<ol style="list-style-type: none"> 1. Budget and Finance Committee of the Assembly proposes amending the Budget Law. 2. Since the amendments approved by the Assembly, MF Budget Department is notified of these changes through the Committee on Budget and Finance. 3. Budget Department submits all changes made in the Budget Law in the PIP system and SZHMB (BDMS). 4. Table 3.1 and 3.1a for operating expenses and table 3.2 for capital projects are printed from PIP and SZHMB systems and are attached to other tables of the Budget Law. 	PDF (BDMS and PIP) in word document
16		Approval of law on budget by the parliament	Kosovo Assembly must approve the budget by 31 December of the fiscal year	PDF (BDMS and PIP)

17		Preparation of instruction for budget review if needed	<ol style="list-style-type: none"> 1. Ministry of Finance- Budgeted Department in close coordination with the cabinet of minister prepare the instruction for Budget Review. 2. Instruction is signed through the Minister of MF and it is submitted through the archive in all budget organizations. 3. The Review instruction is received with protocol from Heads of Budget Organizations. 4. There are guidelines and details provided in the instruction in regards to the possibility of changing appropriations for budget organizations (savings, transfers, reallocations, additional requirements, and decisions) as well as other information that the Ministry of Finance considers necessary. 	In word document and excel
18		Budget organizations make budget request subsequent to issuance of instructions for budget review	Based on the instruction of Budget Review and in the continuous consultation with budget analysts, budget organizations are required to prepare the material reasonably budget amendment and submit to MF.	Documents are submitted through SZHMB (BDMS) and PIP systems and in Word Document
19		Analysis of budget request by the budget organizations in accordance with the instructions issued on budget review	<ol style="list-style-type: none"> 1. Materials are received from all budget organizations of central level <ol style="list-style-type: none"> 1a. Received through archives in the protocol, 1b. Archive sends the material in the Budget Department to the director's assistant, who then sends them to the respective analysts). 2. All analysts' receive materials from the organizations they are responsible for. Requirements come to the respective analysts and get analysed. 3. Budget analysts thoroughly analyses the requirements of budget organizations and together with the Department give their recommendations. 	SZHMB (BDMS), PIP word document

			<p>4. Requirements are discussed in the Cabinet of Minister and the decision is made.</p> <p>5. The final document is sent to responsible staff of PIP and SZHMB (BDMS) systems for changes, which in cooperation with analysts make changes in the system. Responsible staff for PIP and SZHMB (BDMS) systems after the reflection of all approved changes with the review process in tables 3.1,3.1a and 3.2 and after making sure that all changes are included, the tables are printed out in PDF format.</p> <p>6. Budget Department prepares the Draft for the Law on Amending and Supplementing the Budget Law with all accompanying tables to be sent in the Government.</p>	
20		Preparation of draft with the changes and additions and sending it to government for the changes in budget after the review	Government approves the Amending and Supplementing the Law on Budget.	PDF (SZHMB and PIP) and Macro Framework in Word doc.
21		Review of draft with changes and additions on current year budget the respective parliamentary commissions	Parliamentary committees of the Assembly of Kosovo examine and Budget Review Draft proposed by the government of Kosovo.	PDF (SZHMB and PIP) and Macro Framework in Word doc.

22		Potential amendments on draft additions and changes to current year budget (review)	<ol style="list-style-type: none"> 1. The parliamentary committees of the Assembly propose amendments in the Draft Law of Amending and Supplementing the Budget. 2. After the law is approved by the Assembly of Kosovo, the Department of Budget presents all changes in the PIP and BDMS (BDMS) systems. 3. Table 3.1 and 3.1a for operating expenses and table 3.2 for capital projects are printed out from SZHMB and PIP systems and get attached with other tables for Changing and Fulfilling the Budget Law. 	PDF (SZHMB and PIP) in Word Document
23		Approval of Budget review by the Parliament	Kosovo Assembly must approve amending and supplementing the Law on Budget of Kosovo	PDF (SZHMB and PIP) in Word Document
24		Instructions for Article 7 released	<ol style="list-style-type: none"> 1. MoF- budget department releases the instructions to cover contractual obligations to multi-annual projects from previous years. 2. Budget organizations in addition to the requirement for covering obligations are required to attach relevant contracts - in word document with a rationale to cover these obligations. 	In word document

25		Implementation of Article 7.	<ol style="list-style-type: none"> 1. Materials for implementation of article 7 are received from all budget organizations of central level <ol style="list-style-type: none"> (1a. Received through archives in the protocol, 1b. Archive sends the material in the Budget Department to the director's assistant, who then sends them to the respective analysts). 2. All analysts receive materials from the organizations they are responsible for). 3. Requirements come to respective analysts and analysts analyse requirements as well as whether contracts are in accordance with expenses by using PIP and BDMS systems (project expenses). 4. Analysts make changes in excel and submit them to responsible staff of PIP. 5. Responsible staff for this system reflects all changes for individual projects in PIP, whereas in BMDS changes are only reflected as a total of sub-programmes. 6. Tables in PDF 3.2, 3.1 and 3.1A generated from systems are sent to Government for approval. 	PDF (SZHMB and PIP) in word document
26		Implementation of Article 7.	Assembly notified from Governmental Cabinet for changes. ZKA orders ZKM to delivered tables in the Assembly of Kosovo.	PDF (SZHMB and PIP) in word document

"Title of the Process: Preparation and Content of the Draft Kosovo Consolidated Budget Strategic Objective: The process of budget preparation							
Steps	Processes / sub processes	Control Activities (Indicate Who Does What and the No. of Approval Levels)	Created or received documents (specify if created manually and / or with IT system)	Yes / No decision (Circulation of documents))	Reporting (Reporting Periods)	Objective Risks	Responsible Departments
III	Budget Process in Municipalities						
1	First circular from Ministry of Finance	1. The document from the ministry of finance is received by the protocol of the mayor. 2. The mayor then distributes it to CFO, Directors of all Directorates in word document.	Budgetary circular in word document	Yes.	May 15th	BDMS and PIP have been opened over since the first circular is released	
2	Development of internal municipality circular	2. CFO and Director of Budget develop internal circular (programs, subprograms, sectors). 2.1.Data entry in the table is made by the head of the budget planning in collaboration with the Official of finance for education and Official of finance for health (based on the budget information of last year that have been taken by BDMS). 2.2.This information then gets checked by the Director of Budget.	Internal circular in word document		May 15-22	at this stage, no control has taken place in municipalities	

3	Distribution/delivery of internal municipality circular	3. The Director of Budget and CFO release internal circular. (Inform all directors of schools, heads of units, kindergarten, QKMF, family medicine)	Internal circular in word document	Yes.	May 22nd		
4	Completion of the internal circular in level PCF1	4. All stakeholders mentioned above and have an obligation to fulfil this document in Word. 4.1 Directors bring the capital investment plan for salaries, goods and services. As reference is last year's budget. Each director has his own budget to pan out. Director for budget pans out the budget from BDMS for QKMF and schools and gives it to them.	Internal circular in word document		June 5th		
5	Development of Medium Term Budget Framework- MTBF	5. Once the information comes back from the internal circular, MTBF is created from the budget office. 5.1 This gets forwarded to the President by the Budget and Finance Director.	MTBF (in word)	Pending for approval from President	June 10th MTBF		
6	Presentation of MTBF in two committees	6. The Mayor presents MTBF in policy and finance committee and committee for communities (The presentation here is made together with the director of budget and director of budget planning).			June 10-25th		

7	Inputs from committees	7. If there is caution from committees, corrections are made based on inputs. These corrections are made from the director of budget planning.			June 25-30th		
8	MTBF in the Municipal Assembly	8. MTBF goes in Municipal Assembly for approval	Medium Term Expenditure Framework in hard copy.		Before 30 June		
9	Submission of MTBF in MF	9. MTBF gets delivered from the budget office to MF	MTBF in MEF		June 30th	BDMS is closed to the municipality	
10	Public Hearings	10. Public hearings with citizens begin (three are mandatory). The Chairperson, CFO and directors of departments participate in hearings.	MTBF is presented to interested citizens.		June, August, September		
11	Second circular from Ministry of Finance	11. The second circular comes from MF (forwarded from the minister to the president, CFO and directors of departments).	Second circular in word document		in July (last year came on August 4th)		
12	Development of the second internal municipality circular	12. Development of the second internal circular is made from director of budget and CFO (input entry from internal hearings).	Second internal circular in word document		It is done within a day this year as it has arrived late)		
13	Delivery and completion of second circular in department/unit levels departments/units	13.1 Budget Director with the CFO. It is sent to all the stakeholders (chiefs, top managers), the announcement is made with the preliminary limits for the economic category.	Second internal circular in word document		They had 1 week term last year. Normally, this deadline is 1 month.		


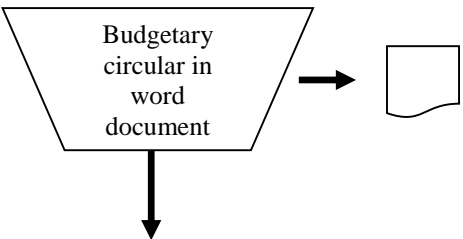
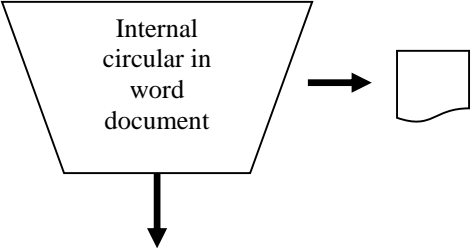
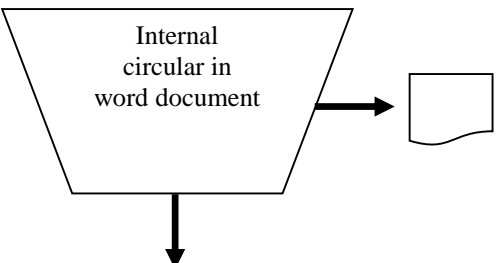
		13.2 The same officials perform the supplements based on the same boundaries.					
14	Examination of the second circular	14. Information taken from respective units from the director of budget and director of budget planning get examined.					
15	Data entry in BDMS	15. Data entry in BDMS system for all economic categories (Wages / salaries, goods, services, capital projects, subsidies, transfers, utilities). The introduction is made by the officer of education, finance of all schools are introduced (pfc1, pcf2). The health officer introduces the information for the FMCC for (pcf 1, pcf2). The chief of planning introduces the municipal administration (all). 15. The CFO and Budget Director control all of them.	BDMS Forms PCF 1,2,3 3		The system gets opened in August. One month time for data entry.		
16	Approval and forwarded to the President of Parliament	16. Once completed, they get printed and signed by each Director of departments of the budget. They are submitted to the President of Parliament.	BDMS Forms PCF 1,2,3 4		September 1st		
17	Extra public hearings	17. Public hearings in September (in this part, the part of capital investments might change since limits for other economic categories are predetermined.			September 1-12th		

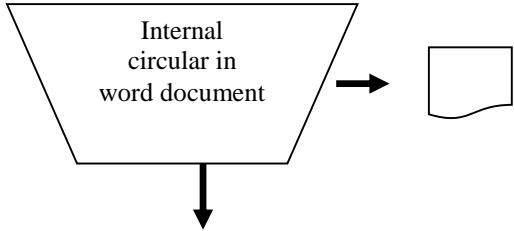
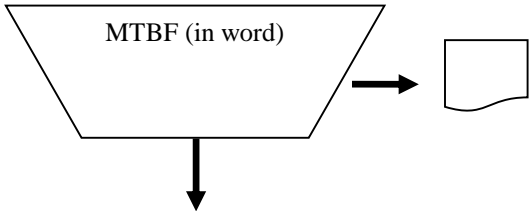
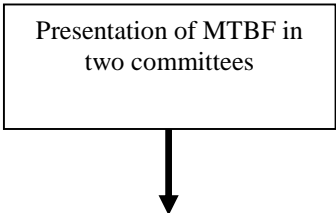
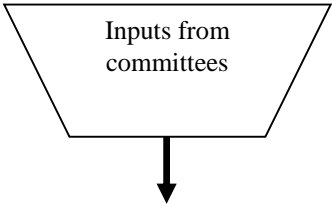
18	Examination of the application from the hearings in two committees	18. They can go from budget hearings to KPF and KPK			September 1-12th		
19	Presentation in the Municipal Assembly	19. Then it goes to the Assembly, but it can still be changed.			September 1-12th		
20	Corrections in the Budget document based on the inputs from hearings/committees/assembly.	20. Changes from hearings/committees/assembly are sent back for additional changes and later on entered in the BDMS system from the same officials.			September 12-20th		
21	Budget approval from Municipal Assembly.	21 Budget approval from Municipal Assembly.			September 20-25th		
22	The budget update if there were changes during approval in parliament	22. If there are changes, they get regulated in BDMS from the director of planning.	Municipal Budget		September 20-25th		
23	Notification of analysts in MF & Final Control	23 Budget analysts in MF get notified to make a final check on the budget if everything is alright before it gets printed out. 23.1 If it is fine, MF analysts confirm the examination and give orders to print out the report.			September 25th		
24	Submission of budget in MF	24. Delivery of budget in MF (signed by the President of Parliament and approved in the Assembly). 24.1 Accompanying note from Mayor to Minister. 24.2 PCF 3, 4.1. 4.2. 4.3 (own source revenues). Signed	Accompanying note in word. Tables from BDMS in electronic and hard copies.		September 30th		

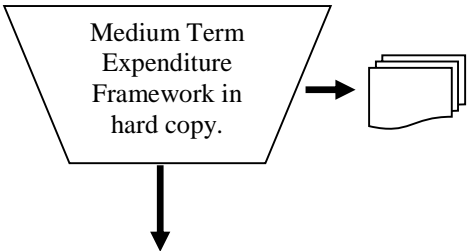
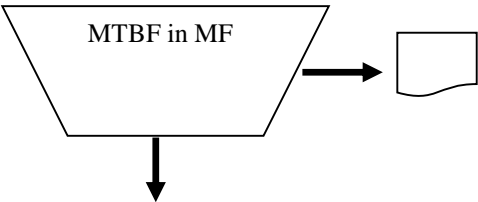
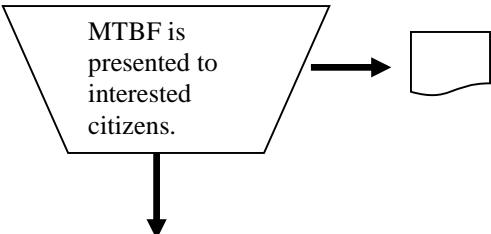
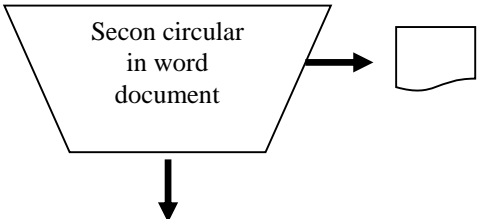
		by the director of budget and mayor. 24.3 PCF 4 contains the detailed budget.					
25	Final control and approval of budget from MF analysts.	25. The examination is made by MF (budget analysts) whether the budget is within the set limits from the second circular in five economic categories. 24.1 If the limits are not approved, the budget is sent back by MEF.			Within September.		

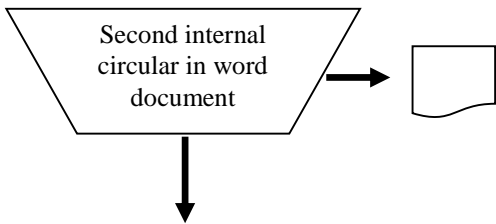
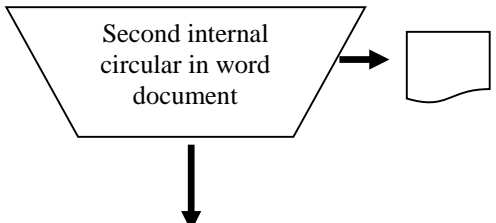
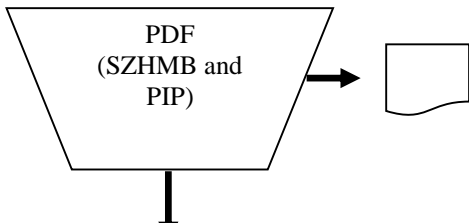
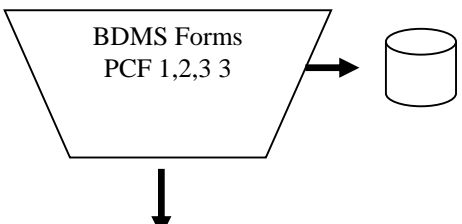
Budget processes in municipalities - Flow of information

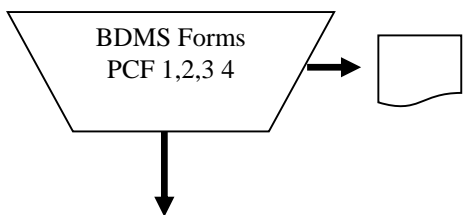
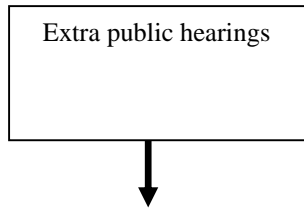
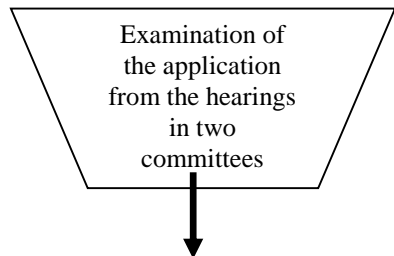
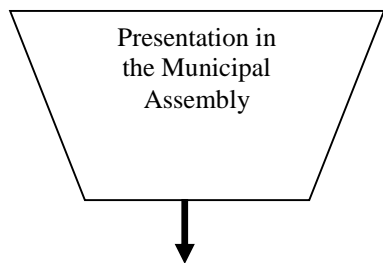
Below is the flowchart of the Budget processes municipalities.

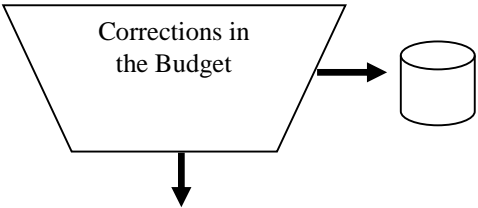
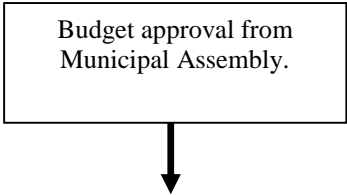
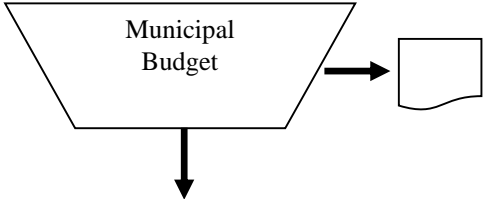
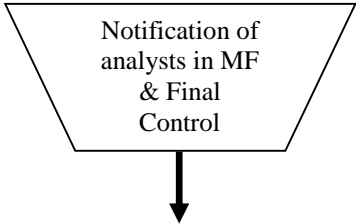
		Activity	Execution	Documents
ID	Flowchart	Description	Responsibility	Generated
				
1. Budget processes in municipalities				
1		First circular from Ministry of Finance	1. The document from the ministry of finance is received by the protocol of the mayor. 2. The mayor then distributes it to CFO, Directors of all Directorates in word document.	Budgetary circular in word document
2		Development of internal municipality circular	2. CFO and Director of Budget develop internal circular (programs, subprograms, sectors). 2.1. Data entry in the table is made by the head of the budget planning in collaboration with the Official of finance for education and Official of finance for health (based on the budget information of last year that have been taken by BDMS). 2.2. This information then gets checked by the Director of Budget	Internal circular in word document
3		Distribution/delivery of internal municipality circular	3. The Director of Budget and CFO release internal circular. (Inform all directors of schools, heads of units, kindergarten, QKMF, family medicine)	Internal circular in word document

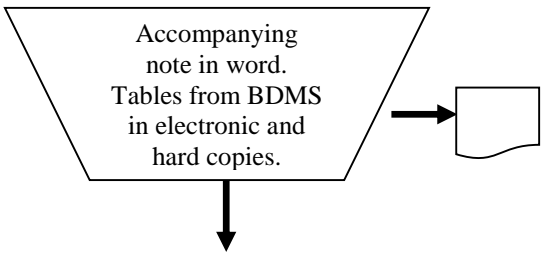
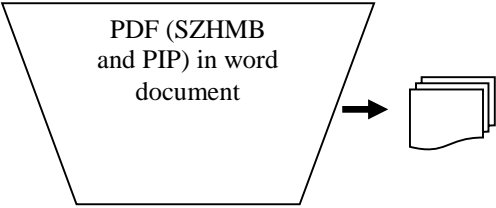
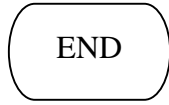
4		Completion of the internal circular in level PCF1	<p>4. All stakeholders mentioned above and have an obligation to fulfil this document in Word.</p> <p>4.1 Directors bring the capital investment plan for salaries, goods and services. As reference is last year's budget. Each director has his own budget to pan out. Director for budget pans out the budget from BDMS for QKMF and schools and gives it to them.</p>	Internal circular in word document
5		Development of Medium Term Budget Framework- MTBF	<p>5. Once the information comes back from the internal circular, MTBF is created from the budget office.</p> <p>5.1 This gets forwarded to the President by the Budget and Finance Director.</p>	MTBF (in word)
<u>6</u>		Presentation of MTBF in two committees	6. The Mayor presents MTBF in policy and finance committee and committee for communities (The presentation here is made together with the director of budget and director of budget planning).	
7		Inputs from committees	7. If there is caution from committees, corrections are made based on inputs. These corrections are made from the director of budget planning.	

8		MTBF in the Municipal Assembly	8. MTBF goes in Municipal Assembly for approval	Medium Term Expenditure Framework in hard copy.
9		Submission of MTBF in MEF	9. MTBF gets delivered from the budget office to MF	MTBF in MEF
10		Public Hearings	10. Public hearings with citizens begin (three are mandatory). The Chairperson, CFO and directors of departments participate in hearings.	MTBF is presented to interested citizens.
11		Second circular from Ministry of Finance	11. The second circular comes from MF (forwarded from the minister to the president, CFO and directors of departments).	Second circular in word document

12		Development of the second internal municipality circular	12. Development of the second internal circular is made from director of budget and CFO (input entry from internal hearings).	Second internal circular in word document
13		Delivery and completion of second circular in department/unit levels	<p>13.1 Budget Director with the CFO will send it to all the stakeholders (chiefs, top managers), the announcement is made on the preliminary ceilings for the economic categories.</p> <p>13.2. The same officials conduct the supplements based on the same ceilings.</p>	Second internal circular in word document
14		Examination of the second circular	14. Information taken from respective units from the director of budget and director of budget planning get examined.	PDF (SZHMB and PIP)
15		Data entry in BDMS	15. Data entry in BDMS system for all economic categories (Wages / salaries, goods, services, capital projects, subsidies, transfers, utilities). The introduction is made by the officer of education, Finance introduces all schools (pcf1, pcf2). The health officer enters the information for the FMCC for (pcf 1, pcf2). The chief of planning does the introduction of the municipal administration (all). 15. The CFO and Budget Director control all of them.	BDMS Forms PCF 1,2,3 3

16		Approval and forwarded to the President of Parliament	16. Once completed, they get printed and signed by each Director of departments of the budget. They are submitted to the President of Parliament.	BDMS Forms PCF 1,2,3 4
17		Extra public hearings	17. Public hearings in September (in this part, the part of capital investments might change since limits for other economic categories are predetermined.	
18		Examination of the application from the hearings in two committees	18. They can go from budget hearings to KPF and KPK	
19		Presentation in the Municipal Assembly	19. Then it goes to the Assembly, but it can still be changed.	

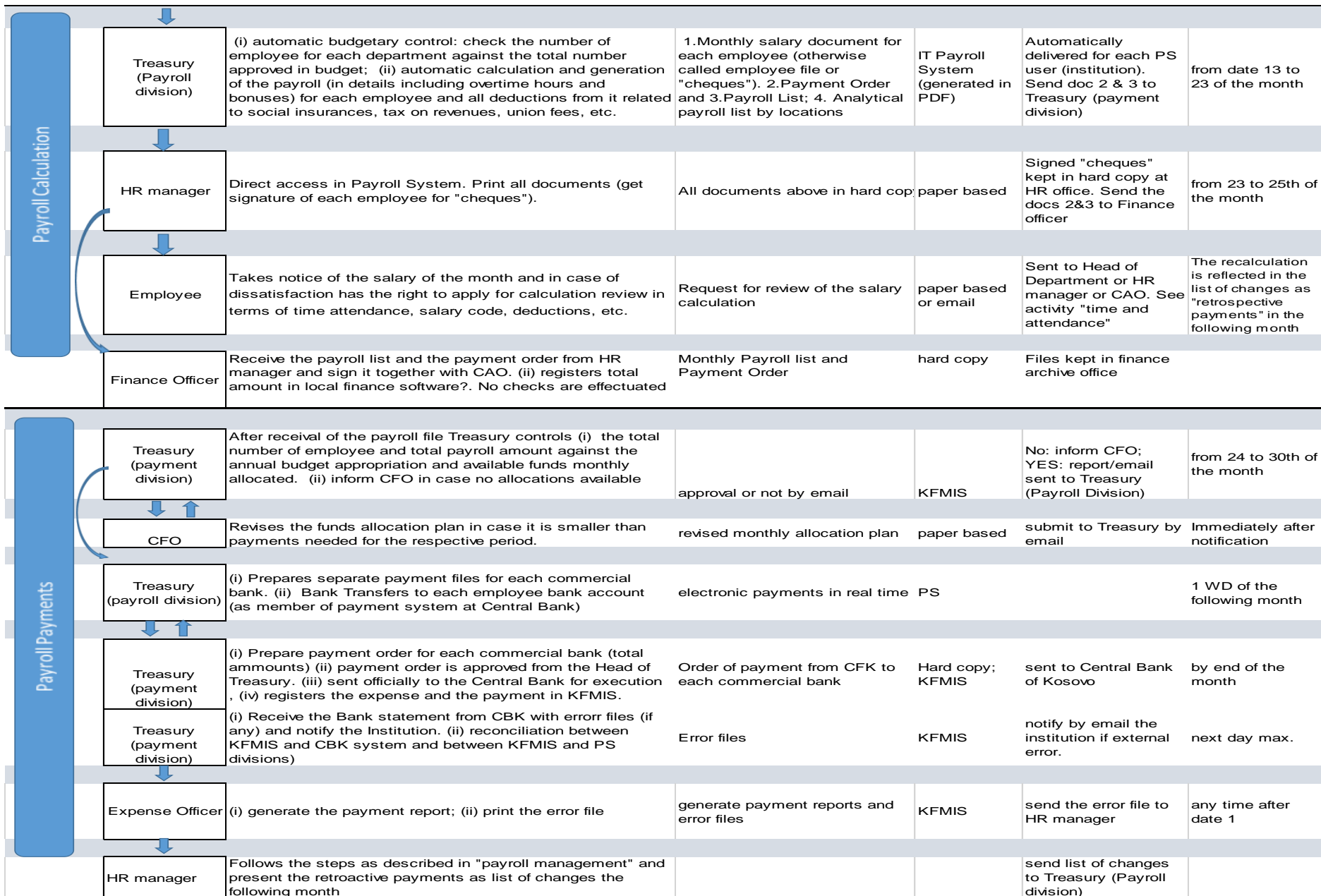
20		Corrections in the Budget document based on the inputs from hearings/ committees/ assembly.	20. Changes from hearings/committees/assembly are sent back for additional changes and later on entered in the BDMS system from the same officials.	
21		Budget approval from Municipal Assembly.	21 Budget approval from Municipal Assembly.	
22		The budget update if there were changes during approval in parliament	22. If there are changes, they get regulated in BDMS from the director of planning.	Municipal Budget
23		Notification of analysts in MF & Final Control	<p>23 Budget analysts in MF get notified to make a final check on the budget if everything is alright before it gets printed out.</p> <p>23.1 If it is fine, MF analysts confirm the examination and give orders to print out the report.</p>	

24		Submission of budget in MF	<p>24. Delivery of budget in MF (signed by the President of Parliament and approved in the Assembly).</p> <p>24.1 Accompanying note from Mayor to Minister.</p> <p>24.2 PCF 3, 4.1. 4.2. 4.3 (own source revenues). Signed by the director of budget and mayor.</p> <p>24.3 PCF 4 contains the detailed budget.</p>	Accompanying note in word. Tables from BDMS in electronic and hard copies.
25		Final control and approval of budget from MF analysts.	<p>25. The examination is made by MF (budget analysts) whether the budget is within the set limits from the second circular in five economic categories.</p> <p>25.1 If the limits are not approved, the budget is sent back by MEF.</p>	PDF (SZHMB and PIP) in word document
				

Sub Process "Payroll System"						
Note: This Section is prepared based on the interviews with the MoF officials						
Payroll Activities	Responsible Persons	Main Controls	Documents generated	Systems	Sent To	Timelines
Creating Employees	Each employee	Fill out manually and sign all the individual data (name, surname, birthday, ID number, location, nationality, civil status, address, education, profession, qualifications, starting date at MoF, social security number, position, department, salary grade, full time/part time, salary amount, other experiences, bank account, bank name.	1. Personal data of civil servant. 2. Application for Bank Transfer	Paper based	Kept Hard copy personnel files in HR office	
	HR Manager	Prepares the Appointment Act for new employee in compliance with the catalog of work positions. This process take place after the recruitment process and the candidates are selected based on MPA procedures	1. Letter for Appointment of New Employee;	1. Paper Based;	Yes: sent to CAO.	
	CAO	(i) Approves the appointment of new employee. (ii) Signs the contract with the new employee; (iii) Appoints the HR manager as his delegated person for HR and Payroll management. (iii) access in HRMIS to enquire and generate reports (not functional)	1. Letter for Appointment of New Employee; 2. Employment Contract. 3. Letter for appointment of HR manager as delegated authority	1. Paper Based;	Yes: 1. Sent to HR manager through Protocol office. 3. Notify Treasury and MPA; NO: cancelled/ rejected	
	HR Officer	(i) scans all papers and send them to MPA, which uploads them into HRMIS; (ii) creates a simple data base in word for the employee (enter name of institution, location, department, name&surname of the new employee, diploma/s obtained, birthday, position and salary rate, grade and scale).	1. Electronic document for new employee	1. HRMIS administered by MPA (Not yet functional);	Sent to MPA	


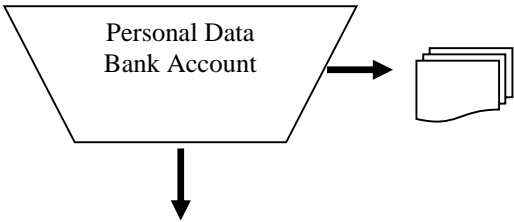
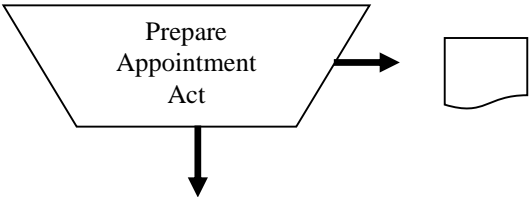
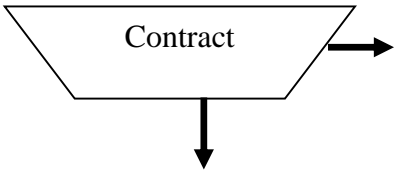
Time and attendance						
	HR officer	Enters into the Management System for Work Attendance data for each employee (name, surname, position, department, institution, office location, home address, ID number, email address, phone number)	data base for time attendance	IT system: MSWA administrated by MPA	Pending for approval	
	HR manager	(i) Second check and approves the data in MSWP. (ii) delivers magnetic cards to the employees	Generate the entrance card with a barcode for each employee	MSWA administrated by MPA		
	Minister, or CAO	Order for working overtime of employees in special/ emergency cases	Order of need for overtime work to be carried out.	email or paper based	send to Head of departments	
	HR manager	Generate monthly reports (or on demand) for daily attendance of every employee grouped in departments (Automatic control of time and attendance of employees through MSWA).	List of attendance for a given period (monthly)	MSWA administrated by MPA	sent by email to(head of departments)	by day one of the month and on demand
	Head of department	(i) Controls the time attendance for each employee, (ii) Get the justification/support document in case of absence from the employee under his supervision; (iii) any request for recalculation from previous month from the employee (iv) confirms or not the modifications of time and attendance.	List of attendance approved; medical report; justification (if any) for absence, request for review of calculations, etc	Email	sent to HR manager	within date 5, of the month
	Head of department	In case of overtime hours performed he/she (i) controls if the extra hours are referred to the Minister / CAO order (ii) if the work is carried out and performed as required (iii) prepares an official request for approval from CAO or the Minister	Request for approval of overtime hours performed. Support documents: List of attendance of employees; Order of need for work overtime.	paper based document	pending for approval	
	CAO, Minister	Approve the overtime hours if the results of the work meet their expectations	Approval document for overtime hours performed	paper based document	Yes: sent to HR manager through protocol office. NO: Rejected to HD	
	HR Officer	Prepare the payroll input data: enter institutional and budgetary code, location, department, name&surname of the employee, birthday, date of entering in institution, ID, Payment code, position and salary code, additional coefficients, monthly hours, and gross value.	Payroll Database Input Form for each employee (PDIF)- Main document	Paper based document	pending for approval	

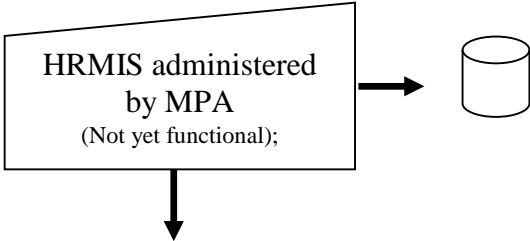
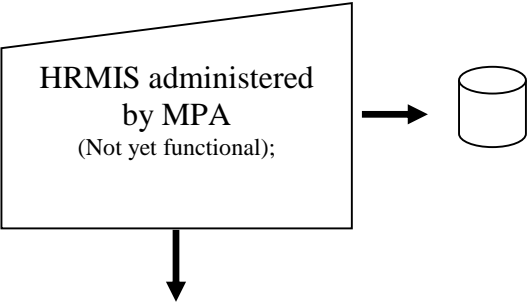
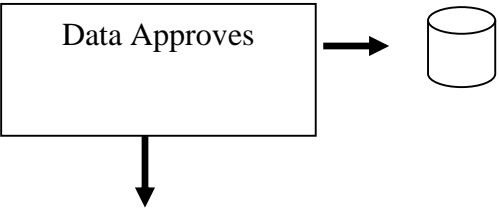
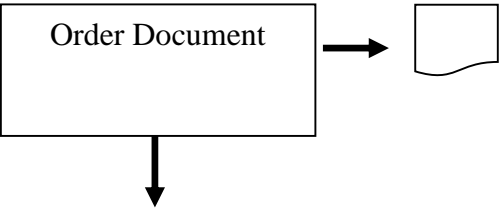
Managing Payroll	HR Officer	Prepare the payroll input data: enter institutional and budgetary code, location, department, name&surname of the employee, birthday, date of entering in institution, ID, Payment code, position and salary code, additional coefficients, monthly hours, and gross value.	Payroll Database Input Form for each employee (PDIF)- Main document	Paper based document	pending for approval	
	HR Officer	for changes during the month and retroactive payments HR officer check the documents received which authorize the changes and prepares a separate document with additional data related (i) to the item changed from the PDIF - main document; (ii) justification for the respective change (iii) date of change	1. List of changes created by HR officer; Supporting documents (order from the Minister; CAO; attendance list or letter signed from Head of Departments; medical reports, etc).	Paper based documents	pending for approval	
	HR Manager	(i) Second check of the payroll database input form and list of changes (check on the documents attached which proof the changes) (ii) Consults the CFO for fund appropriation/allocation available in case of overtime hours.(iii) approves the documents (iv) in case there is no funds available for payment of overtime hours, he/she calculates the respective amount and convert them to vacation days.	1. PDIF - for each new employee, letter of appointment, contract; 2. List of Changes during the month; 3. document for retroactive payments.	Paper based documents	HR officer submit in person to Treasury all docs together with bank references. Notify the employees for vacation days.	within date 11 of the month
	Treasury (Payroll Division)	Treasury administers the payroll system (i) Treasury officer formally controls the documents received and protocols them; (ii) enters PDIF once into the system and every month enters the list of changes to the Payroll Information System. (iii) physical check of the support documents for new employees. i.e contract employees', position of the staff (iv) automated controls if the employee is working in more than two places within public administration (only 1 primary and 1 secondary salaries are allowed), double name mentioned (v) cross check with Tax administration on the references of employees from civil register (Treasury has direct access in Tax system where attach the list of employees);(vi) calculation of working days, the correct number of the IBAN.	1. Protocol list of documents. 2.Electronic list of public employees sent to Tax System	Paper based document and IT Payroll System	One copy is kept by the HR officer of the institution	From date 11 to 18 of the month


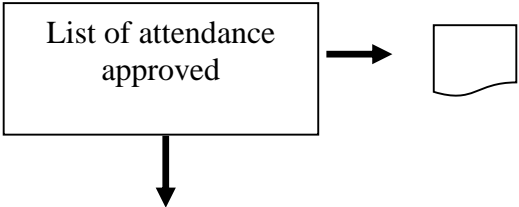
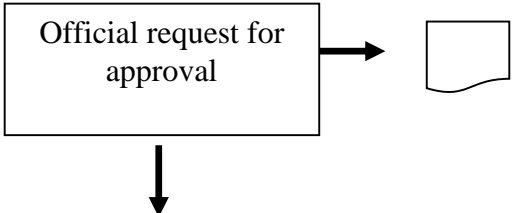
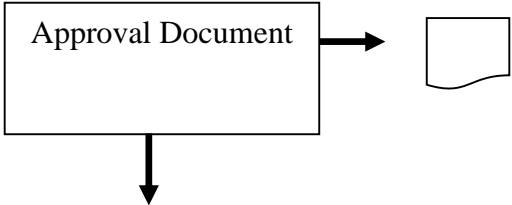


Payroll System

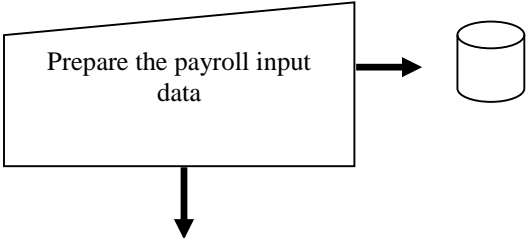
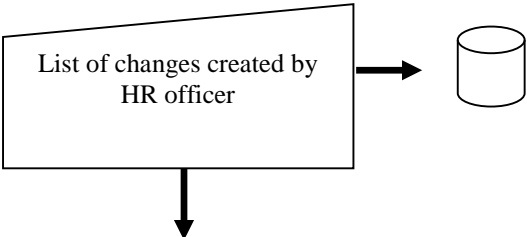
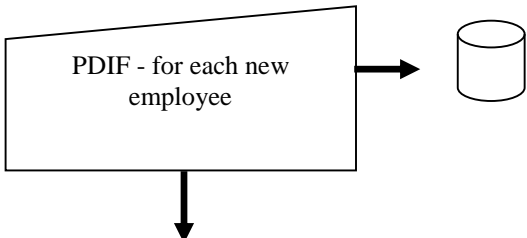
Below is the flowchart of the payroll management.

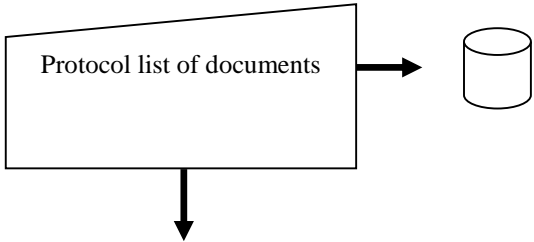
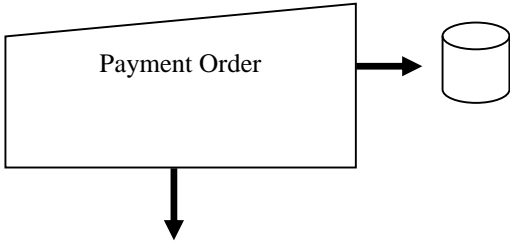
ID	Flowchart	Activity Description	Execution Responsibility	Execution Deadline	Supporting Documents
					
1. Creating Employees					
1.1		Fill out manually and sign all the individual data (name, surname, birthday, ID number, location, nationality, civil status, address, education, profession, qualifications, starting date at MoF, social security number, position, department, salary grade, full time/part time, salary amount, other experiences, bank account, bank name.	Each employee		1. Personal data of civil servant. 2. Application for Bank Transfer
1.2		Prepares the Appointment Act for new employee in compliance with the catalogue of work positions. This process take place after the recruitment process and the candidates are selected based on MPA procedures	HR Manager		1. Letter for Appointment of New Employee;
1.3		(i) Approves the appointment of new employee. (ii) Signs the contract with the new employee; (iii) Appoints the HR manager as his delegated person for HR and Payroll management. (iv) access in HRMIS to enquire and generate reports (not functional)	CAO		1. Letter for Appointment of New Employee; 2. Employment Contract. 3. Letter for appointment of HR manager as delegated authority

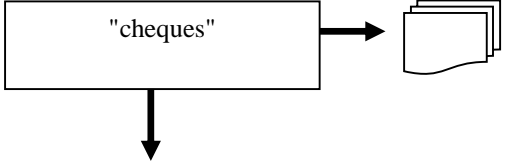
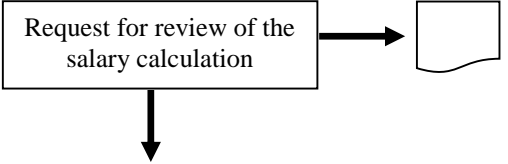
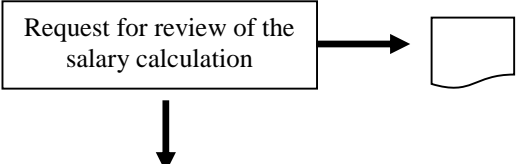
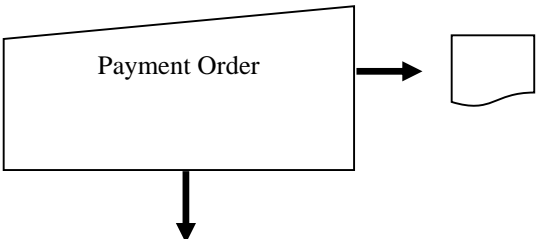
1.4		(i) scans all papers and send them to MPA, which uploads them into HRMIS; (ii) creates a simple data base in word for the employee (enter name of institution, location, department, name& surname of the new employee, diploma/s obtained, birthday, position and salary rate, grade and scale).	HR Officer		1.Electronic document for new employee
2. Time and Attendance					
2.1		Enters into the Management System for Work Attendance data for each employee (name, surname, position, department, institution, office location, home address, ID number, email address, phone number)	HR Officer		database for time attendance
2.2		(i) Second check and approves the data in MSWP. (ii) delivers magnetic cards to the employees	HR manager		Generate the entrance card with a barcode for each employee
2.3		Order for working overtime of employees in special/ emergency cases	Minister, or CAO		Order of need for overtime work to be carried out.

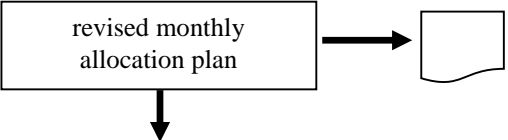
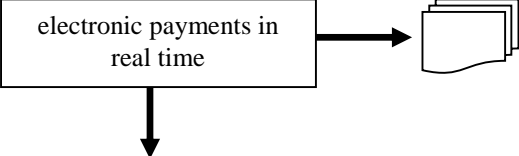
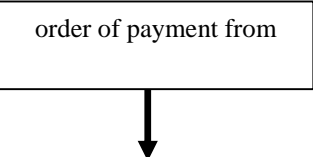
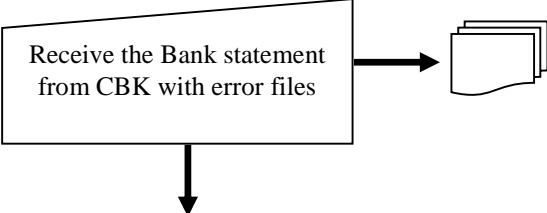
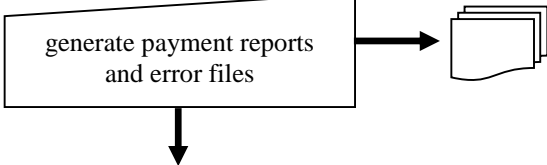

2.4		Generate monthly reports (or on demand) for daily attendance of every employee grouped in departments (Automatic control of time and attendance of employees through MSWA).	HR manager	by day one of the month and on demand	List of attendance for a given period (monthly)
2.5		<ul style="list-style-type: none"> (i) Controls the time attendance for each employee, (ii) Get the justification/ support document in case of absence from the employee under his supervision; (iii) any request for recalculation from previous month from the employee (iv) confirms or not the modifications of time and attendance. 	Head of department	within date 5, of the month	List of attendance approved; medical report; justification (if any) for absence, request for review of calculations, etc.
2.6		<p>In case of overtime hours performed he/she</p> <ul style="list-style-type: none"> (i) controls if the extra hours are referred to the Minister / CAO order (ii) if the work is carried out and performed as required (iii) prepares an official request for approval from CAO or the Minister 	Head of department		Request for approval of overtime hours performed. Support documents: List of attendance of employees; Order of need for work overtime.
2.7		Approve the overtime hours if the results of the work meet their expectations	CAO, Minister		Approval document for overtime hours performed

3. Managing Payroll

3.1		<p>Prepare the payroll input data: enter institutional and budgetary code, location, department, name surname of the employee, birthday, date of entering in institution, ID, Payment code, position and salary code, additional coefficients, monthly hours, and gross value.</p>	HR Officer	pending for approval	Payroll Database Input Form for each employee (PDIF)- Main document
3.2		<p>for changes during the month and retroactive payments HR officer check the documents received which authorize the changes and prepares a separate document with additional data related</p> <ul style="list-style-type: none"> (i) to the item changed from the PDIF - main document; (ii) justification for the respective change (iii) date of change 	HR Officer	pending for approval	1. List of changes created by HR officer; Supporting documents (order from the Minister; CAO; attendance list or letter signed from Head of Departments; medical reports, etc.).
3.3		<ul style="list-style-type: none"> (i) Second check of the payroll database input form and list of changes (check on the documents attached which proof the changes) (ii) Consults the CFO for fund appropriation/allocation available in case of overtime hours. (iii) approves the documents (iv) in case there is no funds available for payment of overtime hours, he/she calculates the respective amount and convert them to vacation days. 	HR Manager	within date 11 of the month	1. PDIF - for each new employee, letter of appointment, contract; 2. List of Changes during the month; 3. Document for retroactive payments.

3.4		<p>Treasury administers the payroll system</p> <ul style="list-style-type: none"> (i) Treasury officer formally controls the documents received and protocols them; (ii) enters PDIF once into the system and every month enters the list of changes to the Payroll Information System. (iii) physical check of the support documents for new employees. i.e contract employees', position of the staff (iv) automated controls if the employee is working in more than two places within public administration (only 1 primary and 1 secondary salaries are allowed), double name mentioned (v) cross check with Tax administration on the references of employees from civil register (Treasury has direct access in Tax system where attach the list of employees); (vi) calculation of working days, the correct number of the IBAN. 	Treasury (Payroll Division)	From date 11 to 18 of the month	<p>1. Protocol list of documents.</p> <p>2. Electronic list of public employees sent to Tax System</p>
4. Managing Calculation					
4.1		<ul style="list-style-type: none"> (i) automatic budgetary control: check the number of employee for each department against the total number approved in budget; (ii) automatic calculation and generation of the payroll (in details including overtime hours and bonuses) for each 	Treasury (Payroll division)	from date 13 to 23 of the month	<p>1. Monthly salary document for each employee (otherwise called employee file or "cheques").</p> <p>2. Payment Order and</p> <p>3. Payroll List;</p>

		employee and all deductions from it related to social insurances, tax on revenues, union fees, etc.			4. Analytical payroll list by locations
4.2		Direct access in Payroll System. Print all documents (get signature of each employee for "cheques").	HR manager	from 23 to 25th of the month	All documents above in hard copy
4.3		Takes notice of the salary of the month and in case of dissatisfaction has the right to apply for calculation review in terms of time attendance, salary code, deductions, etc.	Employee	The recalculation is reflected in the list of changes as "retrospective payments" in the following month	Request for review of the salary calculation
4.4		(i) Receive the payroll list and the payment order from HR manager and sign it together with CAO. (ii) registers total amount in local finance software?. No checks are effectuated	Finance Officer		Monthly Payroll list and Payment Order Files kept in finance archive office
5. Managing Payments					
5.1		After receive of the payroll file Treasury controls (i) the total number of employee and total payroll amount against the annual budget appropriation and available funds monthly allocated. (ii) inform CFO in case no allocations available	Treasury (payment division)	from 24 to 30th of the month	approval or not by email

5.2		Revises the funds allocation plan in case it is smaller than payments needed for the respective period.	CFO	Immediately after notification	revised monthly allocation plan
5.3		(i) Prepares separate payment files for each commercial bank. (ii) Bank Transfers to each employee bank account (as member of payment system at Central Bank)	Treasury (payment division)	1 WD of the following month	electronic payments in real time
5.4		(i) Prepare payment order for each commercial bank (total amounts) (ii) payment order is approved from the Head of Treasury. (iii) sent officially to the Central Bank for execution , (iv) registers the expense and the payment in KFMIS.	Treasury (payment division)	by end of the month	Order of payment from CFK to each commercial bank
5.5		(i) Receive the Bank statement from CBK with error files (if any) and notify the Institution. (ii) reconciliation between KFMIS and CBK system and between KFMIS and PS divisions)	Treasury (payment division)	next day max.	Error files
5.6		(i) generate the payment report; (ii) print the error file	Expense Officer	any time after date 1	generate payment reports and error files
5.7		Follows the steps as described in "payroll management" and present the retroactive payments as list of changes the following month	HR manager		
					

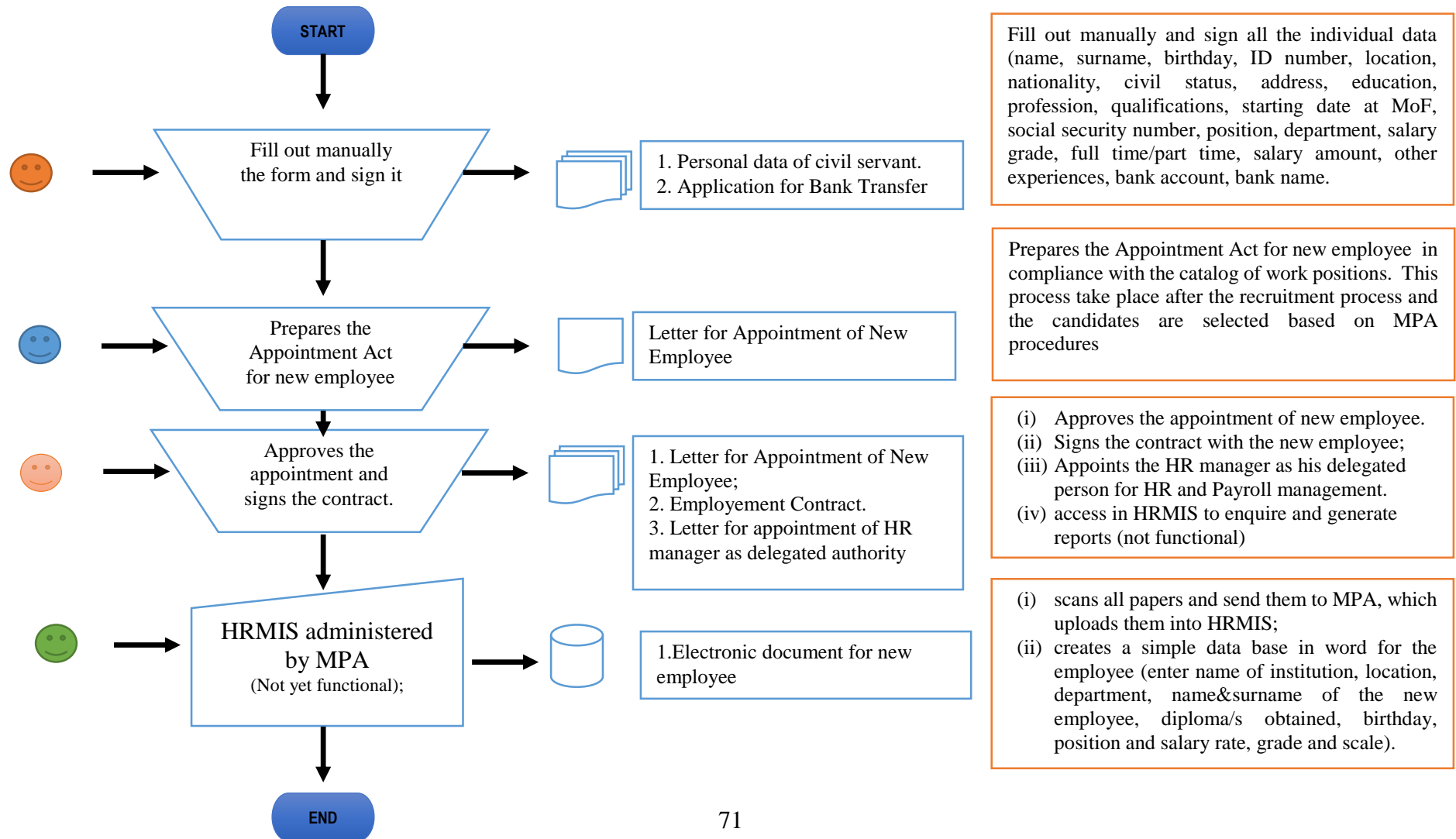
Payroll System

Below is the flowchart of the payroll management.



Process: Creating Employees

Creating employees process in a flowchart.



SECTION 3 – RISK REGISTER

Risks according to priority

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	Reference number (Category; sub process; serial risk number)	R. 1. 1
RISK IDENTIFICATION	CATEGORY	Regulatory
	SUB PROCESS 1	Request for initiation of public expenditures
	OBJECTIVE	Proposed expenditures guarantee the economic & effective use of public funds and are in accordance with the activities approved by budget and procurement plan.
	RISK OCCURRENCE	Approval of unbudgeted requests or the cost-benefit analysis, or disrespect of activities agreed before
	RISK CAUSE	<ol style="list-style-type: none"> 1. There are no written procedures for controls in case other operational equipment and expenditures are budgeted under the administrative department for the entire entity. 2. There are no written procedures as how to act with unpredicted budget requests.) 3. Controls or obligations for recording DNFD in KMFIS are missing or are not clear. 4. DNDF are required only with LPP and is not required under LPFMA or with some other FMC regulation during the process of commitment of funds.
	IMPACT / CONSEQUENCE	Low transparency in the decision-making process. High % of budget allocations between departments with or without the knowledge of budget holder.
	EXISTING CONTROL MEASURES	<ol style="list-style-type: none"> 1. CAO should give a note on the reasons to reject the application request. 2. Internal protocol for requests, even if returned back from CFO. 3. Use of DNDF only for procurement expenditures, but not as a supporting document for commitment of funds by finances.
RISK ANALYSIS	Possibility (1-5)	4
	Cause (1-5)	4
	Result	16
	Risk priority	HIGH
ASSESSMENT	Adequacy of the existing measures	Insufficient
	ACTION	Treatment and mitigation
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	Short-term: <ol style="list-style-type: none"> 1. Sub-legal acts should be reviewed and completed with control activities and accountability chain for approval of new requests and for general services. 2. DNDF (adjusted) to be used in all types of expenditures. 3. Head of institution should monitor every year through the Internal Audit the compliance of the decision-making process.
	FORM OF MEASURES	Sub-legal act for risk management and for standard process of management of procedures.
	RESOURCES REQUIRED	Integrity and engagement of employees and management. Support from PIFC Project for written procedures.

	RISK OWNER	<ol style="list-style-type: none"> 1. Minister of Finance (support from CHU). 2. CAO for respecting procedures. 3. Head of Head of Institution for Monitoring (through Internal Audit).
	COMPLETION DATE	April 2016 for Instructions. CAO during fiscal year. Head – annual monitoring.
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Ministry of Finance (CHU and Administration Department)
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

	Reference number	M&Rr.1.2
RISK IDENTIFICATION	CATEGORY	Management; Regulatory
	SUB PROCESS 1	Initiation of public expenditures
	OBJECTIVE	Proposed expenditures guarantee the economic & effective use of public funds and are in accordance with the activities approved by budget and procurement plan.
	RISK OCCURRENCE	High percentage of unbudgeted requests by the Budget Holder.
	RISK CAUSE	<ol style="list-style-type: none"> 1. Low level of managerial responsibility (accountability) during the budget analysis and during budget execution. 2. Lack of professionalism of personnel for conducting cost-benefit analysis. 3. Budget holder not informed by CAO on the activities approved and relevant budget. 4. Extraordinary circumstances
	IMPACT / CONSEQUENCE	<ol style="list-style-type: none"> 1. Rejection of new requests (even when they are justified or required during the budget process) 2. Increase of pressure on the budget approved and potential review of priorities.
	EXISTING CONTROL MEASURES	Centralisation of responsibilities with CAO.
RISK ANALYSIS	Possibility (1-5)	4
	Cause (1-5)	4
	Result	16
	Risk priority	HIGH
ASSESSMENT	Adequacy of the existing measures	<i>Inadequate</i>
	ACTION	Treatment and monitoring

MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<ol style="list-style-type: none"> 1. Complete sublegal procedures with relevant administrative measures (to introduce with PIFC Law). The legal liability of CAO should be introduced to inform all budget holders relating to the activities approved and monitoring activities. 2. Better coordination of works by CAO during the budgeting process. Budget process should be based on risk affecting objectives. 3. Head of entity should take administrative measures (documented) in cases of new requests repeated, unjustified (why not dine during budgeting) until removing the delegation of responsibility for implementation of budget by the head of department/agency. 4. Analysis of needs and Training by KIPA for the personnel.
	FORM OF MEASURES	<i>Law on PIFC, Budget Instruction (revised), risk management instruction. Notification by BH on the activities approved. Risk register (list of priorities) analysis of needs and requests with KIPA for training</i>
	RESOURCES REQUIRED	Support from PIFC project in writing procedures. Additional funds for the improvement of capacities.
	RISK OWNER	<i>1. Minister of Finance (CHU, Budget Department), 2, 3 and 4. CAO for implementation Head for monitoring.</i>
	COMPLETION DATE	Draft law on PIFC , March 2016. April 2016 on drafts of sub legal acts, Analyses of needs, July 2016. Risk register, July 2016. Training September 2016?
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Support to KIPA, Government, Parliament Within MoF – Budget department Impact: all BOs
	RISK STATUS AFTER THE MEASURES TAKEN	M: 2; P:4 Medium

	Reference number	SO.1.3
RISK IDENTIFICATION	CATEGORY	<i>Operational systems</i>
	SUB PROCESS 1	Initiation of expenditures
	OBJECTIVE	Proposed expenditures guarantee the economic & effective use of public funds and are in accordance with the activities approved by budget and procurement plan.
	RISK OCCURRENCE	High percentage of unbudgeted requests by the Budget Holder.
	RISK CAUSE	Lack of information systems, or database on the activities planned, requested, completed, uncompleted. Manual controls during the budget implementation. Lack of information on the requests received in budget.
	IMPACT / CONSEQUENCE	No managerial control over results.
	EXISTING CONTROL MEASURES	There may be forms in excel

RISK ANALYSIS	Possibility (1-5)	4
	Cause (1-5)	4
	Result	16
	Risk priority	HIGH
ASSESSMENT	Adequacy of the existing measures	Inexistent
	ACTION	Treatment and mitigation
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p><i>Medium term:</i></p> <ul style="list-style-type: none"> - Expanding BDMS and PIP for budgeting on the basis of activities, results/ products. <p><i>Short-term:</i></p> <ul style="list-style-type: none"> - development of a simple software for recording activities planned and sources needed concerning the cost centres (departments/divisions/ offices); for recording requests, for initiation of expenditures, activities achieved, sources remained step by step, and monitoring results during budget implementation.
	FORM OF MEASURES	Terms of References for Information programme; Strategy for expanding BDMS and PIP and a project plan (under the Strategy of Public Finances).
	RESOURCES REQUIRED	Additional funds for 2017 for short-term solution. Application for projects and receiving funds from donors for long-term solution.
	RISK OWNER	Budget department
	COMPLETION DATE	Terms of References 2016; Purchase of new software 2017; Technical training 2017. BDMS and PIP ne 2022
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Administrative department. CFO of pilot institutions.
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

RISK IDENTIFICATION	Reference number	R&P.1.4
	CATEGORY	Regulatory and compliance
	SUB PROCESS 2	Commitment and obligation of funds
	OBJECTIVE	Commitment should be done before legal obligation (Contract)
	RISK OCCURRENCE	Commitment is done at the same time (or with very little difference) with obligation and invoice.

	RISK CAUSE	<ol style="list-style-type: none"> 1. <i>Intervention / discrepancy between legal acts and interpretation of sublegal acts caused differences between stages II and III of the expenditure process (LPP, LPFMA, Treasury Rule 2013, KFMIS Manual).</i> 2. <i>Duplication of documents required by laws and regulations (three documents relating to commitments). DNDF required under LPP is not taken into consideration by FMC rules and not recorded in KFMIS.</i> 3. <i>Recording of commitment on the date of signature of contract.</i> 4. <i>Treasury Rules 2013 are not implemented properly causing bureaucracy at the end of the year). Treasury takes no penalty measures.</i>
	IMPACT / CONSEQUENCE	<p>Failure in the achievement of objectives. Creating late payments.</p>
	EXISTING CONTROL MEASURES	<ol style="list-style-type: none"> 1. Law on Public Procurement requires commitment of funds before initiating procurement. 2. DNDF document signed by the Budget holder, CFO and CAO. 3. Prohibition of commitments after 31 October.
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	5
	Result	25
	Risk priority	EXSTREME
ASSESSMENT	Adequacy of the existing measures	<i>Insufficient</i>
	ACTION	Avoidance
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Short term Review of Treasury rule 2013 and FMC rules:</p> <ol style="list-style-type: none"> 1. The current document "Request for purchase" should be substituted by DNDF document. Include the obligation that the act of commitment of funds to be produced by KFMIS on the same date with the protocol date of DNDF (signature of CAO or the person delegated for small values) and should be an integral part of DNDF-section II). Dates and values of two documents should be the same (or with difference of 1 work day) and subject to control by CFO and Treasury monitoring and Internal Audit. Procurement manager signs DNDF and submits it to CPA only after generating the KFMIS commitment document (placing it as its annex). Part III is not needed (funds are committed and will be allocated only upon Treasury's approval). 2. Treasury should propose administrative measures or should report to OAG and Head of Institution, for CAO and CFO, not observing the legal requirements. <p>Review of Annual Budget law, article 4.1 « ...authorised up to the level of approved budget ».</p>
	FORM OF MEASURES	<p>Treasury rules 2013 reviewed. Sublegal FMC act. DNDF adapted to all expenditures. Annual budget law reviewed.</p>

	RESOURCES REQUIRED	Support from PIFC project for drafting sublegal acts. Awareness-raising seminars with CAO and CFO and IA
	RISK OWNER	Treasury and CHU
	COMPLETION DATE	April 2016.
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Support by: Treasury impact: to all organisations
	RISK STATUS AFTER THE MEASURES TAKEN	No risk if completed SO.2.3

	Reference number	S.1.5
RISK IDENTIFICATION	CATEGORY	<i>Strategic</i>
	SUB PROCESS 2	Commitment and obligation of funds
	OBJECTIVE	Commitment should be done prior to legal obligation (Contract)
	RISK OCCURRENCE	Multiyear commitments are not recorded and controlled
	RISK CAUSE	<ol style="list-style-type: none"> 1. <i>Polices on the carrying forward of budget allocations for multiyear projects are missing.</i> 2. <i>Legal requirements for the multiyear control of commitments are missing.</i>
	IMPACT / CONSEQUENCE	Creating late payments
	EXISTING CONTROL MEASURES	Late invoices/payments are reported to Treasury monthly (are not recorded in KFMIS)
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	5
	Result	25
	Risk priority	EXTREME
ASSESSMENT	Adequacy of the existing measures	<i>Insufficient</i>
	ACTION	Treatment and mitigation
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Long-term: Multiyear framework should be part of MTEF and approved by the Parliament (therefore, funds should to the end of the contract) – Legal requests should be included in LPFMA.</p> <p>Short/medium term: <ol style="list-style-type: none"> 1. Control by Budget and Treasury in funds allocation related to multi-year contracts prior to any other allocation. 2. See SO.2.3. </p>

	FORM OF MEASURES	Treasury regulation for funds allocation, reviewed. Strategic planning / OFM Strategy for including multi-year commitments in MTEF. Project plan for supporting Strategy. Special order by the Minister of Finances for the control of budget allocations in the beginning of the year.
	RESOURCES REQUIRED	Cooperation of all main parties (Budget, Treasury, Macro within MoF, Government, Politicians, etc.). Support from WB and IMF and other donors are required for Strategy implementation.
	RISK OWNER	Minister of Finance
	COMPLETION DATE	Administrative Order within 2016. Strategic plan (deadline for PMF Strategy?)
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Procurement Agency, Government, Parliament
	RISK STATUS AFTER THE MEASURES TAKEN	Medium in medium-term period.

	Reference number	SO.1.6
RISK IDENTIFICATION	CATEGORY	Operational system
	SUB PROCESS 2	Commitment and legal obligation of Funds
	OBJECTIVE	Commitment should be done before legal obligation (contract)
	RISK OCCURRENCE	Commitments are recorded the same time with legal obligations and invoice
	RISK CAUSE	<ol style="list-style-type: none"> Control in KFMIS or the monitoring indicator for commitments and obligations is missing. Control of commitments and obligations in KFMIS is executed against allocations rather than executed against annual budget allocations. Controls or monitoring indicators in KFMIS for multiyear commitments are missing. Lack of managerial controls and/or indicators, monitoring in DMS and PIP relating to the funds budgeted f multi-year contracts.
	IMPACT / CONSEQUENCE	Failure to achieve objective. Late payments incurred.
	EXISTING CONTROL MEASURES	None
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	5
	Result	25
	Risk priority	EXTREME

ASSESSMENT	Adequacy of the existing measures	Inexistent
	ACTION	Treatment to avoid
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Short/medium term</p> <ol style="list-style-type: none"> 1. Link if possible between KFMIS and Electronic procurement or KFMIS should generate reports on the number of days between DNDF and Commitment act in system. 2. Re-configuration of control for commitment and obligation in KFMIS (and for municipality invoices) against annual budget allocations based on amendment of annual budget law, article 4.1 (shih R7P 2.3). 3. While for multi-year commitments, KFMIS should provide possibilities for recording multi-year commitments and generate historic information concerning multi-year commitments for Budget, Budget Organisation, OAG. 4. Review of rights for access to KFMIS and introducing vertical levels of approval <p>Long-term</p> <ol style="list-style-type: none"> 1. BDMS and PIP development to cope with the new MTEF requirements, control budget allocations based on multi-year commitments (contracts in processes) and allocate funds in the beginning of every fiscal year. 2. In parallel with PIP and BDMS should be carried out configurations in KFMIS on the multi-year contacts control.
	FORM OF MEASURES	KFMIS controls updated/re configured. Technical manual on the rights of reviewed access. Strategic plan for BDMS and PIP developments.
	RESOURCES REQUIRED	Additional funding for further development of IT systems. Potential reallocation of funds within 2016 for reconfigurations in Treasury.
	RISK OWNER	MoF (Treasury and Budget)
	COMPLETION DATE	2017
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	All budget organisations are affected by the Ministry of Finances decision.
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

RISK IDENTIFICATION	Reference number	M.2.1
	CATEGORY	<i>Management</i>
	SUB PROCESS 2	Commitment and legal obligation of funds
	OBJECTIVE	Commitments should be done within the budget available, in time and in compliance with the Budget holder needs
	RISK OCCURRENCE	Commitments/obligations without funds available/ not in the due time or without taking into consideration technical request of the beneficiary

	RISK CAUSE	<ol style="list-style-type: none"> 1. Mismanagement of expenditures at the end of the year (lack of coordination between the main stakeholders within the organisation). 2. Lack of coordination between central and local government (especially in the projects of central government with municipalities as beneficiaries to administer the assets created).
	IMPACT / CONSEQUENCE	Creating late payment stocks
	EXISTING CONTROL MEASURES	Monthly late payment report is required by Treasury
RISK ANALYSIS	Possibility (1-5)	4
	Cause (1-5)	5
	Result	20
	Risk priority	EXSTREME
ASSESSMENT	Adequacy of the existing measures	<i>Insufficient</i>
	ACTION	Treatment and monitoring
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Better management and ongoing monitoring of public resources and finding an alternative solution less costly (discussion and defining of the risk appetite and its monitoring in accordance with circumstances). The cash flow plan will be reviewed more frequently and commitments will be done monthly.</p> <ol style="list-style-type: none"> 1. Head of PSE should appoint CAO as risk manager/owner <ol style="list-style-type: none"> (i) for identification of areas where savings can be done or improvement of the administration of own source revenues in order to include all payments of utilities in due time; (ii) secure effective management and (iii) regularly report to the Head of monitoring process of expenditures and coordination between procurement manager, contract manager, budget holder, CFO and Treasury for better management of resources. 2. <i>The obligation for Line Ministries for presentation of the agreement with municipalities in case of projects with joint interests should be included in the budget circular from MoF. An agreement, not only based on the principle of cost with total co financing, but with technical terms of project implementation and maintenance costs for a ten-year term. Feasibility study or terms of references should be prepared together with project beneficiary, who should take over the incurred asset management.</i> 3. Head of PSE periodically reports to MOF/Treasury on the status of expenditures, related issues with coordination between institutions, measures undertaken, and action plans for further mitigation, the request for specific support (not only financial) from MOF. 4. <i>MoF (Budget department) may act as a facilitator and secure coordination between the Line Ministries and Municipalities, if needed for projects.</i> 5. Forecasts and request for additional funds should be done on time from Municipality to Ministry of Finances in the areas allowed by the law (within September of every year).

	FORM OF MEASURES	MoF Administrative Order, periodical reports for MoF.
	RESOURCES REQUIRED	Coordination of all main stakeholders (MoF, Ministry of Local Government Administration Ministry of Education, Ministry of Health).
	RISK OWNER	Budget organisations. MoF (Budget) for monitoring.
	COMPLETION DATE	Throughout the year.
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Line Ministries, Ministry of Local Government Administration.
	RISK STATUS AFTER THE MEASURES TAKEN	Medium if not monitored properly by Heads of Organisations.

	Reference number	R.2.2
RISK IDENTIFICATION	CATEGORY	<i>Regulatory</i>
	SUB PROCESS 2	Commitment and legal obligation of funds
	OBJECTIVE	<i>Taking over of legal obligations immediately after signing the contract and in accordance with regulatory framework</i>
	RISK OCCURRENCE	Inadequate segregation of duties and lack of monitoring CFO is responsible for cash flow forecasting but is not consulted by responsible persons or to grant previous approval for the payment plan of contracts entered into closely also with generating financial documents on all stages of public expenditures.
	RISK CAUSE	Failure to align sub legal acts with legal acts: (i) According to LPFMA and Treasury Rule 01/2010 and 02/2013 article 15, the person responsible for the legal obligation is CFO. According to Treasury procedure on the rules on access to KFMIS 2009 is the procurement manager. (ii) There are no written rules related to drafting the payment plan of contracts and CFO role in this document.
	IMPACT / CONSEQUENCE	<i>Mitigation of the level of responsibility until stripping off from responsibility for CFO and concentration of responsibilities on one single officer (procurement, contracting (including the payment plan), taking over accounting of the legal obligation).</i>
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	4
	Result	20
	Risk priority	EXTREME
ASSESSMENT	EXISTING CONTROL MEASURES	<i>None</i>
	Adequacy of the existing measures	<i>Inexistent</i>

	ACTION	<i>Treatment to mitigate</i>
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<ol style="list-style-type: none"> 1. Reviewing the supplementing of Treasury rule, review of the rights of access and level of approval in KFMIS. 2. Review of the document form of the Purchase Order, signature of the contactor is not needed. 3. See the possibility of controls in KFMIS between the values committed and obliged thus cancelling/ releasing budgetary funds on the difference, upon the presentation of the physical copy of contract. In case of the failure of the procurement process and release of funds is required for the total amount of commitment, confirmation of CPA (PPRC) should be requested from the Treasury for the failure of procurement. 3. Monitoring indicator in Treasury: KFMIS generates reports for the number of days between the registration of legal obligation and contract date (not more than 7 calendar days). The Treasury should propose administrative measures or report to OAG and the Head of Public Entity for CAO and CFO, who respect this obligation. One of the measures than can be taken by the Treasury, in case of the repetition of distribution is the failure to accept the change of cash flow plan.
	FORM OF MEASURES	<i>Treasury Regulation 2013 supplemented. Regulation on allocation of funds supplemented. KFMIS procedure reviewed. Treasury monitoring reports.</i>
	RESOURCES REQUIRED	<i>KFMIS financial costs related to configurations if needed for monitoring.</i>
	RISK OWNER	<i>Minister of Finance (Treasury and CHU for support)</i>
	COMPLETION DATE	<i>2016</i>
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	<i>Impact for all Budget Organisations</i>
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

	Reference number	M&R.2.3
RISK IDENTIFICATION	CATEGORY	Management and regulatory
	SUB PROCESS 2	Commitment and legal obligation of funds
	OBJECTIVE	Increase of level of accountability of management during the process of public expenditures management in compliance with legal acts.
	RISK OCCURRENCE	Lack of delegation of responsibilities or total decentralisation of responsibilities
	RISK CAUSE	<ol style="list-style-type: none"> 1. Interference of legal or sublegal acts in the implementation of responsibilities (e.g. Law on Procurement brings centralisation of responsibilities by directly assigning the procurement manager for signing contracts in considerable amounts (one responsible person for the entire process, for contact signature and taking over the legal

		<p>accounting obligation); third level acts, such as KFMIS manual brought total decentralisation of responsibilities of CFO).</p> <p>2. Budget holder has no right even for the final approval of the expenditure request budgeted earlier; CAO approved every transaction</p> <p>3. Interference of management to the subordinate officers during the conduct of their duties according to law;</p> <p>4. Failure to define rights that could be delegated or not to FMC sublegal acts.</p>
	IMPACT / CONSEQUENCE	<p>1. Centralization of authority on one hand, focusing on unimportant details by the senior management and decrease of vigilance to their main work objective,</p> <p>2. Decrease of level of accountability by programme managers for total stripping off from the responsibility and situation going out of control (CFO or CAO case for contracts under 500,000 Euro).</p>
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	4
	Result	20
	Risk priority	EXSTREME
ASSESSMENT	EXISTING CONTROL MEASURES	CAO appoints the assessment commission of bids and commission for taking over. CPA and Ministry of Finances signs for central procurements.
	Adequacy of the existing measures	Strong, excessive in the case of obligation of Ministry of Finance for signing centralised contracts. Ineffective for the cases.
	ACTION	Treatment
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>1. To propose amending of law on public procurement forcing Minister of Finance to sing contracts. The minister is responsible to establish internal control systems and ensure that they function. This cannot be done by being a direct participant to the management.</p> <p>2. Determining responsibilities by sub legal acts that can be delegated by CAO and CFO: E.g., no delegation for decision making during budgeting, but the budgeting process should be based on risk analysis threatening objectives and negotiations with programme managers.</p> <p>During implementation:</p> <p>(i) Decision making delegation of CAO to budget holders during the initiation process of prior budgeted expenditures.</p> <p>(ii) Increase level of responsibility during the contracting process. CAO should sign legal obligations with procurement. To propose amending of Procurement Law for this.</p> <p>(iii) Contract manager is assigned by CAO and should be the budget holder/area manager. Verification and registration of expenditures: CAO? Or CFO? E.g., CAO may control areas of importance / high risk. (high financial costs in case of non-timely payment). There is no delegation for CFO here. See risk SO.2.5 « 4. Review of access rights to KFMIS and introduce vertical levels of approval »</p> <p>3. Monitoring of Head of Entity on how is implemented the accountability line and delegation of responsibilities (though internal auditor).</p>

	FORM OF MEASURES	Supplemented FMC rules. Official proposal for review of law on public procurement. Internal audit report.
	RESOURCES REQUIRED	A working group may be created with representatives from Budget, Treasury, CHU, Public Procurement Agency invited by OAG.
	RISK OWNER	Minister of Finance
	COMPLETION DATE	2016
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Liaison with OAG and Ministry of Public Administration; Impact for all budget organisations
	RISK STATUS AFTER THE MEASURES TAKEN	MEDIUM (LOW if constantly monitored)

	Reference number	R&M.2.4
RISK IDENTIFICATION	CATEGORY	<i>Regulatory and Management</i>
	SUB PROCESS 3	Verification and registration of expenditures incurred
	OBJECTIVE	<i>Management and verification of services, goods and equipment in compliance with laws and regulations.</i>
	RISK OCCURRENCE	Discrepancy of the services carried out or goods/services received by the nature of contract, Terms of References and deadlines
	RISK CAUSE	<i>Internal written procedure is missing related to the criteria for appointing a contract manager by CAO, the way how responsibilities should be met by the contract manager and the obligation for consultation with CFO for management of deadlines for completion of services and payment.</i>
	IMPACT / CONSEQUENCE	<i>Failing to appoint the right person and in compliance with technical requirements of the product required or the objective to be met, uncertainties in job completion, and failing to identify responsible persons in case of a non-completion of a contract.</i>
RISK ANALYSIS	Possibility (1-5)	4
	Cause (1-5)	4
	Result	16
	Risk priority	HIGH
ASSESSMENT	EXISTING CONTROL MEASURES	<i>Order by CAO for Contract Manager by which he is entrusted with all potential responsibilities. As a rule, Logistics officer or manager is appointed with professional qualification according to the product requirements. Receipt of invoice by contract manager in MoF only with central protocol.</i>
	Adequacy of the existing measures	<i>Careful but incomplete</i>
	ACTION	<i>Mitigation and monitoring</i>
MANAGEMENT /	ADDITIONAL MEASURES FOR TREATMENT	Should be included in the standard process of process description and FMC regulation and internal detailed regulation should be required in each organisation. See also SO.3.10 "Process of receipt of invoice according to MoF should be included in the standard regulation for all institutions".

		Head of organisation should monitor the implementation of regulations (through internal audit)
	FORM OF MEASURES	FMC procedure in the sub-legal act, Standard procedure of public expenditure management
	RESOURCES REQUIRED	Cooperation among departments
	RISK OWNER	Minister of Finance for legal framework. CAO for implementation. Head of Entity for monitoring.
	COMPLETION DATE	2016
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	CHU, Administration Department, CFO.
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

	Reference number	M&SO. 2.5
RISK IDENTIFICATION	CATEGORY	Management and operating systems
	SUB PROCESS 3	Verification and registration of expenditures incurred
	OBJECTIVE	Timely verification and acceptance of the services occurred and payment of invoices within 30 days from the day of receipt.
	RISK OCCURRENCE	Delay of the process of acceptance of services/goods and non-timely payment of invoices.
	RISK CAUSE	<ol style="list-style-type: none"> 1. It is not clear in the acts whether 30 days are counted from the day of the receipt of the invoice or goods. 2. Abusing the duty or inability of the officers for acceptance of goods. 3. Poor quality of services/goods by the supplier. 4. Lack of financial resources.
	IMPACT / CONSEQUENCE	Failure to meet the objective and additional financial cost for delays or not payments.
RISK ANALYSIS	Possibility (1-5)	3
	Cause (1-5)	4
	Result	12
	Risk priority	HIGH
ASSESSMENT	EXISTING CONTROL MEASURES	<p>As a rule, invoice is issued after the parties agree about the quality of service/goods.</p> <p>CAO is entitled to conduct ad hoc controls for the process of acceptance of goods.</p> <p>Treasury is entitled to pay the supplier within 60 day, upon his appearance and the physical control of documents.</p>
	Adequacy of the existing measures	Strong.
	ACTION	Avoiding internal risk. Mitigation and transfer of external risk.

MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<ol style="list-style-type: none"> 1. Identify unclear legal requirements related to the day of receipt or the date of invoice and clarify them. The process of receipt of invoice according to MoF should be included in the standard process description for all institutions. In addition the situation of works should be protocolled on the date presented to organisation by the supplier. 2. Budget organisation should make accurate evidence and the process trail of taking over for goods/services with poor quality or not matching to the nature of contract, in order to issue clear responsibilities In case of control by Treasury or judicial process. 3. Treasury Regulation for Asset Management should be amended related to the expulsion of the warehouse officer from the group of acceptance of goods/services. The warehouse officer should record the physical entrance of goods on an entrance document and with a chronological number, based on the dispatch note of the goods by the supplier, irrespective of it being accepted by the commission or not. It is ok to ask that invoice is not revived before the acceptance of goods/services. 4. To include in KFMIS date and number of entrance and or no. of protocol of the works as a control area (in the acceptance document of goods or services). 5. The periodical monitoring indicator for Treasury is introduced (report from KFMIS) <ol style="list-style-type: none"> (i) no. of days between the date of protocol and date of payment order; (ii) between the data of invoice protocol and date of payment order; (iii) number of days between the entrance sheet of goods or the date of situation and date of expenditure registration. Treasury should inform the Head of Entity (HPSE) and propose administrative measures to HSE and Minister of Finance in case of repetition of violations. 6. For financial resources see measures S.1.5 and SO.1.3
	FORM OF MEASURES	Legal and sublegal acts specified. Periodical monitoring reports.
	RESOURCES REQUIRED	Cooperation among institutions, financial resources for KFMIS
	RISK OWNER	Minister of Finance (Treasury), CAO for implementation and Head of all budget organisations to ensure the risk elimination.
	COMPLETION DATE	2017
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Treasury is the main one.
	RISK STATUS AFTER THE MEASURES TAKEN	<p>LOW if the Treasury monitors.</p> <p>Risk does not occur if the Head takes administrative measures according to responsibilities.</p>

RISK IDENTIFICATION	Reference number	R.3.1
	CATEGORY	<i>Regulatory</i>
	SUB PROCESS 3	Verification and registration of expenditures incurred
	OBJECTIVE	<i>Verification of public expenditures incurred in compliance with law and regulations.</i>

	RISK OCCURRENCE	Duplication of functions/parallel functions
	RISK CAUSE	<ol style="list-style-type: none"> 1. CFO and certification officer responsible according to LPFMA for the same function/task. 2. Ineffective control by the certification officer in third stage (verification of service) after all procedures are finished (contract signed, service received) and financial cost remain on the charge of institution.
	IMPACT / CONSEQUENCE	Decrease of level of accountability of CFO who is the main responsible pardons for controlling compliance from the first commitment stage (segregation of responsibilities on parallel levels). ZKF
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	3
	Result	15
	Risk priority	HIGH
ASSESSMENT	EXISTING CONTROL MEASURES	<i>In case of discrepancy of documents, the files are sent back by CO for supplementing and is reported to CAO for irregularities.</i>
	Adequacy of the existing measures	<i>Doubled. This should be done by CFO.</i>
	ACTION	<i>Avoiding in long-terms</i>
MANAGEMENT / MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Strengthening of the key role of CFO for organisation finances and his/her direct subordination to CAO according to the PIFC law.</p> <p>For discussion: the review of function of certification officer such as</p> <ol style="list-style-type: none"> (i) the delegated officer of CAO should report to CAO on high risk areas, where special attention is required, compliance controls prior to signing the contract, etc., or (ii) as a financial controller at the CFO before recognising the legal or financial obligation, or as (iii) ex-post controller under the subordination of Treasury, being that the physical control of documents in the Treasury is missing, etc. <p>This brings different nature of controls. Detailed description of duties with sublegal acts.</p>
	FORM OF MEASURES	PIFC law, LPFM Law or other sublegal acts reviewed.
	RESOURCES REQUIRED	<i>There may savings of financial resources.</i>
	RISK OWNER	<i>Ministry of Finance</i>
	COMPLETION DATE	<i>2016 with a transitional period for PIFC law; 2017 Law on PFMA</i>
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	<i>Ministry of Public Administration, Government, Parliament</i>
	RISK STATUS AFTER THE MEASURES TAKEN	<i>LOW in short term (NO RISK at long term level)</i>

	Reference number	SO & R. 3.2
RISK IDENTIFICATION	CATEGORY	Operational and regulatory systems
	SUB PROCESS 3	Verification and registration of the expenditures incurred
	OBJECTIVE	Complete, reliable and accurate financial data in the financial accounting.
	RISK OCCURRENCE	Existence of parallel systems not integrated in IT.
	RISK CAUSE	<ol style="list-style-type: none"> 1. Systems provide different accounting solutions and produce financial reports separate from each other or duplicated. KFMIS for assets only over 1000 Euro. E-assets for the entire inventory and long term assets. Local software as well. 2. E-assets and KFMIS system are not flexible. They provide no possibility to record transfers of assets within the institution; disposal of equipment – all these transactions are carried out only by Treasury with the official request (physical copy); E-assets do not calculate depreciation; sometimes both are duplicated. 3. The Asset Officer works in three parallel systems for every transaction. Local system is used to base two other IT systems IT!!
	IMPACT / CONSEQUENCE	Financial information missing or partial. Unreliable information regarding the security of operational maintenance expenditures, etc., is not registered as capital or long-term assets. There is no information on how much of capital expenses are transformed into assets during the Fiscal Year, etc.
RISK ANALYSIS	Possibility (1-5)	5
	Cause (1-5)	3
	Result	15
	Risk priority	HIGH
EVALUATION	EXISTING CONTROL MEASURES	Treasury requests missing information once a year from budget organisation
	Adequacy of the existing measures	In-effective, Un-sufficient
	ACTION	Treating mitigation
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<p>Medium-term</p> <p>To identify all differences between systems related to financial data that are registered in the reports and are produced by each of them.</p> <p>Establishing communication (interface) between KIMFS and E-Assets where data automatically are transferred without asking institutions to do so, and without developing further asset module in KIMFS (avoiding duplication of data).</p> <p>Treasury identifies reports produced by local accounting programmes that are required by institutions today in order that those reports are produced by KIMFS or E-Assets and to avoid as much as it is possible usage of local system (apart of inventory). For example: reports with historical data over an 1 year, current assets card based on the users, initial value of following expenditure, amortisation calculated automatically, turnover inside-outside, etc. For this there could be testing taking place in the KIMFS clone with around 4 local and central institutions.</p> <p>Asset officer to register data of current long-terms in only one system (E-Assets) and not in three different systems.</p>

	FORM OF MEASURES	Strategic plan to review systems. (Configuring KIMFS, and E-Assets, communication interface). Preparation of ToR. Applying for project.
	RESOURCES REQUIRED	Long-term financial resources, project with foreign financing
	RISK OWNER	Ministry of Finances and Ministry of Public Administration
	COMPLETION DATE	ToRs 2017, Functional 2019?
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	3-4 Pilot Budget Organisations
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

	Reference number	S&M. 3.3
RISK IDENTIFICATION	CATEGORY	Strategic, management
	SUB PROCESS 4	Ordering Public Payments
	OBJECTIVE	Public Payments should be made within budget ceilings, all in the due time and with lowest financial cost
	RISK OCCURRENCE	Insufficiency of liquidity in Treasury Single Account (unexpected event)
	RISK CAUSE	<ol style="list-style-type: none"> 1. Mismanagement of liquidities (coordination between payment and debt divisions, non-coordination between Treasury, CBA, Taxes and Customs); 2. External factors of economic growth or difficulties in the banking system. 3. Very optimistically planning of income and not unaccompanied with contingent fund.
	IMPACT/CONSEQUENCE	Creating delayed payments, chain reaction in the private sector
RISK ANALYSIS	Possibility (1-5)	1
	Consequence (1-5)	5 (Catastrophic)
	Result	5
	Risk Priority	LOW but it relates to government reputation
EVALUATION	EXISTING CONTROL MEASURES	Under the LPFMA it is foreseen to have priority of payments in this case. Payments are made based on the automatic chronological order form KFIMS (first in – first out).
	Adequacy of the existing measures	Appropriate (careful)
	ACTION	Mitigation of consequences

MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	<ol style="list-style-type: none"> 1. There should be accurate written procedures regarding the drafting cash plan from institutions, negotiation with Treasury based on the historical data and approval of plan from the Treasury. Measures in case of unjustified non-implementation of cash plan from institutions; coordination between Treasury divisions and other key institutions; training of staff in liquidity management, possible review of terms in collection of revenues or main payments controlled by Treasury, etc. 2. To review determined priorities in the Law PFMA based on the expense nature and their sensitivity. For example: first or second priority (after the external debt) should be payments that are related to the life of humans (hospital expenses, blood emergency, etc.) after that payment of staff. With a sub-legal act than can be called emergency plan or under the Treasury rule for public expenditure, there should be trail of documentation flow and decision-making in emergency cases (direct person that is publicly affected is the Minister of Finances); monitoring way and reporting formats. Possibility of a direct credit line from CBA? Contingency plan in case of non-implementation of the income and daily monitoring of income.
	FORM OF MEASURES	Written Procedures in Treasury
	RESOURCES REQUIRED	There could be financial sources requested to train staff and for configuration if necessary.
	RISK OWNER	Minister of Finances
	COMPLETION DATE	Emergency and training plan 2016. Review of Law in 2017
	LIAISON WITH OTHER TRUCTURES / INSTITUTIONS	Taxes. Customs
	RISK STATUS AFTER THE MEASURES TAKEN	Low. Consequences low under 3 or 2

	Reference number	R. 3.4
RISK IDENTIFICATION	CATEGORY	Regulatory
	SUB PROCESS 5	Reconciliations between Organisations and Treasury
	OBJECTIVE	Payments should be done in due time and final accurate destination.
	RISK OCCURRENCE	Re-payment from the banking system because of wrong final destination
	RISK CAUSE	<ol style="list-style-type: none"> 1. Institution is not informed by the supplier regarding changes in the bank account. 2. Registration of supplier account by mistake (human mistake). 3. Uncompleted procedures in this direction regarding the controls.
	IMPACT/CONSEQUENCE	Delays in payments and as a consequence, reconciliation. Possible bureaucracy for correcting it. Reconciliation problem especially at the end of the month and year-end.
RISK ANALYSIS	Possibility (1-5)	5
	Consequence (1-5)	2
	Result	10
	Risk Priority	Medium

EVALUATION	EXISTING CONTROL MEASURES	Budget organisation sent suppliers references to the Treasury. Treasury registers/approves KFMIS suppliers. Correcting action requires registration of all expenditure phases from the beginning.
	Adequacy of the existing measures	Uncompleted
	ACTION	Avoidance
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	To written in procedures control of supplier references in two levels from Treasury: 1. With KTA for the title and Fiscal Code, 2. With the Bank where the supplier has an account. To decide with procedure as well as with contract, the obligation of supplier to inform/reconfirm bank account at the moment of receiving the invoice before the payment. Monitoring from Treasury of cases occurred during the year and reasons. Awareness meetings with CFO.
	FORM OF MEASURES	Standard MSHP Procedure, as well as Treasury Rule 2013, Revised Procedure of registering suppliers
	RESOURCES REQUIRED	---
	RISK OWNER	CHU and Treasury
	COMPLETION DATE	April 2016
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Impacts all organisations
	RISK STATUS AFTER THE MEASURES TAKEN	No risk or very low – 1

	Reference number	SO.3.5 (for both processes)
RISK IDENTIFICATION	CATEGORY	<i>Operational Systems</i>
	PROCESET	<i>Managing Public Expenditure and sub-process of managing staff salaries</i>
	OBJECTIVE	<i>Security of storage and protection of accounting data and safe communication in all stages of carrying out public expenditures and payments.</i>
	RISK OCCURRENCE	Slowdown of the performance up to the Blockage of financial systems KMIFS and PIS or unauthorised access to the data.
	RISK CAUSE	1. “Bag” in systems; low capacity of existing servers up to their blockage and especially when there is upgrade of IT systems, cutting electric energy; damage of cooling equipment, possibility of changing data after approval, etc. 2. Payroll Information System uses communication of data to the personnel by email.
	IMPACT/CONSEQUENCE	Transaction interruption, payments are not done, losses of financial data up to the total blockage of work.

RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	5 (government reputation)
	Result	20
	Risk Priority	EXTREME
EVALUATION	EXISTING CONTROL MEASURES	<i>There are offices of data storage outside of buildings; There are alarm signals to check temperature; There is agreement with CBA for alternative payment ways. Communication ways of financial data for KFIMS is safe. There is a trail module for every person in the system.</i>
	Adequacy of the existing measures	<i>Strong</i>
	ACTION	<i>Further risk mitigation, Transferring communication of information via emails risk until SIP is expanded</i>
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	<ol style="list-style-type: none"> 1. Upgrade of capacity/Purchase of new servers for IT systems. 2. SIP should use electronic safe infrastructure for communicating salary information (sensitive) and not simple emails. 3. Until the direct access is provided to the institutions into SIP (see risk SO 3.2), the Minister of Finances to request official written confirmation from the Agency that administers E-Government network that communication of financial sensitive information through government network is safe from outside intrusions. 4. In case of electricity cut or “bug” of the system, the institution should be able to work with excel file which can later be uploaded into KFMIS or to present the data on the CD physically in the Treasury. 5. In any case the Heads of Organisations to equip financial offices with invertors that keeps computers running up to 5 hours.
	FORM OF MEASURES	<i>Servers contracts; Official letters to confirm communication security; SIP configurations if necessary</i>
	RESOURCES REQUIRED	<i>Financial resources for equipment and configurations if necessary</i>
	RISK OWNER	<i>Minister of Finances Agency administering E-Government network /RKS-GOV.NET Head of Organisations for security of equipment for CFO.</i>
	COMPLETION DATE	<i>URGENT for servers; URGENT for confirmation of communications of security 2017 for invertors</i>
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	<i>All budget organisations are exposed to this risk if there are no measures taken by Ministry of Finance</i>
	RISK STATUS AFTER THE MEASURES TAKEN	Low (1x3)

	Reference number	SO & Ma. 4.1
RISK IDENTIFICATION	CATEGORY	Operation Systems, Fraud Risk
	OBJECTIVE	Transaction should be translated into accounting system in full accordance with documented economic content.
	RISK OCCURRENCE	Fraud Risk or Professional Incompetence – Expenditure of funds is not in accordance with budgeted funds and/or registration into accounting account/wrong budget line.
	RISK CAUSE	<ol style="list-style-type: none"> Weak controls during expenditure verification process and registration in the accounting. For example <ol style="list-style-type: none"> Non-inclusion of CFO with direct decision-taking in the KFMIS during recording of expenditure in the accounting, KFMIS Government accounting System, does not control or trace/archives original expenditure document; Allowing for description field in the KFMIS that are not related with the nature of expenditure in the accounting, etc. Professional Incompetence or new staff in the finance office; Abusing management and/or CFO; or financial officer is victimised by the pressure of the Superior.
	IMPACT/CONSEQUENCE	<p>Failure in meeting objective: Denaturalisation of institution financial reporting and as a consequence denaturalisation or inaccurate consolidated financial reporting to government. For example, registering and reporting an occurring operational expenditure as capital expense and documented as such.</p> <p>Damage in the Government Reputation in front of public and donors/creditors</p>
RISK ANALYSIS	Possibility (1-5)	3
	Consequence (1-5)	5 (reputation of government in front of public and international financial institutions)
	Result	15
	Risk Priority	HIGH
EVALUATION	EXISTING CONTROL MEASURES	Certifying officer conducts control of matching invoice with the nature of expenditure before registering it in the accounting and approves the payment.
	Adequacy of the existing measures	Inefficient (ex-post control)
	ACTION	Prior addressing up to avoidance
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	<ol style="list-style-type: none"> Training executive financial staff for public accounting and financial reporting. To determine very clearly in the accounting manual difference between expenditure for creating assets and adding value or life-span and operational or maintenance expenditure for asset. Manual should be accompanied with more examples to reduce the level of abuse from different officials, during budgeting or implementation. Review of KFMIS controls (for example, description area of expenditure to be related with accounting codification (if necessary to add detailed levels in the chart of accounts). Only organisation has to have a right to selection.

		<p>4. To analyse returning the control of expenditure supporting documentation to Treasury, even by selection. Some options:</p> <ul style="list-style-type: none"> (i) increase protection of Chief Financial Officer by not allowing his discharge from the duty without Ministry of Finance opinion (his discharge from the duty should be argued and proven that he has made repetitive violation in Treasury, Budget or CHU); (ii) to change subordination of certifying officer to increase his/her independence and change controls or the moment they are executed. Both first measures bring increase in the integrity, meaning risk reduction of subject to management pressure; (iii) or if second measure is impossible, original document of expenditure to be scanned and sent electronically in Treasury, by securing its trails for every transactions and controllable electronic archive in every moment by the Treasury and Internal or external auditor. Electronic archive would be accompanied with rules for storage of documentation (for example 10 years) and its deletion.
	FORM OF MEASURES	Decision of the Minister of Finances or risk management strategy (where revised Law on PFMA is included), KFMIS configurations, professional trainings.
	RESOURCES REQUIRED	Additional financial resources for scanner, re-configuration and establishing digital financial archive.
	RISK OWNER	Minister of Finances (Treasury)
	COMPLETION DATE	Approved Strategy 2016. Revised law 2017, necessary sub-legal acts 2017. Functional archive 2018-2019.
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	Government and Parliament for financial resources and legal reviews if necessary.
	RISK STATUS AFTER THE MEASURES TAKEN	LOW up to AVOIDANCE in the mid-term period

	Reference number	R & M & Me. 4.2
RISK IDENTIFICATION	CATEGORY	Regulatory, managerial, fraud or irregularities
	OBJECTIVE	Transaction should be translated into accounting system in full accordance with documented economic content.
	RISK OCCURRENCE	Risk to fraud or professional incompetence – Fund budgeting that are not in compliance with the nature of future expenditure or accounting requirements/standards to recognize expenditure.
	RISK CAUSE	<ol style="list-style-type: none"> 1. Non-recognition of accounting standards/lack of accounting experience, unclear or professional incompetence of budget analysts and/or chief financial officer. 2. Abuse of management or financial officer is victimised from the pressure of supervisor. 3. Management has no vision on the impact of their decision over the accuracy and reliability of financial reports of government at the end of budget cycle.

	IMPACT/CONSEQUENCE	Failure in achieving the objective: <ol style="list-style-type: none"> 1. A fund for operational expenditures budgeted as capital expenditure fund, which is approved later on in the Assembly as such by law, bring enormous problems in the public expenditure management process, by bringing pressure and hesitance on the Accounting Officer and above all in the Treasury to implement financial reporting standards of government or to implement Annual Budget Law. 2. Denaturalisation of financial reporting of the institution and as a consequence denaturalisation or inaccuracy of government consolidated financial reporting. For example, registration or reporting an occurring operative expenditure as capital expenditure and document as such. Or salaries of temporary staff registered under operation expenditure, etc. 3. Damage in the Government reputation towards public and donors/creditors.
RISK ANALYSIS	Possibility (1-5)	3
	Consequence (1-5)	5 (Government reputation towards public or international financial institutions)
	Result	15
	Risk Priority	HIGH
EVALUATION	EXISTING CONTROL MEASURES	There is an accounting manual outlining criteria that should be met by an expenditure that is called operational or capital.
	Adequacy of the existing measures	Insufficient
	ACTION	Addressing until mitigated
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	<ol style="list-style-type: none"> 1. Training of budget analysts for public accounting and financial reporting and decision-making impacts in the quality of government financial data and further. 2. Awareness of high level management, heads of public organisations, members of parliament, related to the budgeting importance, expenditure and reporting of public funds based on the nature or content of economic transaction; as well as impacts of their decision making in the quality of government financial data, state financial reputation against public, international government and institutions. 3. Accounting manual should be basic referencing document for budget analysts during budgeting process. 4. Budget and treasury Department establish close cooperation links to exchange opinions, information during whole budget cycle, as well as organising joint trainings. 5. To analyse differences between one operational expenditure project and capital expenditure. PIP System
	FORM OF MEASURES	Quality of final improved budget document, consequently an Annual Budget Law, easy applicable according to the standards. Internal Order from the Minister of Finances for the Budget and Treasury Department (followed by cooperating procedure), professional trainings.
	RESOURCES REQUIRED	Additional financial resources for training and raising awareness. Additional financial resources if there are changes into PIP system.

	RISK OWNER	Minister of Finances and Government (Supported by Budget)
	COMPLETION DATE	2016
	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	All organisations are impacted by decisions of Ministry of Finances
	RISK STATUS AFTER THE MEASURES TAKEN	LOW

Risk register for the “Payroll Management of Public Employees”

RISK IDENTIFICATION	Reference number	M&S 4.3 (Salaries)	SO.4.4 (Salaries)
	CATEGORY	Management and systems	Operative Systems
	OBJECTIVE	Ensuring that actual working time is measured accurately and is controlled and documented	Payroll should have complete and reliable data
	RISK OCCURRENCE	Person doesn't show at work but it is on the presence sheet; Authenticity of presented justifiable documents.	Risk to ineffective controls, human errors, quality of data.
	RISK CAUSE	<ol style="list-style-type: none"> 1. Work management method. 2. Lack of controls on attendance and without bases or not verified by manager. 3. Legal rules are disregarded. 4. The lists are not regularly sent to managers. 	<p>Unintegrated IT and manual working Systems. Drafting in hard copy the form containing data for payroll as well as the list with changes during the month, by budget organisations. Sending the data via normal email to the Treasury (who confirms the security of electronic communication?).</p> <p>Manual entry from Treasury officials in SIP (12 persons enters around 24000 records per month), acting more as operators rather than controllers.</p>
	IMPACT/CONSEQUENCE	Financial costs, in addition to not obeying discipline.	Deadlines are not respected. Decrease of physical control level because there is high number of records. Recalculation, repayment, corrections or delays because of errors.
RISK ANALYSIS	Possibility (1-5)	5	4
	Consequence (1-5)	4	4
	Result	20	16
	Risk Priority	Extreme	HIGH

EVALUATION	EXISTING CONTROL MEASURES	System functions with ID and photography, there are also parallel controls where the signature of person leaving during working hours is taken. There are ad hoc controls from the institution itself. Measures up to withholding daily pay based on the hours missed out of work. Sending email whenever there movements in the jobs.	SIP system alerts entry of data in case of new staff, which leads Treasury staff during physical control. HR Managers of institutions currently have access to SIP only in view mode.
	Adequacy of the existing measures	Strong	Insufficient
	ACTION	Monitoring up to mitigation	Addressing
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR ADDRESSING	<p>Increased pressure from senior management.</p> <p>Monitoring reports form HR office of the frequency/number of justification of managers for the staff. Direct control (via telephone or official way) in the medical centre that has issued medical report.</p> <p>Obligatory delivery of monthly presence list to all Heads. In case of repetition to be accompanied with verification of staff photo.</p> <p>Strengthen internal regulation of institutions related to the measures that should be undertaken in case of violation, removal of allowances, etc., according to Law on Civil Service.</p> <p>Link ID Card control with opening of the door.</p> <p>To review internal regulation, working conditions based on working nature or emergency, in cases when it is 100% certain of performing duties outside of workplace.</p>	<ol style="list-style-type: none"> 1. Analysis should be done to implement integration of HRMIS with SIP, which would alleviate overburden work of Human Resources Officers working as operators (works in three different systems), by eliminating human errors and improving information quality. 2. Analysis should be done to create the possibility for direct access of HR Offices in SIP to register the data with two levels of approval: HR Manager as first approving leave, Treasury Officer as second.
	FORM OF MEASURES	Internal regulations, system development	Analysis report and ToR for expanding system
	RESOURCES REQUIRED	Financial resources for additional investment.	Financial resources required in medium-term period
	RISK OWNER	Every Head of Entity and CAO (Head of Administration supports)	Treasury
	COMPLETION DATE	2016	2017-2018

	LIAISON WITH OTHER STRUCTURES / INSTITUTIONS	---	Impacts in all institutions
	RISK STATUS AFTER THE MEASURES TAKEN	MEDIUM (subjectivity will remain present if there are no controls from the top and administrative measures)	LOW

Risk Register for "The impact of the investment project is not carried out in PIP"

	Reference number	P&M. 5.1
RISK IDENTIFICATION	CATEGORY	Employees, Management
	OBJECTIVE	The proposed investment projects shall have the minimum of economic reasoning. Selection of projects according to the impact on society and the priorities according to the most important projects. Cost - Benefit Analysis for projects over 1 million euro
	RISK OCCURRENCE	Lack of cost - benefit analysis (We have observed that there is a special form in the software PIP measuring the positive impact of some investment projects. We have observed that most of the time this section is left blank by budget organizations. The form can be drawn in excel spreadsheets tables and there fields of information such as job generation from the investment project, income generation potential, potential savings etc.)
	RISK CAUSE	<ol style="list-style-type: none"> 1. Poor supervision of leaders in the PIP system 2. Insufficient training 3. Pressure to prioritize investment projects that have no economic rationality 4. Lack of funds to carry out genuine studies 5. Lack of staff knowledge to accomplish this important part 6. Receipt of investment projects by the Ministry
	IMPACT/CONSEQUENCE	Damage to the community because the projects of the highest importance are not selected
	EXISTING CONTROL MEASURES	There are no control mechanisms within the software that filling this form makes it mandatory
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	4
	Result	16
	Risk Priority	EXTREME
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	Risk Treatment / Minimization

MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	<ol style="list-style-type: none"> 1. Set up additional controls on PIP software to make this form mandatory 2. Assigning the necessary resources and staff preparation for impact studies. 3. Introduce as mandatory the completion of (cost / benefit analysis for all investment projects, not just for those over 1 million.
	RESOURCES REQUIRED	<ol style="list-style-type: none"> 1. Integrity from Employees and Managers 2. Training and resources needed for staff to carry out this action
	RISK OWNER	Minister of Finance
	COMPLETION DATE	(To be discussed with the participants in the meeting)
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Co-operation with the MoF with all budget organizations
	RISK STATUS AFTER MEASUREMENTS	LOW

Process: Opening / Closing of PIP and BDMS

RISK IDENTIFICATION	Reference number	SO.5.2
	CATEGORY	Operational System
	OBJECTIVE	Software used for budgeting PIP and BDMS have limited controls and access to budget organizations.
	RISK OCCURRENCE	We have noticed that the budget software was opened after the first budget circular was issued and closed for budget organizations after the budget process was completed. We were not sure about the real motives for this type of activity.
	RISK CAUSE	<ol style="list-style-type: none"> 1. This is a practice that happens regularly with all budget organizations
	IMPACT/CONSEQUENCE	Poor usability software of the PIP and BDMS for analysis throughout the year by budget organizations
RISK ANALYSIS	EXISTING CONTROL MEASURES	As a practice of limiting access, the software-PIP and BDMS completely shut down for budget organizations
	Possibility (1-5)	4
	Consequence (1-5)	4
	Result	16
EVALUATION	Risk Priority	HIGH
	Adequacy of the existing measures	Inadequate
	ACTION	Risk Treatment / Minimization
MANAGEMENT	ADDITIONAL MEASURES FOR TREATMENT	<ol style="list-style-type: none"> 1. Establish additional controls on PIP software and BDMS in order for budget organizations to have access throughout year. 2. Audit of PIP and BDMS Software.

	RESOURCES REQUIRED	1. Assign read-only rights to PIP and BDMS without the possibility to make changes 2. Periodic audit
	RISK OWNER	1. Information technology expertise on PIP and BDMS
	COMPLETION DATE	Minister of Finance
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	(To be discussed with the participants in the meeting)
	RISK STATUS AFTER MEASUREMENTS	Co-operation with the MoF with all budget organizations
	ACTION	LOW

Risk Register for "Use of PIP and BDMS in the preparation phase of MTEF"

	Reference number	S&SO.5.3
RISK IDENTIFICATION	CATEGORY	Strategic, operational
	OBJECTIVE	Software used for budgeting PIP and BDMS are not used during the MTEF preparation phase.
	RISK OCCURRENCE	Currently, the PIP system and the BDMS system is not used for the MTEF phase and this results in some gaps in budget preparation. The key to allocating the budget should be in the strategic phase or MTEF, otherwise spending limits tend to be more difficult to follow during the budget preparation cycle.
	RISK CAUSE	1. This is a practice that happens regularly with all budget organizations
	IMPACT/CONSEQUENCE	Poor use of the PIP and BDMS software by budget organizations for preparing the MTEF.
	EXISTING CONTROL MEASURES	As a practice, PIP and BDMS are opened only after the first budget circular is issued.
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	4
	Result	16
	Risk Priority	HIGH
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	Risk Treatment / Minimization

MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	1. Activation of PIP and BDMS systems in the MTEF phase
	FORM OF MEASURES	1. Opening of PIP and BDMS and enabling access to budget organizations at the time of MTEF preparation
	RESOURCES REQUIRED	Staff training and communication of new procedures.
	RISK OWNER	Minister of Finance
	COMPLETION DATE	(To be discussed with the participants in the meeting)
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Co-operation with the MoF with all budget organizations
	RISK STATUS AFTER MEASUREMENTS	LOW

Risk Register for "Operating Expenses vs. Capital Expenditures in the PIP"

	Reference number	S&SO.5.4
RISK IDENTIFICATION	CATEGORY	Strategic, operational
	OBJECTIVE	Division and recording of operational expenditures related to capital expenditures
	RISK OCCURRENCE	One of the issues discussed is the introduction into PIP of the operating expenses that are associated with certain capital expenditure. Currently, the system makes no difference between the operational and capital part of a particular investment project. This reduces transparency in budget preparation, financial reporting and auditing Mixed projects that have the operational and capital part Financial risk
	RISK CAUSE	1. Inability to divide expenditures by their nature
	IMPACT/CONSEQUENCE	1. Unrealistic allocation and reporting of real capital expenditures 2. Over-reporting on Capital Expenditures
	EXISTING CONTROL MEASURES	There is likely to be currently done in PIP
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	4
	Result	16
	Risk Priority	HIGH
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	Risk Treatment / Minimization

MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	1. Enable in PIP the segregation of the operational and capital part of an investment project.
	FORM OF MEASURES	1. Updating the PIP with new invoice that enables the segregation of capital and operational expenses. 2. Communication and training for budget organizations.
	RESOURCES REQUIRED	1. Modifications to PIP software. 2. Trainings
	RISK OWNER	Minister of Finance
	COMPLETION DATE	(To be discussed with the participants in the meeting)
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Co-operation with the MoF with all budget organizations
	RISK STATUS AFTER MEASUREMENTS	LOW

Risk register for "Short deadlines for budget changes"

	Reference number	P&J&Rr.5.5
RISK IDENTIFICATION	CATEGORY	Policy - External, regulator
	OBJECTIVE	Timely fulfilment of the possible changes occurring in short time during the budget planning processes and the budget review process Finalizing the deadlines and budget planning processes and budget review process
	RISK OCCURRENCE	Overcoming process steps or responsibilities / shortening. Lack of written procedures for addressing emergencies
	RISK CAUSE	1. Amendments urgently required by the Government and the Assembly
	IMPACT/CONSEQUENCE	1. Lack of ownership of technical responsibility by the OB 2. Delays in meeting legal deadlines 3. Errors in the process of updating the draft budgets.
	EXISTING CONTROL MEASURES	The budget department makes changes directly to the system, on behalf of the OB (established practice)
RISK ANALYSIS	Possibility (1-5)	5
	Consequence (1-5)	3
	Result	15
	Risk Priority	MEDIUM
EVALUATION	Adequacy of the existing measures	Solid
	ACTION	Treatment in reducing the impact 1

	ADDITIONAL MEASURES FOR TREATMENT	Proposing an Administrative Instruction for budget planning and revision, including this procedure that is followed in practice, but which is not regulated so far. To be treated as an exceptional case when the Ministry of Finance performs direct intervention in the system only when there is an urgent process ordered by the Government and the Assembly (within 1 to 2 days)
MANAGEMENT/MEASURES FOR RISK MITIGATE	FORM OF MEASURES	The Administrative Instruction may temporarily be in the first Budget Circular.
	RESOURCES REQUIRED	Assistance may be requested to draft the guidelines.
	RISK OWNER	Minister of Finance (supported by the budget department.
	COMPLETION DATE	2017
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Impact on all institutions
	RISK STATUS AFTER MEASUREMENTS	AVOIDED

Risk Register for "Avoiding / Eliminating Potential Pressures and Influences"

	Reference number	S.5.6
RISK IDENTIFICATION	CATEGORY	Strategic
	OBJECTIVE	Selection of selected capital projects that meet the criteria for meeting the foreseen and most important objectives for the community
	RISK OCCURRENCE	None evaluation of the projects that have significance and impact on the community
	RISK CAUSE	1. Influencing and favouring projects from different entities without considering their importance, spending of funds without any results or analysis of impact / benefit to environment compared to other projects.
	IMPACT/CONSEQUENCE	1. None finalization of the project as required 2. None selection of the project within budget limits and those that have a positive impact on the environment 3. Failure to respect the budget limits that are foreseen in the budget circular 4. Ignorance of the advices of budget analysts 5. Delays in meeting legal deadlines
	EXISTING CONTROL MEASURES	To eliminate the likelihood of risk emerging, budget organizations should consult with budget analysts who are responsible for this process and adhere to the budget limits set out in the budget circular.
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	5
	Result	20
	Risk Priority	HIGH
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	Risk Treatment / Minimization

	ADDITIONAL MEASURES FOR TREATMENT	Proposal of an Administrative Instruction with the prescribed procedures that must be met in order to avoid potential pressures and manifold influence of favouring certain capital projects. An analysis of the projects needs to be implemented and consider its importance in the environment.
MANAGEMENT/MEASURES FOR RISK MITIGATION	FORM OF MEASURES	The administrative instruction may temporarily be in the first budget circular.
	RESOURCES REQUIRED	Assistance may be requested to draft the guidelines.
	RISK OWNER	Minister of Finance (supported by budget department (Budget Analysts))
	COMPLETION DATE	2017
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Impact on all institutions
	RISK STATUS AFTER MEASUREMENTS	AVOIDED

Risk Register on 'electronic circulation of documents'

	Reference number	Rr.5.7
IDENTIFICATION	CATEGORY	Regulator
	OBJECTIVE	Security in the exchange of electronic documents circulation
	RISK OCCURRENCE	In order to have a higher degree of security of document exchange, all program and sub-program directors shall have access to the BDMS system, not to work on excel programs
	RISK CAUSE	1. Errors can occur during excel, so it is better to use the BDMS system
	IMPACT/CONSEQUENCE	1. Data errors will be made 2. The total will not be OK
	EXISTING CONTROL MEASURES	Once the risk has occurred, the data must be reviewed again and correctly completed
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	5
	Result	20
	Risk Priority	HIGH
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	If they have access to the BDMS, the risk will be avoided
	ADDITIONAL MEASURES FOR TREATMENT	Access to all program and sub-programs directors within the BDMS system should be allowed
MANAGEMENT	FORM OF MEASURES	This treatment will take action plan which should be done as soon as possible
	RESOURCES REQUIRED	

	RISK OWNER	Minister of Finance (supported by budget department (Budget Analysts))
	COMPLETION DATE	2017
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Impact on all institutions
	RISK STATUS AFTER MEASUREMENTS	AVOIDED

Risk Register for "Listing of Investment Projects by Risk or Priority"

	Reference number	Rr.5.8
RISK IDENTIFICATION	CATEGORY	Regulator
	OBJECTIVE	Over-evaluation or under evaluation of projects.
	RISK OCCURRENCE	To minimize the appearance of this risk, project measurements should be made as accurate as possible based on the past and current conditions for a particular investment that is of great importance to the community.
	RISK CAUSE	External Pressures or influences from to a favoured project.
	IMPACT/CONSEQUENCE	1. Unnecessary costs and without any effect on the environment/ community 2. Failure to implement projects in case of non-budgeting that will result in delays.
	EXISTING CONTROL MEASURES	Reconsider the financial indicators
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	5
	Result	20
	Risk Priority	HIGH
EVALUATION	Adequacy of the existing measures	Appropriate
	ACTION	The risk will be reduced
MANAGEMENT/MEASURES FOR RISK MITIGATION RREZIQEVE	ADDITIONAL MEASURES FOR TREATMENT	By giving priority to the most important projects and making budget planning as accurate as possible
	FORM OF MEASURES	Action Plan
	RESOURCES REQUIRED	Make (cost / benefit) analysis of the foreseen projects and give priority to those that have greater impact and importance in the community / environment.
	RISK OWNER	Minister of Finance (supported by budget department (Budget Analysts))
	COMPLETION DATE	2017
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Impact on all institutions
	RISK STATUS AFTER MEASUREMENTS	AVOIDED

Risk Register for the Control of the Public Investment Program (PIP)

	Reference number	Rr.5.9
RISK IDENTIFICATION	CATEGORY	Regulator
	OBJECTIVE	Certain controls that are related to the PIP system
	RISK OCCURRENCE	Certain controls have been removed from the PIP system
	RISK CAUSE	Certain controls have been removed from the PIP system since they cause delays in the budget process at PCF 1 (first instance)
	IMPACT/CONSEQUENCE	That officials should not be aware of capital projects.
	EXISTING CONTROL MEASURES	Review of establishing controls in the PIP system
RISK ANALYSIS	Possibility (1-5)	4
	Consequence (1-5)	5
	Result	20
	Risk Priority	
EVALUATION	Adequacy of the existing measures	Inadequate
	ACTION	Avoid risk
MANAGEMENT/MEASURES FOR RISK MITIGATION	ADDITIONAL MEASURES FOR TREATMENT	Establish controls in the PIP system
	FORM OF MEASURES	Action Plan
	RESOURCES REQUIRED	The Ministry must once again review its decision to remove those checks and see if it is possible to restore them
	RISK OWNER	Minister of Finance (supported by budget department (Budget Analysts)
	COMPLETION DATE	2017
	CONNECTION WITH OTHER STRUCTURES / INSTITUTIONS	Impact on all institutions
	RISK STATUS AFTER MEASUREMENTS	AVOIDED