



REPUBLIKA HRVATSKA
MINISTARSTVO FINANCIJA

Managerial accountability in the public sector – experiences and challenges in the Republic of Croatia

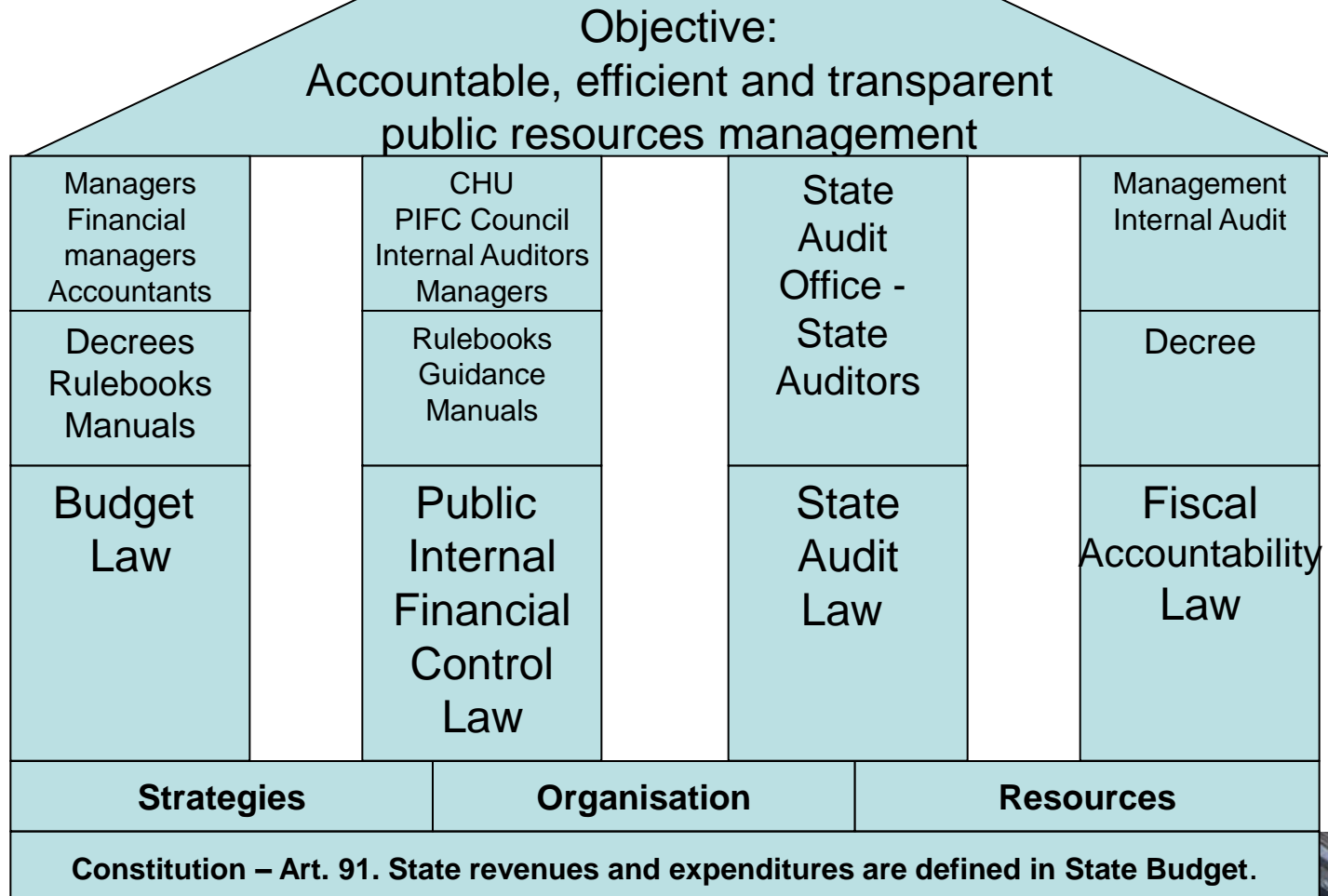
Ivana Maletić, State Secretary
Ministry of Finance

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Katančićeva 5
10000 Zagreb, Hrvatska
Telefon: (01) 4591-333



4 main pillars for public finances management





1st pillar – Budget Law

- July 2008
- Reforms primarily relating to the definition and introduction:
 - multi-year fiscal framework,
 - strategic and program planning,
 - management policy and capital projects,
 - special mechanisms to monitor implementation of programs and
 - monitoring and reporting on achievements
- Strategic planning
 - clearly linking the strategic political and economic priorities of the Government with budget
 - ensuring efficient and quality implementation and use of budget funds
 - basis for performance audits, not only the legality of
 - process that takes time



1st pillar – Budget Law - Execution

- More flexibility in the execution and focus on results
- Budget projections will be adopted at the second level of economic classifications
- Transfer of capital funds is possible from one budget year to another



2nd pillar – Public Internal Financial Control Law (PIFC)

- December 2006
- The public internal financial controls system are in the process of joining the European Union introduced the practice of the candidate country through two processes:
 - One is the preparation and use of EU pre-accession assistance programs - institutions must have fully established system of internal financial controls in accordance with EU requirements
 - The second is the negotiation process under which the Chapter 32 Financial Control, the candidate agrees to the establishment and implementation of internal financial controls



2nd pillar – Public Internal Financial Control Law (PIFC)

- Further objectives of PIFC
 - Integrate PIFC fully into the management processes in the public sector to ensure accountable, transparent and efficient management of public funds
 - With development of PIFC support the implementation of budgetary reforms
 - To ensure a uniform approach to the development of PIFC for national and EU funds, considering the specifics
 - Integration of PIFC with public administration reform (rationalization and efficiency, anti-corruption programs)



3rd pillar – State Audit Law

- Last changes in 2004 – performed by State Audit Office
– independence strengthened by the Constitution in 2009
 - The audit is the examination of documents, reports, internal control and internal auditing, accounting and financial procedures and other records to determine whether the financial statements **reflect truly the financial position and financial activities** in accordance with generally accepted accounting principles and accounting standards.
 - The audit is the process of examining financial transactions that represent the state revenues and expenditures in terms of using in **accordance with the law.**
 - An audit also includes an assessment of the efficiency and effectiveness of activities and an assessment of the **effectiveness of the objectives** of certain programs.



4th pillar – Fiscal Accountability Law

- November 2010
- Specifies rules that limit government spending, strengthen accountability for the legal, functional and purposeful use of budgetary resources and strengthen the system of controls and oversight to ensure fiscal accountability
- "Any kuna and lipa of budget money is as big as a mountain and for each it should be thought about four times before it is spent"
 - *Mrs.J.Kosor, prime minister of Croatia*



Our challenges...

- Large number budget users
- Identification of good practice and preparation of manuals and guidelines for implementation
- Using the experience from EU funds
- Timely training of all participants
 - Management at all levels
 - Accountants, Risk managers, Irregularities persons
 - Internal Auditors
- Monitoring of implementation, through:
 - Horizontal audit
 - State Audit Office Reports
- Coordination with other institutional reforms (anti-corruption and administrative reform)



Conclusion

- Implementation of accountability and legality is a long process that requires persistence, energy, time and good coordination
- It is necessary to learn on the implementation of management accountability in other countries
- The effects of the reforms are not immediately visible, but it requires a transparent report on progress
- Only with the consistent implementation of the legislation we strengthen managerial accountability