Executive summary of the public audit report

PROGRAMME BUDGET SYSTEM: SETTING UP STRATEGIC ACTION PLANS AND MONITORING THEIR IMPLEMENTATION

10 October 2016, No. VA-P-60-2-17

Full audit report in Lithuanian available on website
of the National Audit Office: www.vkontrole.lt

SUMMARY

The public sector strategic planning system set-up in Lithuania started in 2000. Since then the planning system has been continuously improved: in 2002, the Government approved the Strategic Planning Methodology [1] (hereinafter – the Methodology); in 2009–2012, the Government Office, together with the Ministry of Finance, implemented the Result-Oriented Management Improvement (hereinafter – ROMI) project, in the course of which qualitative changes were introduced to the Strategic Planning Methodology in 2010 [2]; in 2011, the Monitoring Information System (hereinafter – MIS) was created, which is used to monitor the implementation of the Government programme, the Government's priorities, inter-institutional action plans, strategic action plans (hereinafter – SAP), and other planning documents, and so on.

However, strategic planning-related shortcomings are still being discovered in the course of the audits conducted by the National Audit Office. As a result, an audit was included into the public audit programme to assess whether setting up strategic action plans and monitoring of their implementation is carried out properly, is effective and productive. It should be noted that this audit covers the setting-up of strategic action plans of ministries, and neither contents of other planning documents implemented through strategic action plans nor connections between them were rated during this audit.

The audit was conducted in the Government Office and all fourteen ministries. The audit covered the period from 2014 to 2016. Having examined and evaluated the risks related to the set-up and implementation of strategic action plans, during this audit we assessed the following:

- whether ministries ensure connections between SAP and other planning documents when setting up SAP, and establish adequate assessment criteria (Subsections 1.1 and 1.2);
- whether ministries properly plan the improvement of the effectiveness of general functions and management costs (Subsections 1.3 and 1.4);
- whether the Monitoring Information System is used for the SAP implementation monitoring and reporting (Section 2);
- whether performance reporting is carried out properly (Section 3).

The audit revealed that the programme budget model was essentially created in Lithuania: discharge of the State functions is budget funded in accordance with the programmes with specified goals, objectives, measures and assessment criteria, which reflect their implementation, and reporting results of programme implementation is carried out. However, many important processes (such as planning, monitoring and reporting) are carried out only nominally. We lack a more principled Government Office approach to planning, monitoring and reporting, which are improperly carried out by ministries[3]. Comprehensive reasons related to both planning and plan

[1] Resolution No. 827 of the Government of the Republic of Lithuania of 06/06/2002 on the Approval of the Strategic Planning Methodology.

[2] Resolution No. 827 of the Government of the Republic of Lithuania of 06/06/2002 on the Approval of the Strategic Planning Methodology (amended version No. 1220 of 25/08/2010).

[3] The planned management costs are not distributed among strategic action plan programmes; improvement of performance effectiveness is planned improperly; submission of data to the Monitoring Information System is delayed, the data submitted are not detailed and accurate, and so on.

implementation monitoring and result reporting, discovered during the audit, do not allow to achieve sufficient budget focus on performance that promotes positive changes in society.

Publicly available information about the results of implementation of the Government programme and the Government's annual priorities is incomplete, and ministries' performance reports lack analytical information that would allow to assess the quality of changes in the purview of ministers. This does not create favourable conditions for the public sector management based on transparency and responsibility, and adoption of appropriate management decisions, does not ensure that the public and the decision-making members of the Seimas are suitably informed of the results of performance of the public sector.

We discovered that ministries prepare rather significant amounts of information that is not used to make management decisions. This includes the information about the planned management and substantial amounts of information unsuitable for monitoring in the Monitoring Information System. According to foreign experts, the fact that the information is being prepared that is not used to make decisions, discredits the very idea of a budget focused on performance[4].

Having assessed the evidence collected during the audit, we hereby present conclusions and recommendations which, if properly implemented, should help facilitating the set-up of strategic action plans, improving the quality of information necessary for the assessment of performance results, and increasing public awareness of the effectiveness of use of taxpayers' money.

Please note that, continuing the cycle of the Programme Budget System audits, we plan conducting audits in 2017, during which we will analyse the budget formation, approval and implementation processes, including connections between the State budget approved by the Seimas and performance results planned by institutions as well as connections between the achieved performance results and the State budget implementation data. These connections are insufficient, which, in our opinion, is not a progress promoting practice.

CONCLUSIONS

On Strategic Planning

1. Although the Ministry implemented ninety planning documents in 2016, approved by resolutions of the Seimas and the Government, the connections between these documents and strategic action plans of ministries are not exactly clear. The Strategic Planning Methodology clearly indicates how to ensure connections between several planning documents only (the Government's priorities and inter-institutional action plans), and the Government Office recommends even broader connections than those provided in the Methodology (Subsection 1.1).
2. Two planning documents are being set up, provisions of which are partially reduplicated: The most significant Government's annual priorities implementation activities and assessment criteria partially reduplicate the Government programme implementation priorities and their assessment criteria. Therefore, the implementation planning, monitoring and reporting for

[4] OECD, The metamorphoses of performance budgeting, 2014, p. 11

these documents are reduplicated, the administrative burden of institutions involved in preparation and implementation of these documents increases, and no added value is created (Subsection 3.2).

3. The strategic action plan result criteria of more than a half of ministries are inadequate and cannot be used to assess the extent to which the objectives of the programmes are reached, because (Subsection 1.2):

- the criteria fail to reflect whether the programme goal has been achieved and how direct beneficiaries benefit from the programme;
- criteria are drawn, the implementation of which a ministry cannot influence.

4. The average number of assessment criteria established for a ministry is up to six times higher than the minimum required number established by the legislation. Overall, nearly 1,800 evaluation criteria were introduced to monitor activities of all ministries in 2016. This does not comply with the best practices, under which the performance results should be measured using a small set of well-developed key criteria. Due to the large number of evaluation criteria, information about significant changes does not stand out when reporting performance (Subsections 1.2 and 3.1).

5. Two ministries have programmes that do not have identifying features of programmes and are used to fund various benefits and/or payouts. Goals, objectives, measures and criteria of such programmes are created artificially, thereby increasing the administrative burden of the personnel responsible for planning, monitoring and reporting without creating any added value (Subsection 1.2).

6. Since 2010, a part of appropriation managers must plan and calculate their management costs. However, this process continues to be implemented without any goals established. No provisions exist for reporting the management costs actually incurred, so their true size remains unknown. The available limited information on the management costs cannot be used to make management decisions (Subsection 1.3).

7. The opportunity to save the state budget funds by increasing the effectiveness of general functions is not sufficiently used (Subsection 1.4):

- The Government Office is not ambitious enough when planning the goals for improvement of the effectiveness of general functions: 92 percent (10 out of 12) of values of the general function effectiveness assessment criteria to be achieved in 2014–2016 are less ambitious than those achieved in 2013;
- the existing procedure for reporting improvement of the effectiveness of general functions is ineffective;
- ministries do not pay enough attention to improvement of the effectiveness:
  - in 2015, the results of effectiveness of ministries' general functions were worse than those of institutions and establishments operating under these ministries by 9 out of 12 assessment criteria;
  - Seven ministries that received recommendations regarding planning of improvement of performance effectiveness in 2016 from the work groups formed by the Government, did not take them into account.

On Performance Monitoring and Reporting

8. Due to lack of ministries' responsible approach to the monitoring of implementation of strategic action plans and insufficiently principled position of the Government Office, about a quarter of all data concerning twelve ministries available in the Monitoring Information System is not reliable, detailed or timely, and therefore, not suitable for monitoring and reporting action results (Section 2).

9. The data in ministries' performance reports is insufficient to objectively assess how the ministries implemented their planned goals and objectives (Subsection 3.1):

- large amounts of information provided in the reports, however, do not include part of the data required under the Strategic Planning Methodology:
  - there is no information about the factors that helped to achieve or prevented from achieving the planned strategic change implementation results;
  - when reporting implementation of strategic changes and the Government programme, only results are presented, no planned objectives are included;
  - implementation of certain coordinated planning documents is not reported on;
  - reasons for failing to implement or exceeding the assessment criteria as well as reasons for failing to use or exceeding the appropriations allocated for programmes are not always specified;
- reports lack a critical approach to the course and results of implementation of goals and objectives.

10. The public and decision-making members of the Seimas do not receive detailed information that should reveal whether the Government reached its goals (Subsection 3.2):

- The Government failed to include in its 2015 performance report the results of implementation of more than a half of assessment criteria, which could not be achieved. In some cases, information about these unachieved results is provided in a way that masks the very fact of failure to achieve them;
- The Government's priorities implementation progress reports of 2015 only contain information about a part of most important work. The results of implementation of less than half assessment criteria are presented.

RECOMMENDATIONS

To the Government Office

On the Improvement of Strategic Planning

1. In order to ensure that strategic action plans will reflect the essential goals established by other planning documents, determining which elements of planning documents must be moved to strategic action plans, and which should only be connected (Conclusion 1).

2. Optimizing the number of strategic planning documents, in order to make planning, monitoring and assessment clearer (Conclusions 1 and 9).

3. In order to avoid reduplication of planning, monitoring and reporting, assessing whether it is appropriate to draw documents that are partial duplicates, i.e. the

Government programme implementation priorities and the Government's priorities (Conclusion 2).

4. In view of the fact that the number of performance result assessment criteria should not exceed a set of well-developed key criteria per ministry, preparing measures to ensure the optimisation of the number of assessment criteria in ministries' strategic action plans (Conclusions 1, 3, 4, 8 and 9).
5. In order to make more efficient use of human resources, reviewing the programme development practice and presenting ministries with a decision on how to carry out the activities that are currently carried out by implementing the programmes without identifying features of programmes (Conclusion 5).
6. Establishing calculation of management costs as a goal, and, if necessary, the procedure of settlement (Conclusion 6).
7. In order to prevent formal activities without any added value, considering whether it is appropriate to include management costs into strategic action plans, until their calculation goal and procedure of settlement are defined (Conclusion 6).
8. In view of the fact that improvement of the effectiveness of general functions is one of the ways to reduce management costs, assessing the sufficiency of connections between the effectiveness of general functions and the management costs after establishing calculation of management costs as a goal (Conclusions 6 and 7).
9. Taking measures to ensure that projects of ministries' strategic plans submitted for the Prime Minister's coordination comply with all the requirements of the Strategic Planning Methodology and/or shortcomings are eliminated, in connection with which the Government submitted comments and remarks (Conclusions 6 and 7).

On the Improvement of Performance Monitoring and Reporting

10. Taking measures to ensure that data is added to the Monitoring Information System at the time and in the volume specified in the Strategic Planning Methodology (Conclusion 8).
11. Taking necessary measures to ensure that ministries' performance reports comply with the requirements of the Strategic Planning Methodology, clearly reflect essential changes and challenges in the purview of a minister as well as implementation of coordinated planning documents and the Government programme. Reports should be *more reader-friendly* (Conclusion 9).
12. In order to increase awareness of the public and decision-makers, ensuring public availability of information about the results of implementation of the Government programme and the Government's priorities (Conclusion 10).

To the Ministry of Finance

On the Improvement of Strategic Planning

13. Taking measures to ensure that reporting improvement of the effectiveness of general functions becomes more efficient (Conclusion 7).

To Ministries

On the Improvement of Planning

14. In view of the fact that the number of the Ministry's performance result assessment criteria should not exceed a set of well-developed key criteria, optimizing the number of assessment criteria in the Ministry's strategic action plans (Conclusions 3 and 4).
15. Ensuring that strategic action plans contain a responsibly planned improvement of the effectiveness of general functions, taking into account comments and remarks of the Government Office received during coordination of the strategic action plan projects (Conclusion 7).

On the Improvement of Performance Monitoring and Reporting

16. In order to improve the quality of the data submitted to the Monitoring Information System, ensuring that the information is added to the system at the time and in the volume specified in the Strategic Planning Methodology (Conclusion 8).
17. Ensuring that performance reports contain the information specified in the Strategic Planning Methodology (Conclusion 9).

Changes Made during the Audit Period

1. On 24 November 2015, the Government Office prepared a proposal for optimization of a number of strategic planning documents. The Government agreeing to the proposal will have a positive impact on the handling of issues listed in Conclusion 1.
2. In 2016, the Commission for the Improvement of Public Governance proposed the Ministry of finance to develop a concept of orientations for the improvement of the effectiveness of general functions. Developing a general concept should have positive effects on the elimination of shortcomings specified in Conclusion 7.

Measures and time frames for the implementation of the recommendations are presented in Annex 2, “Plan for Implementing Recommendations”.