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USE OF DATA FROM MINISTERIAL MANAGEMENT PROGRAMMES

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SUMMARY

Relevance of the Assessment

Ministerial management programmes are being developed from 2022 as part of the reform of strategic planning and budgeting. Within this process, the Government adopted a new Strategic Management Methodology [1], which introduced the obligation to prepare management programmes for 41 (out of 112) appropriation managers (including 14 ministries, 22 bodies reporting to the President, Parliament, Government, and 5 government bodies in the area of responsibility of the respective Minister) listed in the Annex. They must include the expenditure planned for the activities of the managers of appropriations (excluding the budgetary bodies reporting to the appropriations manager), specifying the objectives and measures for continuing operations. In 2024, the State budget appropriations for ministerial management programmes amounted to EUR 267.0 million, an increase of 3% compared to 2023 (EUR 258.1 million in 2023). It is important that the management programmes accurately and fairly reflect the level of appropriations used for the management of the institutions in the country, and that their data allow informed decisions to be taken on the optimisation of expenditure in order to achieve efficient performance.

Objective and Scope of the Assessment

The objective of the assessment is to assess whether the preparation of the management programmes provides for objective comparison of ministries' operational expenditure and monitoring indicators, and for making informed decisions to improve the efficiency of their operations.

Main areas of the assessment:

[1] Government Resolution No 292 of 28 April 2021 “On the approval of the Strategic Management Methodology”.

- ✓ The appropriateness of the preparation of management programmes and the justification of the sample of entities preparing them;
- ✓ Disclosure of management expenditure of the institutions according to the functional classification of the State in the management programmes[2];
- ✓ Comparability of the performance efficiency of ministries on the basis of management programme data (practice of earmarking appropriations in management programmes and setting monitoring indicators);
- ✓ External control over the preparation of management programmes and monitoring of their implementation.

The assessed entity is the Ministry of Finance, which formulates state policy on public financial management and public sector reporting.

During the assessment, we collected information on ministries from publicly available sources (strategic action plans, budget implementation reports), the State Budget Accounting and Payment System, and communicated with the staff of the Office of the Government on the monitoring of management programmes and with the staff of the Public Management Agency on the Organisation for Economic Co-operation and Development project.

Period of assessment: 2022-2024. In the assessment of the monitoring indicators for the management programmes, data from the Strategic Action Plans 2023-2025 and 2024-2026 were assessed.

Key Assessment Results

The management programmes do not provide a basis for informed decisions on how to improve the efficiency of the institutions' operations, as they cover only 41 (out of 414) appropriations for management/administration by the state budget-funded institutions, the practice of allocating expenditure to management programmes and the content of the monitoring indicators for management programmes vary between institutions and are not objectively comparable.

Inappropriate allocation of appropriations to management programmes

- ✓ As part of the strategic management reform, from 2022 onwards, the managers of appropriations identified in the Strategic Management Methodology have started to prepare management programmes, but neither the Strategic Management Methodology nor the documents related to their adoption specify the objectives for which it has been decided to allocate a part of the expenditure to these programmes. The Ministry of Finance provided an explanation during the assessment that it bases the preparation of the management programmes on the objective of disclosing the

[2] Order No 1K-184 of the Minister of Finance of 3 October 2003 "On the Approval of the Classification of Revenue and Expenditure of the State and Municipal Budgets of the Republic of Lithuania", Chapter III.

price[3] of public policy making and that that the model for disclosing these costs has been based on the information from international organisations on the disclosure of administrative costs[4]. In the auditors' view, efficiency is not only important at the level of policy-making. The International Monetary Fund and the Organisation for Economic Co-operation and Development (OECD) have reservations about the preparation of administrative programmes, including the administrative costs of all the bodies involved in budget implementation. According to the Strategic Management Methodology, 41 bodies prepare management programmes. Management efficiency is relevant at all levels of public sector management and in all entities, and the information collected on the expenditure of only 41 (out of 414) publicly funded bodies is not sufficient to evaluate the efficiency of administration at public sector level (Sub-section 1.1, p. 11) (Sub-section 1.2, p. 15).

- ✓ The separation of management expenditure by classification of public functions, whose weaknesses we identified in our 2016 public audit report[5], also remains in place. The links between management expenditure and expenditure allocated to management programmes are not defined in legislation and are accounted for differently by the institutions. Of the 14 ministries, 6 in 2022, 7 in 2023 and 8 in 2024 have attributed all management programme expenditure to the public function "management expenditure of the institution". In addition, 3 ministries in 2022 and 2 ministries in 2023 and 2024 have also attributed part of the costs of the programmes for the exercise of functions to management expenditure. 7 bodies that do not have to prepare management programmes have attributed part of their expenditure to management expenditure in the period 2022-2024, while of those appropriation managers that prepare management programmes, 5 in 2022 and 4 in 2023 have not attributed any expenditure to management expenditure. As a consequence, the data on expenditure according to the classification of public functions and the data on management programmes show different information on the appropriations allocated to the management of the institutions (Sub-section 1.3, p. 19).

Data from ministerial management programmes cannot be used to make efficiency decisions

- ✓ The Strategic Management Methodology specifies that the management programmes plan expenditure to support the activities of the Institutions and lists almost all the main and most used expenditure items by economic classification. In the auditors' view, since the activities of the bodies include the performance of the functions assigned to them in the statutes, funding for programmes for the performance of the functions also safeguards the body's activities. All ministries reported spending on their management programmes: EUR 200.1 million in 2022 (1.9% of the total reported appropriations spent), EUR 231.6 million in 2023 (2.2%) and EUR 240.9 million in 2024 (2.1%). The management/administration activities of the ministries are broadly similar, but the practice of separating expenditure into management programmes is different.

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[3] Letter to the Ministry of Finance No 6K-25/3255 of 23 June 2025 on the draft assessment report "Use of data from ministerial management programmes".

[4] Letter to the Ministry of Finance No 6K-25/599 of 4 February 2025 "On the information required for the public audit“.

[5] „The Programme Budget Framework: development and monitoring of strategic action plans“, No VA-P-60-2-17, 10 October 2016..

The overall ratio of planned allocations to the management and function performance programmes varies: in 2024, 8 ministries allocated 1-4% of their total appropriations to the management programme, 4 ministries allocated 8-10%, one each 41% and 72%. The allocation of expenditure under certain items of the economic classification also varies between the management and the functional programmes, e.g. in 2024, salaries and social security costs were allocated 100% to the management programme by 5 ministries, the majority (50-99%) by 8 ministries and 35% by one ministry, and the cost of utilities was allocated 100% to the management programme by 7 ministries, the majority (50-99%) by 3 ministries, up to 50% by 3 ministries and 0% by 1 ministry. In order to harmonise ministerial practices for comparing management/administrative expenditure and linking it to monitoring indicators, commonly understood criteria should be established for the allocation of expenditure on continuing activities between management and functional programmes (Sub-section 2.1, p. 22).

- ✓ There is no possibility to compare ministries on the basis of monitoring indicators for the implementation of the measures in the management programmes. They vary in content - there is no single indicator set by all ministries (the largest number of ministries (7) set the indicator "Implementation of the plan for the implementation of the provisions of the government programme"). The number of objectives (from 1 to 4 items), measures (from 1 to 14 items) and their indicators (from 3 to 17 items) set by the ministries varies. Changes in the performance of the ministries cannot be assessed due to the lack of comparability of their monitoring indicators between the different time periods (2023-2025 and 2024-2026), changes in their content, types and number (Sub-section 2.2, p. 29).

Data from management programmes are not analysed as part of the external control on the preparation and implementation of strategic action plans

According to the Strategic Management Methodology, external control over the preparation of the ministries' strategic action plans is carried out by the Office of the Government in cooperation with the Ministry of Finance. The regulation of control activities does not cover specific issues related to the assessment of the preparation of management programmes. The weaknesses in the definition of the indicators for the management programmes presented in this report indicate that the monitoring of the preparation of the strategic action plans does not include an analysis of the data of the management programmes. The Law on Strategic Management requires an evaluation of the results of the Strategic Action Plans prepared by the appropriation managers, but this focuses more on the implementation of performance measures contained in the programmes for the implementation of functions, while the review of public expenditure carried out in 13 out of 14 ministries covered only the measures in the management programmes of 2 ministries (Sub-section 3, p. 32).