

Manual on Budget Oversight for Kosovo Assembly Committees

April, 2014



Organization for Security and
Co-operation in Europe
Mission in Kosovo



TABLE OF CONTENTS

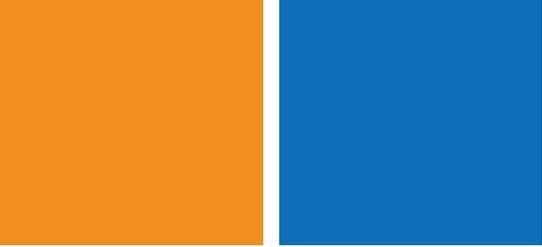
List of abbreviations /p. 5

1. Introduction /p. 7

2. The Budget Process in Kosovo /p. 7

2.1 The Role of the Functional Committees
in Budget Oversight /p. 10

3. How to Conduct a Budget Oversight Exercise? /p. 11



LIST OF ABBREVIATIONS

AoK	Assembly of Kosovo
BFC	Budget and Finance Committee
COPF	Committee of Oversight of Public Finance
MoF	Ministry of Finance
MTEF	Medium-Term Expenditure Framework
RoP	Rules of Procedure

1. INTRODUCTION

This manual introduces members and staff of the Assembly of Kosovo (AoK) committees to the practice of conducting budget oversight. In the past years AoK committees have expanded their oversight activities of the government and independent institutions. With the support of the Organization for Security and Co-operation in Europe (OSCE) and other partner organizations, committees routinely oversee the implementation of legislation. In 2012, with the aim of improving the Assembly's oversight portfolio, the OSCE supported two partner committees in the practice of budget oversight.

This manual is a result of the experience that partner committees made in conducting budget oversight of line ministries and executive agencies. The manual provides guidance on steps to be taken when preparing and conducting a committee oversight exercise on budget expenditure of line ministries. Following this introduction, chapter 2 introduces the budget cycle in Kosovo and describes the role of the AoK in this process. It proceeds to explain the rationale for functional committees engaging in budget oversight. Chapter 3 provides practical advice and step-by-step guidance through a budget oversight exercise.

2. THE BUDGET PROCESS IN KOSOVO

The budget is the government's most important economic policy instrument, and as such it reflects its development priorities. While the budget typically regulates the revenue and expenditure over one fiscal year, the budget process is continuous and circular. In Kosovo budget plans are based on past budgets, modeling future expenditure and revenue on ongoing programmes, past experience and current revenue projections.

In addition to the annual budget the government develops financial a medium-term planning document, the Medium-Term Expenditure Framework (MTEF), which seeks to improve the predictability and sustainability of the budget, covering the coming fiscal year and estimates of the two following fiscal years. When preparing the annual budget, the Ministry of Finance (MoF) issues so-called budget circulars¹, which provide information and instructions on the expenditure ceiling for the next fiscal year and specify the co-ordination process of these budget organizations with the Ministry of Finance. Based on these budget proposals, the Minister of Finance prepares the Proposed Kosovo Budget and Proposed Appropriations Law for consideration by the government.² This law contains detailed provisions on the budget, its allocation to budget organizations and its execution. The government is required to submit the draft law for consideration to the Assembly by 31 October of the current fiscal year.³

1. Budget circulars are published by the MoF on its website at <http://www.mef-rks.org>.

2. See Article 21, Law No. 03/L-221 on Amending and Supplementing of the Law No.03/L-048 on Public Financial Management and Accountability of 13 March 2008, 12 July 2010.

3. Ibid, Article 22.

Table 1: Dates and activities to prepare the budget until its approval in the Assembly⁴

Date	Activity
15 April	MoF prepares the MTEF for the next three years.
30 April	The last deadline when MoF sends the budget circulars to budget organizations and the MoF submits the MTEF to the Assembly (Article 19 LPFMA)
15 June	The last deadline when budget organizations send their proposals for budget, based on Ministry guidelines, expenditure priorities and budget ceilings
15 June – 31 October	MoF consults proposals from budget from budget organizations and organizes public hearings with budget organizations. This process is usually conducted during July-August. Subsequently, the MoF sends a proposed budget appropriation to each budget organization and together with MTEF sends it to the government for approval.
31 October	<p>The government adopts the proposed budget and sends it to the Assembly.</p> <ul style="list-style-type: none"> • MoF submits draft law on Budget to the Assembly (Art.22 LPFMA) • Before 1st reading in the plenary, the Budget committee shall review the draft law in principle (Art. 56 Nr.2 Rules of Procedure RoP) • The draft law is submitted to the plenary for the 1st reading • Main committees present reports on draft law within 10 days (Art.57 Nr. 8 RoP) • Budget and finance committee (BFC) submits report on draft law at least 5 days prior to 2nd reading (Art.57 Nr.9 RoP)
31 December	The last deadline when the Assembly adopts the Kosovo budget

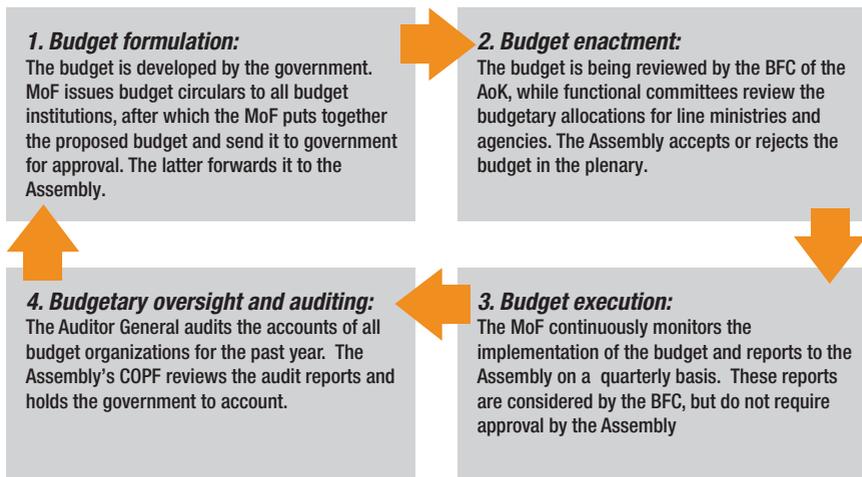
The Assembly reviews, amends and approves the budget while the BFC is the lead committee for the budget laws. The BFC compiles reports and receives proposed amendments from the standing committees and other functional committees. Within two months (November and December), the BFC also has to process direct budgetary interventions by Kosovo's independent institutions which report solely to the Assembly and do not interact with the MoF. Independent institutions lobby for their budgetary priorities with the BFC, only after the final budget proposal has been submitted by the government. In the end, the Assembly adopts or rejects the budget.

4. Table collects information from OSCE daily monitoring activities, and refers to data of GAP Institute, Kosovo budget: transparency and forms of budget reporting (March 2013), http://www.institutigap.org/documents/84490_AnalizaperbuxhetinENGfinal.pdf, (accessed October 22, 2013).

For the purpose of ensuring that the budget is implemented according to the approved budget law, the Assembly exercises budget oversight and to do this the Assembly requires extensive reporting from the government. In Kosovo, MoF delivers quarterly budget implementation reports on the current budget to the Assembly.⁵ By 31 March each year, MoF submits a final report on the budget to the Assembly which illustrates for Assembly members to what extent actual expenditure for the past fiscal year is reconcilable with the budget.⁶

An important tool of budgetary oversight is consideration of the report by the Office of the Auditor General in Kosovo of a line ministry.⁷ The audit report reconciles expenditures with the budgetary framework for the given line ministry. It looks for compliance in spending with the criteria set out in the budget and appropriations law and for efficient use of budgetary resources. The audit report usually contains a set of recommendations for improvement of budget execution by an institution. It is submitted for consideration to the Assembly before 31 August and is publicly available for download on the website of the Office of the Auditor General.⁸ At the Assembly, audit reports are reviewed by the Committee of Oversight of Public Finance (COPF).

In summary, the budget process in Kosovo goes through four stages which are depicted in the diagram below:



5. Ibid, Article 45.

6. Ibid, Article 46.

7. The report is produced in accordance with Article 47 of the Law on Public Financial Management and Accountability, as amended and supplemented.

8. The reports of the Office of the Auditor General are available on the website of this institution at <http://www.oag-rks.org/>.

2.1 THE ROLE OF THE FUNCTIONAL COMMITTEES IN BUDGET OVERSIGHT

As described in the previous section, two committees - BFC and COPF - carry the main responsibility for budget oversight.

BFC is tasked with reviewing quarterly and annual financial reports of the government and independent institutions. This review is routine and cursory in nature, as the Committee neither has the time nor subject expertise to review reports in detail.

COPF reviews up to 100 audit reports prepared by the Office of the Auditor General each year. These reports focus on financial management structures of line ministries and independent institutions, drawing their conclusions on a review of processes and a narrow sample of financial documents such as invoices and procurement contracts. In reviewing over 100 reports each year from different Kosovo public institutions the COPF may discover instances of mismanagement, but does neither have the time nor the sectorial expertise to scrutinize any of these institutions in detail.

It is hence the responsibility of functional committees to ensure that the ministry under its oversight performs functions in line with the legislation in force. For the purpose of ensuring that the functional committee does not overlap with COPF in its oversight work, it should consult COPF when preparing its oversight exercise.

The advantage that functional committees have in budget oversight is their ability to focus on a specific issue within their mandate and spend the time necessary to get to the roots of any problem that they may find. Functional committees have a great advantage over COPF in that they have more insight into ministry's' affairs that they are responsible for. In addition, functional committees do not have specified annual oversight targets, and may hence conduct investigations at their own pace. They may and should return to certain issues they have found to be of interest within months or years to ensure that identified problems have been properly addressed. If the committee believes that there are systemic problems surrounding a particular issue that requires a technical review it cannot conduct, it has the ability to request that the Office of the Auditor General, or another oversight institution, conduct a thorough review of the identified problem.

When scrutinizing budget performance of line ministries under their purview, functional committees will make some important considerations:

Ministries establish programmes to implement the laws approved by the Assembly. Committees should review what funds have been allocated to which programmes. They should inquire which targeted results in terms of service delivery were defined by these programmes and whether the funds were sufficient to meet these results. Finally, the committee should assess how efficient the ministry was in achieving these results. When looking at the budget implementation of a line ministry for the first time, a committee should try to get an overview of how this institution has performed over time. The committee will look for changes year over year. By studying the numbers from one year to the next, Committee members will be in a better position to understand

policy changes. Significant increases or decreases (of more than 10 per cent) in a budget line are indicators that changes in priorities have been made. Committees need to be convinced that the changes are justified in light of the targeted results of relevant programmes.

3. HOW TO CONDUCT A BUDGET OVERSIGHT EXERCISE?

The Manual 'Oversight Function of Parliamentary Committees' published by the Assembly in June 2012, offers a brief introduction for Assembly Members to the concept of budget oversight of line ministries.⁹ The manual includes useful routine considerations that will prepare a functional committee with little experience in budget oversight for conducting the groundwork for an in-depth budget oversight study.

Box 1. Routine Considerations for Functional Committees in Budget Oversight¹⁰

- Did the institution accomplish its annual planned activities? If not, which obstacles prevented full implementation of the plan?
- How was the budget spent by category – goods, services, or capital investments?
- Is the budget spent equally throughout the year, or is it the budget mainly spent in specific periods of time? (as it is usually the case with capital investments category)
- Is the budget allocated to specific institutions sufficient, or is additional budget needed in the following year?
- In case of budget surplus, it is explained by the inability of the institution to manage its budget, or should the institution operate on a lower budget?
- What are the reports of the Office of the Auditor General, as well as the opinions of COPF?
- Is a comparison of audit reports with financial reports from the government conducted regularly?

Following a first routine review of financial statement and audit reports of the committee's respective line ministry, a committee can proceed to initiate a study which will examine a certain issue in detail, for instance the committee could review the Ministry's procurement or allocations.

9. Assembly of Kosovo, Manual on Oversight Function of Parliamentary Committees, Prishtinë/Priština, June 2012.

10. Ibid.

This selective approach ensures also that the functional committee does not duplicate the work that the BFC and the COPF perform.

Below is a description of the key steps to be taken in conducting an oversight study.

Step 1: Conduct a review of budgets, financial reports and other relevant documents

In preparation of the budget oversight study, the committee reviews the relevant section of the government programme and any strategic documents for the ministry to be overseen to determine the ministry's priorities for the monitoring period. The committee will then scrutinize both the main and all supplementary budgets of the ministry to be overseen, the medium-term expenditure framework, along with the ministry's annual work plan and the quarterly and annual financial reports for the ministry to determine whether these priorities are reflected in their expenditures. All documents should be reviewed for at least two years in the past. Attention should be focused on any large decreases or increases in line item spending. Big changes in line item spending that do not correspond to declared ministry policies, might be an indicator of poor management practices. Looking at the budget, it is important to examine the anticipated procurement activity for the year which by law should be completed 60 days prior to new fiscal year, and compare them to the procurement activity that have taken place and notices for procurement that are outstanding. For identifying outstanding activities at the end of the year, one should review the 3rd quarterly financial report for the ministry. The committee should determine if unforeseen procurements are being placed or if projected procurements have been abandoned. Last-minute procurements could mean a lack of proper planning or that a new direction has been given by the government.

Another significant item for analysis is the annual regularity audit report for the line ministry which is prepared by the Office of the Auditor General. This report examines the financial performance of the ministry, identifies shortfalls, and makes recommendations. The report should be examined for the past two years and the Committee should pay special attention to the recommendations for the current year and any failure to implement recommendations from the previous year.

If available, the Committee should also examine studies conducted by external institutions and civil society. Once these documents are reviewed, the Committee should have a better understanding of areas that should be examined in detail. At this stage, the Committee needs to decide which particular area it will focus upon during the study.

In many cases, the committee will have to rely on external expertise when planning a budget oversight study. The funding for this can be allocated from the fund for recruiting external experts available to committees. The duty of identifying relevant experts should be carried out by the committee co-ordinator. The Assembly's database of expert consultants, which is maintained by the Assembly's Directorate of Research, Library and Archive, contains the contact information for a wide range of local experts that can be hired on a short-term basis.

In addition, there are a number of independent institutions reporting to the Assembly that have internal expertise that could be accessed by committees. Several of these institutions have a watchdog function in relation to the government.¹¹ These institutions can be an invaluable and resourceful asset for a Committee engaged in budget oversight. Committees planning a study of an area that requires specific expertise held by independent institutions could request support from these experts throughout the oversight exercise.

1. Advisory Board for Protection of Environment (ABPE)
2. Anti-Corruption Agency (ACA)
3. Civil Aviation Authority of Kosovo (CAA)
4. Central Bank of Kosovo (CBK)
5. Central Census Commission (CCC)
6. Central Election Commission (CEC)
7. Committee on Bar Examination
8. Energy Regulatory Office (ERO)
9. Independent Board for Review of Tax Appeals (ITARB)
10. Independent Commission for Mines and Minerals (ICMM)
11. Independent Media Commission (IMC)
12. Kosovo Competition Commission (KCC)
13. Kosovo Council for Cultural Heritage (KCCH)
14. Kosovo Judicial Council (KJC)
15. Kosovo Judicial Institute (KJI)
16. Kosovo Pension Savings Trust (KPST)
17. Kosovo Property Agency (KPA)
18. Legal Aid Commission (LAC)
19. Office of Auditor-General of Kosovo (OAG)
20. Ombudspersons Institution in Kosovo (OIK)
21. National Agency for Protection of Personal Data (NAPPD)
22. National Council of Science (NCS)
23. The Privatisation Agency of Kosovo (PAK)
24. Procurement Review Body (PRB)
25. Public Procurement Regulatory Commission (PPRC)
26. Radio Television of Kosovo (RTK)
27. Railways Regulatory Authority (RRA)
28. Telecommunication Regulatory Authority (TRA)
29. The Water Council of Kosovo (WCK)
30. Water and Waste Regulatory Office (WWRO)

11. Such independent institutions would be the Procurement Review Body, the Independent Oversight Board for Civil Service, the Ombudsperson Institution etc.

Step 2: Pass a motion

Once the committee has identified a topic for its study it will pass a motion outlining what this particular exercise will encompass. The motion should be precise and focused and not for example: “the committee undertakes a study of the finances of Kosovo”, which is far too wide ranging and generic; or “ the committee commences a study of the hours the driver for the minister of finance was paid last year” which is too detailed and easily answered. An example of a reasonable motion would be “this committee undertakes a study of the use of ministry vehicles, drivers and other related expenses”. It is essential that the committee ensures the scope of its study complies with its mandate as specified in the annexes or the RoP of the AoK.12

Step 3: Inform the public

The transparency of the budget oversight exercise is also important. Out of principle, committee meetings should be open to the public and media so as to achieve the fullest possible exposure. Once the committee has decided to conduct a study into a matter, it should issue a short media advisory. This will showcase the work of the committee and may result in the information from external sources being made available to the committee. Once a schedule of meetings has been set, the committee should notify the media duly. Advising media in advance of the subject matter of a committee study along with information on what witnesses will be in attendance is a good way to ensure coverage of the committees business. A close working relationship with the media will help ensure that factual information is reported and unfounded allegations can be refuted before they become public. If media and the public are in attendance at a committee meeting, the chairperson should make every effort to keep the meeting open. If certain sensitive issues that could reveal commercially sensitive material can only be discussed in camera, then this should take place close to the end of the time allocated for the hearings.

Optional: Conduct site visits

It is common for committees in fulfilling their duties to conduct site visits to gain a greater understanding of the ministry’s work. In general, site visits are arranged in advance with notice given as to the time and place when the committee will visit. On exceptional occasions a committee may organize unannounced visits. This should only be done when a compelling reason for doing so is determined. A site visit can be useful in a number of areas, but it is not a replacement for a formal committee meeting.

12. Assembly of Kosovo, RoP, Annex 2:Scope of Work and Responsibilities of the Parliamentary Committees, 23 April 2010

Examples of where site visits would be useful would be visits to seniors' homes to discuss care and accommodation issues, visits to prisons or other institutions where having witnesses appear before the committee would be difficult. If visiting a vehicle repair facility, a demonstration of parts tracking ability, the vehicle maintenance schedules and other areas that could not be demonstrated at a committee meeting should be investigated. The conversations with employees can be used as testimony for the purposes of a committee report if transcripts of the conversations are produced. If the committee decides that such testimony is important then these employees should be added to the witness list for the formal meeting.

Step 4: Request documents

Prior to calling any witnesses to testify, the committee should make a request for documents to the ministry. It is important to specify that, where available, the ministry should provide documents in electronic format.

Returning to the example on vehicle usage by a ministry, documents requested would include: For the past three years for the ministry:

- The number of drivers employed and how much they were remunerated
- The make and model of vehicles that were purchased and at what cost
- The cost of fuel and repairs in each of the past years
- If trips were made for outside of government business, provide the names of those driven and the purpose of the trip

Committee members should be allowed to request any other documents relevant to the study that they think is necessary. Once the list of key documents is completed, it is customary for the chair to give members 24 hours after the planning meeting to add further documents to this list. The request for documents should include a deadline for response of no more than 7-10 days. Requests for documents must be made in written form by the committee coordinator.

Step 5: Review of documents and questions

After receiving and reviewing the documents, the committee should look for anomalies such as very high or very low costs year over year. The committee should also look for any expenses that are not associated with a ministry programme, not covered by the procurement plan or cannot be regarded as government business.

Documentation gathered by the committee should not be released to the public by committee members until after the report of the committee has been tabled in the Assembly. Sensitive or classified documents reviewed in camera should never be released or its specific contents

discussed, doing so would jeopardize all committees' ability to function in the future. Should the committee need additional documents, it should submit a supplementary request for documents to the Ministry. As the original request, this request will be submitted in writing by the committee coordinator.

Based on the review of documents the committee will generate questions for the minister or responsible senior public officials in the ministry and any external institution that may have relevant information regarding the subject of the study. Based on the list of question, the committee will prepare a list of witnesses for a public hearing. The witness list should include all witnesses proposed by committee members. Depending on the study it may be required to invite non-governmental employees, for example civil society members and winning and/or losing bidders of contracts. Civil society representatives should be invited as witnesses to the public hearing whenever a committee is studying a ministry/agency or program that could affect the stakeholders that these groups represent. An added benefit of including civil society groups in the work of the committee is that apart from the valuable input that may be derived from their presence, media attention of a positive nature is more likely to be earned.

Step 6: Prepare and hold an oversight hearing

Once the witness list is prepared, the committee needs to agree on a date and venue for the oversight hearing. The committee co-ordinator will prepare written invitations and circulate them to all witnesses to be invited to the hearing. The hearing should be scheduled no sooner than one week after the invitation is sent in order to allow witnesses adequate time for preparations. In the invitation, the committee co-ordinator should clearly specify the purpose of the hearing, indicate whether it is public or not, and include a tentative agenda. It should also include a request for a written statement by the witness to be submitted to the Committee in addition to the oral testimony.

Wherever possible the committee hearing should be conducted in public with ample time (of at least 10 minutes) allocated for brief opening statements by the witnesses and time for questions to be put to the witnesses by committee members. The chairperson has the responsibility to ensure that questions are relevant to the study topic. Questions that fall outside the parameters of the study should be ruled out of order. The witness should be given adequate time to respond to questions made.

During committee meetings, the committee co-ordinator must be aware of what testimony is being given and take notes of all relevant sections. The co-ordinator should make every attempt to read all relevant material prior to the start of the hearings. In order to remain objective, committee co-ordinator have to remain neutral. The co-ordinator shall make comprehensive notes of all relevant testimonies, regardless of opinions about the veracity of statements that members of the committee may voice. Committee members will determine the credibility of the evidence provided when they decide on its inclusion in the final study report.

Step 7: Draft and publish the Report/Study

Once all documentation has been received, the committee should begin writing the study report. The RoP of the AoK clearly stipulate that a report from the committee should follow the completion of the committee study.¹³ The committee co-ordinator will have taken notes of pertinent testimony at the public hearing. This testimony will likely form the backbone of the report. In addition, committee members may add other information that they thought were relevant to the report.

The report should be comprehensive and readable by actors from outside of the Assembly, or those with limited knowledge of the committee work and subject area. Committee reports should always follow a defined standard format. The readers should understand what took place during the study and, most importantly, they should be able to recognize why the recommendations were made. The final paragraphs of the report should include the conclusion reached and recommendations made. On occasion that the report contains recommendations for the government, the committee should request the ministry to respond within six months on the implementation of these recommendations.

It is a good practice for the Committee to submit the draft report to the ministry for their review, granting the ministry 7-10 days for submission of their comments. This ensures the detection of possible errors in the report. The Committee may then decide to amend the draft report in light of those comments.

Once a final draft is produced, the committee should vote on each section of the report and on each recommendation separately to ensure concurrence at all stages.

If some Members of the committee feel that the any part of the report does not agree with their view of either the testimony given or the conclusions made they may submit a dissenting opinion that can be no longer than the original report. This dissenting opinion will be submitted to the plenary along with the adopted report.

Upon the completion of the report, the Chairperson of the committee will present the report to the Assembly during a plenary session. If the Chair is absent, any member of the Committee may present the report on behalf of the Committee. Further procedure dictates that the report may be debated during this plenary session, and finally put to a vote.

In the event that the committee discovers information that could lead to criminal or civil charges, the committee should advise the appropriate institutions so that they may conduct their own investigation. It is a long-standing rule in most Assembly systems that testimony and documents gathered by a Committee cannot be used in either civil or criminal proceedings. There is nothing, however, to stop the competent institutions from conducting their own enquiries. Committees should also request watchdog institutions to investigate situations where corruption or maladministration is

13. See Article 67 RoP, Assembly of Kosovo²⁹ April 2010;

suspected. This usually takes the form of a recommendation from a committee study or as a formal request submitted by the Committee.

As committee reports are public documents, the committee coordinators should ensure that they are widely disseminated. The report should be posted on the official website of the Assembly in both official languages, and in English.

Step 8: Review of documents and questions

Record keeping is of paramount importance in oversight. All evidence gathered, testimony heard as well as the final study report should be kept in an easily accessible manner. It is common for a committee to revisit the same issue within a year or two; the records can prove to be very important in this regard.

Keeping record of all interactions with the ministry and other external stakeholders in the study is the duty of the committee coordinator. As a rule, all correspondence should be done in written form. The committee co-ordinator immediately follows up every phone call received from the ministry or witnesses with an e-mail or letter describing the conversation and the decision made. Responses should always be requested in written form with a defined timeline when a response is requested. This paper trail protects the committee in cases of dispute and is required for the study file the committee will need for future reference.

Manual on Budget Oversight for Kosovo Assembly Committees

April, 2014

