PMC – POLICY AND MANAGEMENT CYCLE

SUMMARY NOTES

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Government of Flanders

Agentschap Binnenlands Bestuur *(Agency for Home Affairs)*, Local Finances division

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1. WHAT IS PMC?

PMC is an acronym that stands for 'Policy and Management Cycle'. It is the concept and instrument which the Flemish local authorities have been using since 2014 for the planning (the multi-year plan, which sets out the objectives to be achieved and the actions to achieve them), implementation (the bookkeeping) and evaluation (the annual accounts) of their operations.

2. WHO USES PMC?

Most Flemish local authorities have been using PMC since 2014. Previously, the financial instruments of the local public sector in Flanders were highly variegated. Each of these instruments had its own distinct set of features that had their benefits and drawbacks. To this very day, not all entities of the Flemish local and provincial authorities have adopted PMC as a strategic and financial instrument:

	2010	**2020**
Core authorities		
Municipalities	NMA (new municipal accounts)	PMC
PSWC (public social welfare centres)	NPP (new PSWC policy instruments)	PMC
Provinces	NPA (new provincial accounts)	PMC
Autonomous entities under public law		
Autonomous municipal companies	Company accounts	PMC
Welfare associations	Company accounts	PMC
Autonomous provincial companies	Company accounts	PMC
Other		
Intermunicipal partnerships	Company accounts	Company accounts (PMC may be used for project associations)
Police zones	NMA	NMA
Aid and assistance zones	NMA	NMA

Authorities of denominational creeds	Cash-based accounting	Cash-based accounting
Autonomous entities under private law	Company accounts (not-for-profit organisations)	Company accounts (not-for-profit organisations)
Miscellaneous (semi-)public functional ad hoc authorities	Miscellaneous (determined by sectoral regulations)	Miscellaneous (determined by sectoral regulations)

3. HISTORY AND LEGAL BASIS

The Agentschap Binnenlands Bestuur ABB *(Agency for Home Affairs)* worked up the PMC concept over the 2007-2010 time frame. The decretal basis was set out in the decrees establishing the organic regulations for the municipalities, the PSWCs and the provinces[1]. It was the Government of Flanders Order of 25 June 2010 on the Policy and Management Cycle of the municipalities, the provinces and the PSWCs, in application of the said decrees, that set forth the bulk of the provisions on PMC. A Ministerial Order of 1 October 2010 established the model schedules and the charts of accounts.

From 2011 forward, the first municipalities and PSWCs (the 'pilot authorities') started implementing PMC, with the support of and in close consultation with the ABB. The software suppliers too were a highly important player. Over the years that followed, an increasing number of authorities got on board of the new system. Since 2014, all municipalities, PSWCs, provinces and their autonomous entities under public law have been implementing the PMC rules.

Over the course of 2015, the ABB embarked on a comprehensive assessment of PMC. The agency enquired among all parties involved as to how they experienced working to the PMC rules and established whether they were achieving the objectives pursued (see point 6). The main conclusions of the assessment, along with proposals for amending the regulations, were summarised in a draft memorandum discussed and adopted by the Government of Flanders on 15 July 2016. This resulted in an amended set of regulations, which is set to apply from 2020 forward to all authorities required to adopt PMC[2].

The current PMC regulations are detailed in:

- the Decree of 22 December 2017 on local governance and the Provincial Decree of 9 December 2005. The Decree on local governance:
    - is the basis for the sweeping amalgamation of the municipal authority and the PSWC, albeit that both authorities remain separate legal entities;

[1] The Municipal Decree of 15 July 2005, the Decree of 19 December on the organisation of the public social welfare centres and the Provincial Decree of 9 December 2005.
[2] Each authority was allowed to choose to introduce the new rules from as early as the 2019 financial year.

- considers the municipal authority and its PSWC as a single reporting entity for the purpose of for PMC: they have shared objectives, shared policy reports (see point 9) and a single financial break-even for both administrations (see point 10). Given their separate legal personalities, the two budgetary entities have separate appropriations and they are able to create separate annual accounts for specific reporting purposes.

- the Government of Flanders Order of 30 March 2018 on the Policy and Management Cycle of local authorities;
- the Ministerial Order of 26 June 2018 establishing the models and the detailed requirements of the policy reports, the charts of accounts and the digital reporting of the Policy and Management Cycle (the schedules and the charts of accounts are attached).

4. (INTERNATIONAL) FRAMEWORK

As part of the conceptual development of PMC, the ABB expressly looked at the international trends in public governance and public accounts as well as the financial reporting duties for public institutions. PMC works according to:

- the theory of New Public Management in the way it was established in the Anglo-Saxon world in the 1990s. Its key elements are task-specific government organisations (with the emphasis on a strategic planning and evaluation cycle with objectives, measurable indicators and a multi-year horizon) with an output-led focus (less focused on input or processes);

- the international reporting duties under the ESA 2010 (European System of National and Regional Accounts) and the COFOG (Classification Of the Functions of Government)

  - Regulation (EU) no. 549/2013 of the European Parliament and of the Council of 21 May 2013 imposed the ESA 2010. ESA is a macroeconomic and statistical system. It acts as the basis to generate statistics on the economies of the EU Member States (of which the 'government' is a specific sector). For the governments (including the local authorities), the ESA system serves as the calculation basis for the budget balances (the 'ESA net lending balance') and the public debt.
  - The COFOG classification ranks the expenditures and revenues of all authorities according to their allocated purpose: the contracts, the objectives or the policy priorities of the government. The OECD devised the COFOG in association with various other international institutions. On 5 October 1999, the Belgian Inter-Ministerial Conference of Finance and Budget decided to introduce the COFOG 1998 rules for all budgets of the Federal and the Regional authorities.

- Other international standards or recommendations which the ABB took into account:

- Council Directive 2011/85/EU of 8 November 2011 establishing the requirements for the budgetary frameworks of the Member States (which, in amongst other elements, requires local authorities to report on their revenues and expenditures on a cash basis every quarter);
- recommendations from the Council of Europe which, in amongst other elements, say that:
    - the budget must do more than merely support the authorisation function;
    - the budgetary system must be linked with the financial accounts and the management accounts;
    - the budget is to set out the objectives to be achieved per policy area;
    - the budget is also to set out non-financial benchmarks such as the objectives to be achieved;
    - annual accounts should also provide information about the degree of accomplishment of the objectives.
- international accounting standards (the so-called International Public Sector Accounting Standards or IPSAS) as prepared by the IPSAS Board[3]. The standards are aimed at ensuring the worldwide legibility and comparability of the financial statements of (individual) government organisations. Every legislative body is free to decide whether or not to implement IPSAS (something which the EU, NATO and the OECD have already done). Moreover, the European Union is examining whether it would be expedient to work up a European variant of the IPSAS (the 'EPSAS'), which would be imposed on the European Member States.

5. THE POLICY AND MANAGEMENT CYCLE EXPLAINED

PMC consists of a policy cycle and a management cycle which are greatly interconnected.

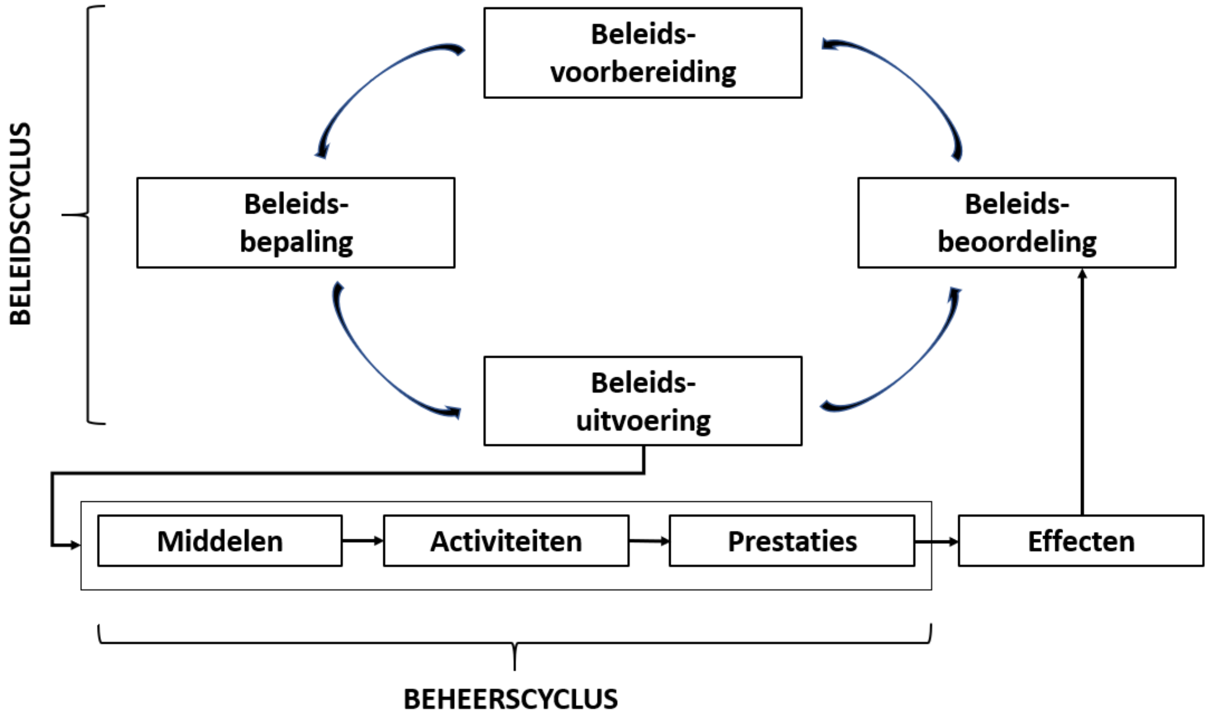
An authority needs to determine which societal issues it faces and how it means to tackle these issues. This results in the planning of the policy or the fielding of objectives and action plans to accomplish these objectives. The next step is for this authority to put the planned policy into practice (implementation). The said authority is to subsequently evaluate whether the policy as conducted effectively delivered results (evaluation), enabling it to remedy the planning. The succession of these phases (planning, implementation, evaluation, remedial action) is what is known as the policy cycle. The policy cycle first and foremost focuses on the efficacy of governance.

In order to implement the policy, the authority has resources or input (money, staff, ICT facilities, arrangements with societal stakeholders, etc.) which it converts, by way of activities, into services and service delivery (output). These services are not an end in themselves. They are meant to produce the desired effects. In other words: the output delivered needs to ensure the implementation of the planned activities and the accomplishment of the objectives. The

[3] The IPSAS Board is part of the IFAC (International Federation of Accountants).

management cycle is aimed at the (internal) organisation process and focuses on the efficiency of the governance (the input to output ratio).

The PMC regulations are looking to reinforce the link between the two cycles. Management is to align the activities in the organisation (the management cycle) to the objectives to be achieved (laid down in the policy cycle). The flow chart below helps to clarify matters.



6. PMC PURPOSES

Through the PMC regulations, the Flemish government is looking to achieve various goals:

- it links the financial aspects (appropriations) to the substantive aspects (objectives and action plans) of the policy, both in the planning and the reporting phase;
- it connects the policy (strategy) with the management (implementation);
- it links the policy planning over the medium term (6 years) with the short term;
- it ensures the tenability of the local public finances in the longer term;
- it provides usable, transparent and reliable policy reports and especially protects the 'vulnerable information users':
    - the local councils and the Flemish government are the main users of the policy reports. They put in place important decisions based on these reports, but they can only do so

based on the information made available to them. They do not have direct access to the underlying information sources;
  - the regulations provide them with a framework and a point of reference by establishing the minimum content of the ‘policy reports’ and the ‘accounting rules’ by law;
  - the executive bodies (e.g. the Board of Mayor and Aldermen, the Permanent Bureau, etc.) and the management are internal, and consequently high users. They have direct access to the information and are able to compile all the reports they see fit.
- it strikes the right balance between peremptory provisions that have been laid down by law on the one hand (in amongst other things so as to ensure sound reports for the vulnerable information users) and the degrees of freedom of every local authority on the other;
- it aligns the rules for the policy and the management of the Flemish local authorities with the applicable international standards and reporting duties in the public sector.

7. BOOKKEEPING / ACCOUNTING CODE

The accounts in PMC consist of an integrated system of the budgetary and the general accounts. They allow for analytical accounting.

In the budgetary accounts, the authorities record their revenues and expenditures. This is also the tool through which they monitor the implementation of the multi-year plan and the revenue and expenditure estimates detailed in the said plan.

In the general accounts the authorities record their assets (land, buildings, equipment, shareholdings, cash), liabilities (equity, debts), costs and proceeds (which also includes non-cash costs and proceeds, such as amortisations, provisions, value impairments and revaluation gains). The final result is a balance sheet and a profit-and-loss account (a detailed statement of costs and income).

An entry in a budget-based ledger in the general accounts is automatically also shown in the budgetary accounts (journals). This prevents the local authorities from having to duplicate their entry efforts.

The compulsory entries in the accounts enable local authorities to compile all policy reports (see point 9) and for the Flemish government to receive the digital reports on the data of these policy reports.

Each authority is free to expand the official, compulsory recording system at its own discretion, so that it acts as the basis for its own management information system or for its own analytical accounts or management reporting (control reports). The software systems allow for additional dimensions (e.g. cost centres) to be recorded over and above the accounting code required as a minimum.

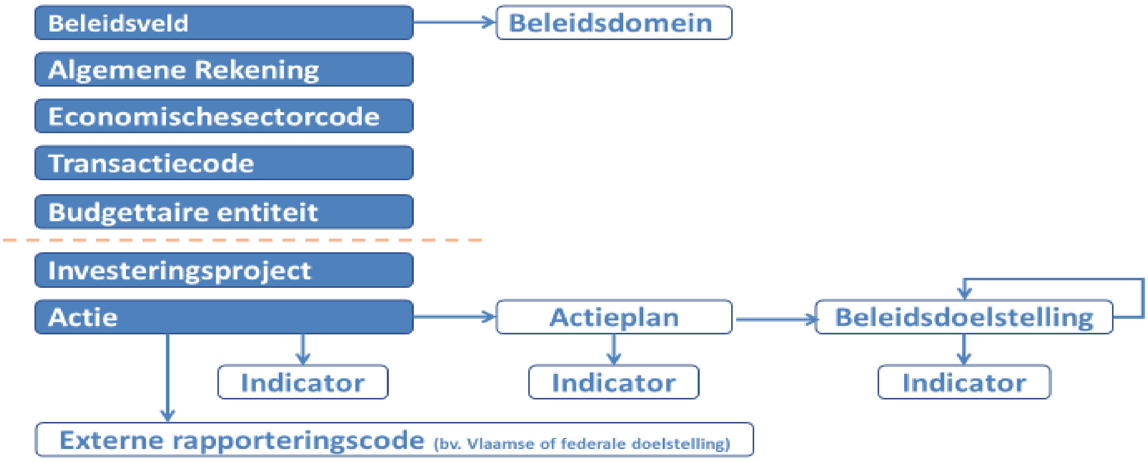
The accounting code shows which elements an authority is to record at a minimum when entering every single revenue or expenditure in the budgetary accounts (articles 83 and 86 of the Government of Flanders Order on PMC of 30 March 2018) and with every accounting entry in the general accounts (article 90 of the same Government of Flanders Order). The accounting code for every budgetary transaction is (see point 8 for further background information):

- a consecutive serial number per journal or ancillary journal;
- an entry date;
- the financial year;
- the code for the budgetary entity;
- the general ledger;
- a reference to the policy field;
- as applicable, a reference to the economic sector code;
- as applicable, a reference to the action;
- as applicable, the investment project;
- the amount;
- a description of the transaction;
- the third party with whom the undertaking was entered into;
- a reference to the commitment of the transaction (for expenditures).

8. ACCOUNTING CODE AS THE BASIS FOR UNDERSTANDING PMC

The local authorities implementing PMC need to provide their policy reports (see point 9) to the supervisory Flemish government (see point 12) in digital form. These digital reports do not need to include all underlying individual estimates (of the multi-year plan) or transactions performed (of the annual accounts). What is to be provided is a global report of those elements of the accounting code which the Flemish government requires to prepare its policies and for the compulsory ESA and COFOG reports (see point 4).

The listing of these elements from the budgetary accounting code that are required for the digital reports are a good way to get to know the terminology and the substance of PMC. The seven dimensions of the digital reports are:



1. The policy field

A policy field is an area of policy that is defined in terms of its content[4]. The authorities are free to cluster several policy fields into (self-chosen) policy areas and further break down policy fields into (self-chosen) policy items.

The Flemish government has laid down the policy fields in a "standardised system of policy fields". This allows the local authorities (and the Flemish government) to functionally report in a uniform manner (on which things the money is being spent) and to comply with COFOG (see point 4).

2. General ledger

Every expenditure or revenue is also to be recorded according to type[5]. For this too, the Flemish government has imposed a 'standardised system of general ledgers for budgetary transactions' (same as a 'standardised system of the general ledgers' for the general accounts). Here too, the local authorities are free to further refine ledgers into sub-accounts to better meet their own information needs.

These accounts enable the local authorities (and the Flemish government) to report in an economic sense (according to the type of expenditures or revenues).

[4] Examples of policy fields are 'land policy for housing', 'counteracting slum dwellings', 'sites for travellers', 'other housing policy', 'sports sector and sports association support', 'sports promotion and events', 'sports infrastructure', 'other sports policy', etc.
[5] Examples of expenditures according to type include 'expenditures for goods and services', 'expenditures for tenured staff', 'operating grants awarded', etc.

The budgetary revenues or expenditures (and consequently all accounts) break down into three major categories :

- operations;
- investments;
- financing (especially revenues and expenditures for new loans and the repayment of loans taken out previously).

3. Economic sector code

The European System of Accounts breaks down the economies of the Member States into different sectors (including the sector ‘government – 13’) and sub-sectors (including the sector ‘local government – 1313’).

This component of the accounting code shows from which sector a particular expenditure goes to which other sector (or from which sector a particular revenue derives). For instance, the Municipal Fund grant which the Flemish government pays an authority becomes a grant from the ‘Regional government’ sub-sector to the ‘local authorities’ sub-sector. A grant paid by a municipal authority to its autonomous municipal company is an expenditure that remains within the ‘local authorities’ sub-sector.

Here too, the Flemish government has laid down the economic sector codes in a standardised system. These codes not only allow all parties involved to comply with the ESA reporting duties (see point 4) but also to send in their reports on a consolidated basis (e.g. on the expenditures of the joint ‘municipal authority, PSWC, autonomous municipal company and welfare association under public law’ group).

4. Transaction code

The transaction code shows whether the transaction is a revenue or an expenditure, or a debit or a credit transaction[6].

5. Budgetary entity

The codes for the budgetary entity specify the legal person within the accounts. For instance, the municipal authority and the PSWC are separate budgetary entities. By showing the budgetary entity for each transaction, separate reports can be generated for the municipal authority and the PSWC, even though the Decree on local governance considers them as a single reporting entity for the policy reports.

[6]Debit or credit transactions are part of the economic accounts.

Autonomous municipal companies, welfare associations, district or project associations (intermunicipal partnerships for which a municipal authority may act as the managing municipal authority) are distinct budgetary entities too. This enables a local authority to keep the PMC accounts of several entities from one and the same accounting system.

6. Action

The substantive component of PMC includes a hierarchy of policy objectives, action plans and actions. Policy objectives (POs) define what it is the authority is looking to achieve (effects). Action plans and actions show what it is the authority will be doing to accomplish this (service delivery or output). An authority can link effect or output indicators to the policy objectives as well as to the actions or the action plans.

The PMC philosophy works on the assumption that local authorities will try and translate as much as possible of their municipal activities into policy objectives, action plans or actions and that they will allocated as much as possible of the available appropriation to policy objectives, action plans or actions (in the phase of the estimates or the budgeting).

- Priority action plans (or actions) area actions which the municipal council is expressly looking to include in the policy reports. The policy objectives under which a ‘priority’ action or action plan comes are automatically designated as priority policy objectives.
- In addition, there are the other (non-priority) policy objectives and action plans or actions.
- Finally, there are (local) policies that are not linked to actions, action plans or policy objectives.

Which means local authorities are able to assign an expenditure to an action (and in doing so, also to an action plan and a policy objective, given the hierarchy that exists between the latter). If the expenditure or revenue is part of policy without action or policy objective, they will not enter up this segment.

Local authorities may also link the ‘action’ dimension to other objectives. In some cases, Flemish or Federal government institutions will award (sectoral) grants to local authorities where the latter meet certain objectives or policy priorities. Some actions (and the revenues and expenditures associated therewith) that are performed as part of these objectives or policy priorities are linked thereto. This acts to facilitate the local authorities’ reports on the transactions carried out as part of these Flemish or Federal objectives.

7. Investment project

Local authorities can follow up on investment projects more specifically. For each priority action (or priority action plan) involving an investment, the authority is to create an investment project.

An investment project may contain both expenditures and revenues (e.g. an investment grant). For transactions that do not come under the investments, this part of the accounting code is to be left blank.

9. POLICY REPORTS: MULTI-YEAR PLANS AND ANNUAL ACCOUNTS

The policy reports are the reports which the Flemish legislator standardised in order to protect the vulnerable information users (the municipal council and the supervisory authority) (see point 6).

PMC has 3 policy reports: the multi-year plan, the adjustment of the multi-year plan and the annual accounts. The layout of the policy reports will be changing starting from 2020, further to the in-depth assessment of PMC in recent years (see point 3).

- The budget is no longer a separate policy report. The multi-year plans include the authorising appropriations for a given year (see point 11). This will mean fewer policy reports than before.
- Moreover the content of the policy reports has been simplified and made more transparent. To ensure optimum comparability, the various components of the multi-year plan and the various components of the annual accounts have been aligned as widely as possible. Together, these policy reports and the pertaining schedules are intended to accomplish the PMC objectives (see point 6).

MULTI-YEAR PLAN	ANNUAL ACCOUNTS
Strategic note Description of policy objective (PO) with priority actions (and expected revenues and expenditures) Summary of POs without priority actions; Reference to summary of all POs, action (plans) and pertaining estimates.	**Policy evaluation** Description of level of accomplishment of PO and priority actions (and revenues and expenditures effected) Reference to summary of all POs, action (plans) with revenues and expenditures effected.
Financial note Schedule M1: financial targets plan Schedule M2: financial break-even statement Schedule M3: summary of the appropriations	**Financial note** Schedule J1: targets account Schedule J2: financial break-even statement Schedule J3: accomplishment of the appropriations Schedule J4: balance sheet Schedule J5: proceeds and costs statement
Notes Schedule T1: expenditures/revenues functional Schedule T2: expenditures/revenues economic Schedule T3: investment projects Schedule T4: changes in financial debts Description of financial risks Description of bases and assumptions	**Notes** Schedule T1: expenditures/revenues functional Schedule T2: expenditures/revenues economic Schedule T3: investment projects Schedule T4: changes in financial debts Schema T5: notes to the balance sheet Valuation rules

Repository where documentation is available All other relevant information	Entitlements/obligations not recognised in the balance sheet Clarification of disparity between accomplishment and estimate Notes on affairs with 'exceptional impact' Notes on appropriations for investments carried forward
Documentation Environmental analysis Overall statement POs and action (plans) Operating and investment grants awarded Constitution of policy areas Summary of affiliated entities Staff deployment Summary of proceeds according to tax type All other relevant information	**Documentation** Summary of all POs, action (plans) with revenues and expenditures effected Operating and investment grants awarded Constitution of policy areas Summary of affiliated entities Staff deployment Summary of proceeds according to tax type All other relevant information

10. WHEN ARE AUTHORITIES' ACCOUNTS BALANCED?

The PMC regulations say that an authority's accounts (municipal authority and PSWC) are balanced when the multi-year plan, or the adjustment thereof, complies with two requirements:

- the '<u>available budgetary result'</u> needs to be positive each year. This means that the cumulated total revenues each year need to be at least as high as the cumulated total expenditures (a 'balanced status')[7];
- the <u>auto-funding margin (AFM)</u> needs to be positive in the final year of the multi-year plan. This means the operating balance at the end of the multi-year plan period must be sufficient to cover the periodical repayments (a 'structural balance'). Put differently: what is left of the operating revenues after all operating expenditures as well as the periodical repayments of loans taken out have been paid, is the AFM, or the margin which a local authority has to conduct new policy (e.g. making new investments).

The following elements are also of relevance in respect of these requirements:

- the appraisal as to whether the requirements are met is made to occur as part of the planning (multi-year plan or the adjustment thereof), not afterwards as part of the evaluation and the reporting in the annual accounts (see point 12);

[7] As such, the total revenues and expenditures relate to the operations, the investments as well as the "miscellaneous" (see point 8.2)

- both requirements are linked. It may seem easy to enough to meet the “positive available budgetary result” requirement by posting extra loan revenues. But extra loans will weigh down on the AFM through the periodical repayments of these loans;
- authorities are to include two additional indicators (not requirements) in their policy reports:
    - the adjusted AFM, whereby all financial debts (including those debts which the authorities are not required to repay in set instalments, but only at the end of the term of the loan) is to be factored in;
    - the consolidated AFM or the AFM for the municipal authority, its PSWC and all its autonomous municipal companies combined.

11. ROLE OF THE MUNICIPAL COUNCIL: ‘AUTHORISATION’ VERSUS ‘REPORTING’

From a conventional perspective, a budget is an *authorising* instrument with *limitative* appropriations. Through its adoption of a budget, the municipal council (or another legislative body) authorises the Board of Mayor and Aldermen (or another executive body) to collect taxes and make expenditures. This is the ‘authorisation function’ of a budget.

The budgets assigned by the council are limitative. Each appropriation is intended for a specific policy (principle of specialisation). The expenditures are not permitted to exceed this limitative appropriation. If the CBS wishes to spend more on a given policy than there are appropriations, the municipal council needs to approve a budget adjustment.

After the assessment of PMC, the budget is to be integrated into the multi-year plan starting from 2020. This does not mean that the authorising nature of the planning ceases to apply. The estimates for the first financial year of the original 6-year multi-year plan constitute the appropriations for that first year. The figures in the multi-year plan for the following years (year 2 to 6) are not ‘authorised’ appropriations, but ‘just’ estimates. As part of the consecutive annual adjustments of the multi-year plan, the council adopts the appropriations for the following financial year.

The legislator has enshrined the principle of specialisation in PMC at a ‘high’ level. The expenditure appropriations are restricted to the level of ‘the sum total of the operating expenditures’ and ‘the sum total of the investment expenditures’. This will require considerably fewer adjustments to the multi-year plans than was previously the case.

Having the council direct the executive body first and foremost based on substantive policy choices, rather than based on the monitoring of appropriations and the authorisation is a deliberate decision

It is the power and the obligation of the executive body and management to set up an internal appropriations monitoring system. However, there is the obligation for the council to be provided with interim reports on the policy implementation. At a minimum, the executive bodies are to provide the councils an interim status update (on the status at the end of the semester) before 30 September of each year. This report is to contain:

- a status update of the priority action (plans) and the associated policy objectives;
- a summary of the estimated and effected revenues and expenditures of the current financial year (according to the schedules J1 and T2 – see point 8);
- as applicable, changes in the assumptions underlying the estimates or changes in the financial risks to which an authority is exposed.

12. WHO SUPERVISES THE POLICY REPORTS?

First and foremost: the policy reports must be made public and accessible to all. The municipal authority and the PSWC are under obligation publish the (adjustments of the) multi-year plans and the annual accounts in full on the municipality's website. The same goes for the policy reports of the autonomous entities under public law (autonomous municipal companies and welfare associations).

The Flemish government conducts the organised administrative supervision of the finances of the Flemish municipalities, PSWCs and their autonomous entities under public law. This administrative supervision conducts the general superintendence of the multi-year plans and an approval supervision of the annual accounts. In order to enable this supervision, the local authorities are required to do two things for the Flemish government:

- report when they published the policy reports on the website (in PDF format) in order to provide access to the policy reports;
- provide the digital reports about the data of the policy reports (see also point 8).

The Flemish government is required to step in and annul the multi-year plan[8] (within 50 days upon receipt):

- if the councillors have not been provided with all relevant information (e.g. regarding the financial risks) in order to arrive at an informed decision on the multi-year plan with full knowledge of the facts;
- if the accounts in the multi-year plan do not add up, or if the accounts are balanced only based on fictitious data;
- if the multi-year plan provided to the councillors does not match the digital reports which the local authority sent in to the Government of Flanders;

[8] All adjustments to the multi-year plans are subject to the same rules.

- if the expected revenues or expenditures were unjustly included in or unjustly left out of the multi-year plan.

The Flemish government will approve the annual accounts (within 150 days upon receipt) only:

- if the councillors have been provided with all relevant information;
- if the annual accounts are accurate and complete and provide a true and fair picture of the financial situation;
- if the annual accounts that have been provided to the councillors are consistent with the digital reports;
- if the budgetary and the general accounts match up

13. ORGANISATIONAL CONTROL

The Policy and Management Cycle is not synonymous with 'organisational control' or 'internal auditing'. Organisational control is a much broader concept, which the Decree on local governance defines as "*a set of measures and procedures designed to deliver a reasonable degree of certainty that (the local authorities)*

1° will achieve the objectives established and are aware and in control of the risks in order to achieve them

2° are acting in compliance with the legislation and the procedures

3° have reliable financial and control reporting procedures in place

4° are operating efficaciously and efficiently and are committing the available resources economically

5° are acting to protect the assets and to prevent fraud."

Control means: to give guidance, direction and to have under control. This enables the organisation to do the right things and to do things right. This control is situated at the global level of the organisation, as well as at departmental and process level. Each organisation has core processes, supporting processes and management processes:

- core processes are aimed at delivering products and services to outside parties (e.g. issuing planning permission);
- management processes direct the organisation (e.g. preparing the objectives framework);
- supporting processes help to accomplish the core processes and the management processes (e.g. ensuring the continuity of the ICT systems by creating back-ups).

Proper organisational control has structural control measures in various areas. Audit Flanders, the independent Flemish entity tasked with auditing the organisational control of the Flemish local authorities, distinguishes 10 topics for which control measures need to be devised:

- objectives and process management
- Stakeholder management
- Monitoring
- financial management
- organisational structure
- staff policy
- organisational culture
- information and communication
- facility resources, assignments and contracts
- information and communication technology

The concretisation of the Policy and Management Cycle in a local authority in itself is made up of a set of management processes (e.g. the preparation of a framework of objectives, action plans and actions) and supporting processes (e.g. keeping the accounts). It contributes to the topics 'objectives and process management', 'financial management', 'monitoring' and 'information and communication'.

The general director establishes the local authority's organisational control system, further to consulting with the management team. Each year (before 30 June of the following year), he is to report on the organisational control to the executive body as well as to the council.

14. HOW TO TRANSACT EXPENDITURES?

The PMC regulations have a few provisions that are compulsory for the local authorities in the way they lend shape to their organisational control. These provisions mainly relate to reliable financial reports (see points 8, 9 and 12), but also to the way in which expenditures can be lawfully transacted (the 'expenditure cycle').

In order to enter into new commitments (recruiting new members of staff, purchasing new vehicles, deciding to build new cycle lanes, etc.), the following rules apply:[9]

- These expenditures may be incurred only if they are in keeping with the limitative appropriations of the current year and if the financial implications during the multi-year plan period come within the estimates of the multi-year plan;
- the prior visa[10] of the financial director is needed (if the commitment results in an 'outgoing net cash flow');

[9] There are a few exceptions to these rules.
[10] The financial director is to investigate whether a proposed commitment was lawfully entered into in observance of all applicable rules and procedures and whether sufficient appropriations are available.

- if no executable appropriations yet exist for the current financial year (no approved adjusted multi-year plan), local authorities are only allowed to enter into commitments:
    - which pertain to the authority's operations and which relate to everyday operations or the existing service delivery (i.e definitely no new investments);
    - which were approved by the municipal council in advance[11].

In order to effectively transact expenditures as part of existing commitments (paying staff salaries, paying bills from car dealerships, paying bills from contractors, etc.), the following rules apply:

- these expenditures are permitted only if sufficient appropriations are available for that particular financial year (and after the commitment and the billing thereof have been duly posted in the accounts);
- the general director and the financial director are to sign off on all non-cash payments[12];
- if no executable appropriations exist yet for the current financial year, local authorities may incur expenditures only:
    - for commitments taken on before the start of the financial year;
    - for new commitments which pertain to the authority's operations and which relate to its everyday operations and existing service delivery.

15. PMC AND THE AUTONOMOUS ENTITIES

PMC not only applies to the core authorities (municipalities, PSWCs, provinces) but also to their autonomous entities under public law. However, certain elements of the PMC regulations do not apply to them or to a lesser degree:

- for the revenue and the expenditure cycle (see point 14), these entities are free to work up rules of their own (if not, the rules of the parent authority apply);
- the auto-funding margin is an indicator but not a requirement to them (see point 11). Only the result available on the budget is an annual requirement, except for entities whose statutory remit revolves around "real property transactions".

[11] The former "provisional twelfths" regime no longer exists.
[12] This power may be delegated.