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Budgeting in the Judicial System 2011 – 2015



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Overview

This report aims to improve budget planning in the Georgian judicial system, which, we believe, will help advance the system. Although the High Council of Justice (HCoJ), the Department of Common Courts and the High School of Justice (HSoJ) are all responsible for running the system, this report's focus is on the process of budgeting at the High Council of Justice and the Department of Common Courts, the two agencies responsible for the development of the judicial system.

The High Council of Justice (HCoJ) of Georgia plays a crucial role in the administration of the judicial system. It is responsible for providing guarantees for independence, effectiveness, quality assurance as well as the overall advancement of the judicial system. Creating necessary conditions for independence of the judiciary, the overall advancement as well as an effective administration of justice is impossible without a results-oriented budgeting.

Apart from this, because better qualifications of judges is a pre-requisite for the advancement of the judicial system, we also look at problems with budgeting at the High School of Justice, which is independent, the HCoJ having no legal role/responsibilities with respect to the School, including budgeting or any other matters, while the Department of Common Courts¹ is subject to the state control by the HCoJ. The HCoJ oversees spending by the DoCC as well as provides assurance that its activities are efficient, rational and in compliance with law. Therefore, the recommendations in this report are addressed to the HCoJ, the DoCC and the HSoJ.

This report examines:

1. how a sound budget planning can promote effective functioning of the High Council of Justice (HCoJ), the Department of Common Courts (DoCC) and the High School of Justice (HSoJ), including efficiency in their spending and transparency as well as accountability of the three institutions;
2. gaps in the budget planning by the HCoJ, the DoCC and the HSoJ as well as the overall budget planning and efficiency;
3. challenges of the budget planning: 2011-2015 budgets of the common courts, their fund requests², budget arrangement as detailed by the applicable legislation (the Law on General Courts) and internal regulations of the judicial system (HCoJ regulations, the DoCC regulations) and their implications for a sound budget planning.

This report uses concrete examples to illustrate how inadequate budget planning prevents the judicial system from improving. We present our recommendations to the High Council of Justice, the Department of Common Courts and the High School of Justice on:

- ✓ putting results-oriented budgeting in place as well as improving their overall budget planning,
- ✓ Institutionalizing bottom-up budget planning;
- ✓ delineating budget responsibilities of the HCoJ, the Department of Common Courts and the High School of Justice;

¹ Regulations of the Department of Common Courts, Article 17

² Budget spenders use single electronic budget planner to plan their budgets and request funding for their programs from the MoF.

- ✓ modifying budget planning tools and provide necessary training;
- ✓ creating a system of public internal financial control (PIFC) in the High Council of Justice, the Department of Common Courts and the High School of Justice by putting the Financial Management and Control (FMC) as well as internal audit in place ;
- ✓ costings of inputs against outputs/outcomes well in advance in their programs
- ✓ segregating duties in the finance departments of the HCoJ, the DoCC and the HSoJ to ensure that the funds are used for intended purpose as well as reduce other risks.

2. Problems

Examination of budget planning and spending by the High Council of Justice, the Department of Common Courts and the HSoJ revealed the following issues:

2.1. Centralized (top-down) budget planning in courts: Centralized (top-down) budget planning means that the general courts' budgets are drafted by the Department of Common Courts. Budget spenders, including the HCoJ, DoCC and the HCoJ use an electronic budget planner to request funding for their programs from the Ministry of Finance (MoF).

The general courts should be able to prepare their own budget requests through electronic budget planner and submit them to the Department of Common Courts for review as the courts know best what their needs are. The department should then make any necessary changes to the requests after consulting the general courts and use them to prepare the overall budget. The alternative budget request form, which, according to the Department of Common Courts, courts are free to use, is completely inadequate for a sound planning. We believe that preparing budget proposals should be the responsibility of court managers. Centralized (top-down) planning means that budgets are decided by the Department of Common Courts, not courts themselves, which means that the department sets spending priorities for all the 26 courts in the country. The top-down approach to budgeting makes it impossible to rationalize the process.

Neither the law nor internal regulations of the judicial system provide a detailed description of budgetary responsibilities of the HCoJ or the DoCC: HCoJ's role, as it stands, is to submit draft budgets of the general courts and the DoCC to the government³. Per HCoJ regulations, the Council also coordinates administration of budgetary, technical and judicial matters. The Department of Common Courts is not obliged by law to prepare its own budget requests. Nor is the HCoJ obliged to review the department's budget request to ensure that it is results-oriented.

As noted earlier, as per Article 17 of the Regulations of the Department of Common Courts, the department is subject to public control by the High Council of Justice, which oversees the departmental spending as well as provides assurance that its activities comply with law, are rational and efficient⁴. The HCoJ may request materials or information necessary to exercise public control and may revoke or suspend any unlawful decisions of the department.

³ Pursuant to Article 9 (r) of its Regulations, the HCoJ submits to the Government of Georgia (GoG) a proposal for the portion of funding assigned to the general courts and the Department of Common Courts in the State Budget of Georgia.

⁴ Pursuant to Article 17 of the Regulations of the Department of Common Courts, upon approval of the HCoJ and according to legislation, the department may:

- a) purchase and sell a property, use it as a collateral
- b) take out a loan;
- c) act as a guarantor;
- d) determine the list of its employees and their payroll;
- e) set limits on spending for employee incentives, and fuel and communication expenses;

As per Article 3 of the DoCC Regulations, the Department: (1) provides logistical support to the general courts; (2) designs budgetary policy for the general courts; (3) drafts its own as well as the general courts' budget through its Planning and Analysis Unit, structures the general courts' appropriation and authorizes their spending to support the general courts as well as their logistical needs; does proper planning of the logistical support for the general courts; preparation of quarterly and annual financial and statistical reports; helps put together public procurement plans; puts budgeting guidelines for general courts; keeps track of budget funds allocated to general courts, as prescribed by the applicable legislation.

As per Article 4 of the Regulations, the Department: (1) develops a proposal for the portion of funding assigned to common courts and the Department of Common Courts from the State Budget of Georgia, and submits the proposal to the HCoJ for review; (2) submits the report about the status of logistical support for General Courts, their spending and their budgetary principles to the HCoJ for review.

Article 3-4 of the DoCC Regulations clearly indicate that budgeting in the judicial system is centralized (top-down) both in practice and in legislation, which means that the general courts' budgets are drafted by the Department of Common Courts. If the general courts completed their own fund requests, the DoCC would not have to do the drafting for them or, by the same token, structure their appropriation.

Despite its responsibilities in connection with the Department of Common Courts discussed earlier, the HCoJ did not offer any significant comments or raise concerns during the review⁵ of the Department's budget for 2015.

2.2. HCoJ's Involvement in drafting budgets of the general courts and the HSoJ, and budget execution reporting: Because the HCoJ is responsible for providing guarantees for independence, effectiveness, quality assurance and overall improvement of the judiciary, its involvement in the drafting and reviewing of budgets for the Department of Common Courts and the HSoJ in April-October - the busiest period on the budget calendar - is crucially important. Although the HSoJ is independent, the HCoJ having no legal role/responsibilities with respect to the HSoJ, including budgeting or any other matter, the HCoJ's involvement in the drafting and reviewing of the HSoJ budget is important because, as discussed earlier, qualifications of judges is a prerequisite for the overall improvement of the judicial system. Without participating in the drafting and reviewing of the DoCC and the HSoJ budgets, it is not clear how the HCoJ will be able to live up to its responsibility of creating necessary conditions for the independence of the judiciary, its improvement or effective administration of justice. We believe a results-oriented budgeting is impossible without the involvement.

The HCoJ's involvement in DoCC and the HSoJ budget execution reporting is equally important. The HCoJ needs to hold consultations about both budget drafting and execution. As illustrated below (Ch 2.7), in 2012-2014, both the Department of Common Courts and the High School of Justice had large underspent funds, which is indicative of shortcomings in their budget planning, e.g. the Department of Common Courts had over GEL 417,000 in underspent funds (about 1% of total

f) take any other actions with respect to property of the department, outside the scope of its normal activities.

⁵ No significant comments or concerns were raised during the meeting on October 31, 2014 either.

appropriation) in 2014. Although 2014 saw a decrease in underspent funds compared to 2013, improved planning would have further reduced the underspent budget. Although there are a number of barriers to a sound budget planning in the judicial system, including the DoCC, which we address throughout this report, we should not overlook the fact that one of the considerable barriers to a sound budget planning is cash basis of recording (budgeting and budget execution) in the public sector. However, we do not examine how cash basis of recording⁶ detracts from a sound budget planning in the judicial system as all public spenders are operating in this straitjacket.

The HCoJ did not offer any significant comments or raise concerns about the HSoJ's 2015 draft budget. Nor did the HCoJ look at the HSoJ's over-the-ceiling request of GEL 430,000. As noted earlier, the High Council of Justice has no legal role/responsibilities with respect to the School; nevertheless, its participation in drafting and reviewing the HSoJ's draft budget is important because qualifications of judges is a prerequisite for the improvement of the judicial system. Therefore, when the HSoJ is requesting a 30% increase in its previous year's funding, the HCoJ has to look at what prompted the hike. The HSoJ discussed the over-the-ceiling request with a deputy finance minister in a meeting not attended by the HCoJ.

Following the consultations with the MoF and without any input from the HCoJ, a decision was made to decline much of the over-the-ceiling request (GEL 330,000). During the year, however, the Department of Common Courts gave the HSoJ GEL 215,000.

2.3. Lack of Public Internal Financial Control (PIFC) at the High Council of Justice, the Department of Common Courts and the High School of Justice: internal audit as well as financial management and control are the two essential elements of the PIFC. The three institutions have no internal audit units (IAU) and there is no evidence to suggest that the system of financial management and control is functioning as the evidence has to be collected by IAU⁷. Thus the High Council of Justice, the Department of Common Courts and the High School of Justice all lack the PIFC system \e law on Public Internal Financial Control.

The International Institute of Internal Auditors (IIA) defines internal audit as “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” Based on the Law on Public Internal Financial Control, the system of Financial Management and Control (FMC) is set up by head of institution to improve financial management and decision-making for accomplishment of the goals of the institution, which ensures legal, transparent, economic, efficient and productive use of budget funds.⁸

A well-functioning system of public internal financial control is a prerequisite for efficient and results-oriented public spending. Systems of internal audit and Financial Management and Control both have distinct functions, which means the two are not interchangeable. Public procurement, for instance, is the realm of Financial Management and Control (FMC). The situation in the judicial system is exacerbated by the fact that the PIFC system is entirely absent.

⁶ Under the cash basis of budgeting/budget execution, government's revenue is recognized when cash is received, while expense is recognized when cash is paid. Public sector accounting in Georgia, unlike budgeting/budget execution, is, done, largely, on an accrual basis.

⁷ The Law of Georgia on Public Internal Financial Control, Article 18

⁸ Article 6 (1), Article 2 (f)

The High Council of Justice is one of the major spending agencies. Its funding in 2015 is GEL 50 million. IAU of the Council will be instrumental in engaging the Council in drafting the following year's budget and budget consultations as well as in budget execution reporting. Both drafting of the budget and budget consultations involve a number of issues that the IAU needs to develop a right understanding of by monitoring activities of a public spender. Thus unless the HCoJ sets up an Internal Audit Unit, it will not be able to make a meaningful contribution to either drafting budgets and budget consultations.

The fact that the HCoJ, one of the largest public spenders, does not have an IAU means that it lacks one of the very important elements of the public internal financial control, which puts budget transparency and accountability at risk. Without the PIFC, spenders will not be able to guarantee security of financial and nonfinancial assets, risk assessment, use of control mechanisms and therefore, effectiveness, efficiency and accountability of budget spending.

Additionally, absence of IAU makes it impossible to set up a system of PIFC at the High Council of Justice, which is another crucial element of public internal financial control, as noted earlier. Internal audit function is critical for Financial Management and Control as it examines how effectively a system is functioning⁹.

2.4. Failure to separate segregate financial responsibilities: our analysis has revealed complete lack of segregation of duties at the High Council of Justice, the Department of Common Courts and the High School of Justice, which is one of the most serious challenges in budgeting in the judicial system. Segregation of duties is a key element of internal financial control as it prevents a single person from being responsible for both custody of assets and the recording function¹⁰ (posting accounting entries; initiation and authorisation of transactions), which significantly increases the risk of fraud.

Concentration of these powers in a single person is associated with risks that may be neutralized by segregation of duties only. If a chief accountant is responsible both for recording transactions and authorizing withdrawals, it means that there are gaps in the internal control system; or when the person responsible for making payments is also responsible for approving contractor invoices and authorizing payments, there is a risk that payments will be made to a fictitious supplier of goods/services (for recommendations about segregation of duties in the judicial system, please refer to the Recommendations below). Proper segregation of duties will help reduce risks of fraud and misspending of funds caused by concentration of powers¹¹.

⁹ By virtue of the law on Public Internal Financial Control (Article 18), goals of internal audit include: assessment of the manager's risk identification and risk management; assessment of adequacy and effectiveness of financial management and control system; monitoring of compliance of activities of the institution with Georgian legislation; development of recommendations for the purpose of increasing of economy, effectiveness and efficiency of activities of the institution; assessment of reliability, accuracy and completeness of financial and other information; assessment the adequacy of protection of the assets, other resources and information of the institution;

¹⁰ Making and authorizing bank transfers, for instance.

¹¹ We suggest the following SoD:

- Admin officer prepares the cheques;
- Program officer authorises cheques for payment (Authorisation). Head of Accounting/Administrative Department could also provide secondary authorisation for transfers higher than an established threshold;
- Finance officer makes the bank transfer (custody of assets) and posts the accounting entry and clearly marks the supporting docs as "paid" so as to avoid double payments in the future;

2.5. Planning expenditures: our research has revealed that many HCoJ expenditures are not planned. This is one of the most serious gaps in the process of budget planning at the High Council of Justice. For instance, in 2012, following certain amendments made to the budget, the amount of procurement for vehicles increased 1500% (from GEL 50,000 to GEL 813,295) – a serious gap in budget planning.

The HCoJ’s budget proposal for 2011-2013 does not provide:

- the number of vehicles worth GEL 1.682 million procured in 2011-2013, type of procurement or any justification;
- the number of vehicles to be procured, which agency are these for or why these are needed;
- a detailed breakdown of costs for other goods and services into sub-groups and line items (GEL 94,899.57 in 2012. Revised budget – GEL 39,000, budget in 2013 – GEL 39,000). The problem is that the fund request – i.e. the document the HCoJ uses to request funding from the Ministry of Finance, does not provide a detailed breakdown of costs; instead, individual line items are added later, in the process of spending.
- a detailed breakdown of line items in *increase in non-financial assets*¹² in 2011-2013 budgets (09 00):

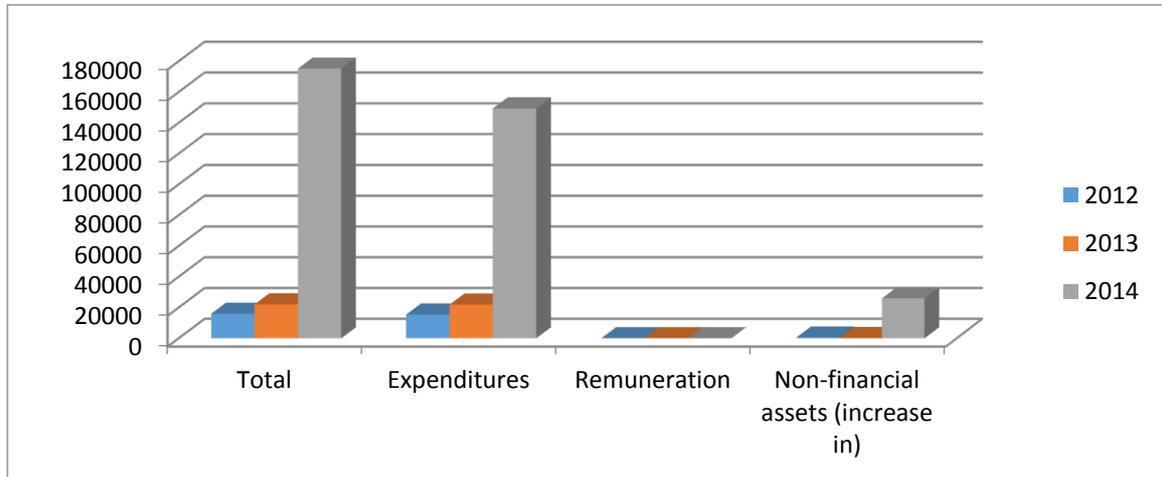
Non-financial assets	2011 (fact)	2012 (revised)	2013 (planned)
Non-residential buildings	1,708,971.17 GEL	3,427,700 GEL	519,600 GEL
Computers	226,764.7 GEL	343,700 GEL	312,000 GEL
Cell phones	2,384 GEL	2100 GEL	0 GEL
Video and audio equipment	44,190 GEL	109,300 GEL	0 GEL
Furniture	191,306 GEL	142,000 GEL	56,000 GEL
Other machines/equipment and inventory	516,160.94 GEL	489,500 GEL	1,312,500 GEL

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- Admin officer, who, we believe, should be a completely independent party, should perform bank reconciliations on a regular basis;
 - Head of Accounting/Administrative Department reviews and approves bank reconciliations.

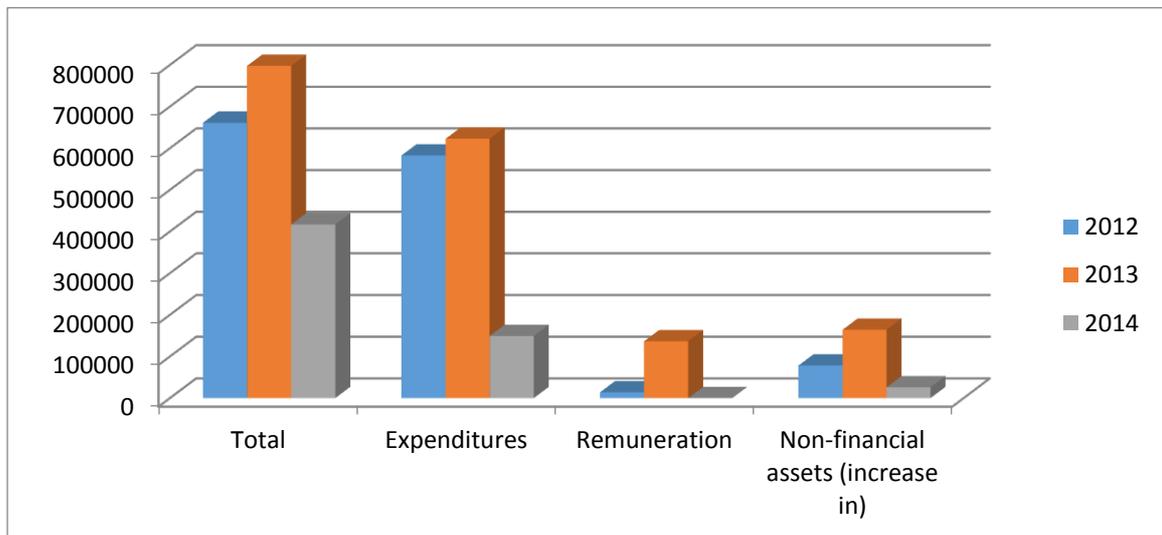
¹² Non-financial assets are divided into fixed assets, inventory, valuables and non-derivative assets. Fixed assets are assets with useful life greater than one year held for continued use in normal business operations, valued at GEL 500 or more. Inventory is goods held for sale, for use in operations or for future consumption. Valuables are derivative goods with significant value, purchased and held primarily for saving purposes and usually are not maintained for consumption or use in operations. Non-derivative assets include natural assets or assets derived from legal or accounting operations, subject to property rights.

The fact that the expenditure planning is flawed is also signaled **by underspent budgets** in 2012-2014:

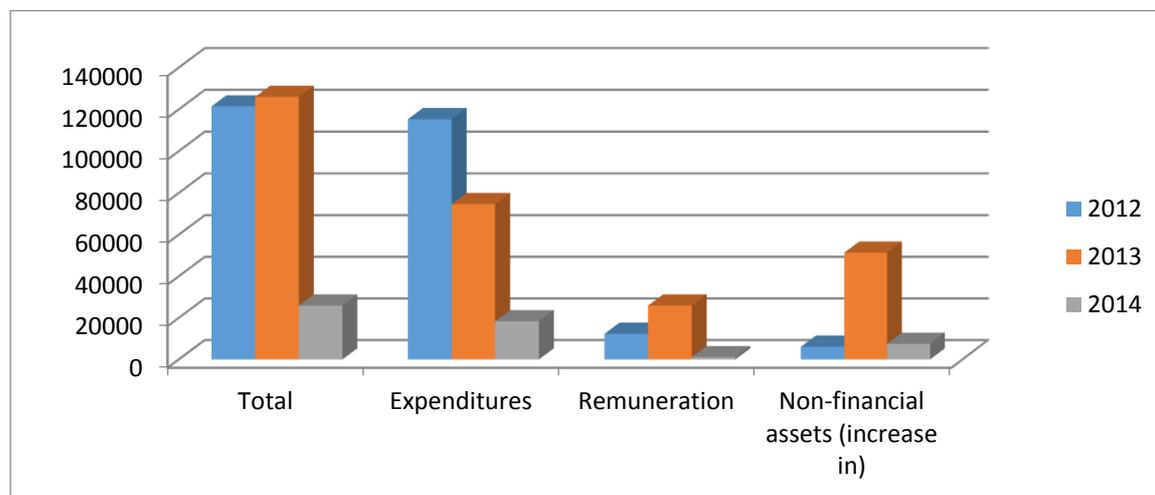
The High Council of Justice 2012-2014, Underspent budget



The Department of Common Courts, 2012-2014, Underspent budget



The High School of Justice, 2012-2014, Underspent budget



2.6. Responsibilities incompatible with mandate: according to its budget, the High Council of Justice has undertaken responsibilities that are completely incompatible with its mandate. In particular, in 2014 and 2015 program budgets, which contain more detailed information on individual programs, the goal and the description of the program judicial system (the HCoJ is in charge of implementing the program) includes promoting the process of transparency and openness of the Supreme Court and the Constitutional Court of Georgia. How the HCoJ can be in charge of promoting the process of transparency and openness of the Constitutional Court and the Supreme Court of Georgia, when the three institutions do not share any responsibilities. Not only should the HCoJ, the Department of Common Courts and the HSoJ cost inputs against outputs and outcomes, but also clearly indicate who is responsible for what.

2.7. Lack of Focus on outputs/outcomes (justification of expenditures): Examination of the HCoJ, the DoCC and the HSoJ budgets has shown significant gaps in justification of their expenditures: planned expenditures are not linked with outputs/outcomes. Linking expenditures with outputs/outcomes not only would have allowed the HCoJ to measure/evaluate progress towards its goals and objectives but it would have also greatly improved the HCoJ's bargaining position before the Ministry of Finance, among many other advantages. For instance, in 2013 the HCoJ requested GEL 36.085 million for the program for Improving the judicial system while the MoF allocated only GEL 33.985 million, GEL 2.1 million less than the original request. The GEL 2.1 million had been requested to raise salaries in the system but the HCoJ did not offer any explanations to justify the request. Had the HCoJ linked its planned expenditures with outputs/outcomes, it would have been able to show the Ministry of Finance how this increase in pay could help improve the system. The results-oriented budgeting would have allowed the HCoJ to confront the MoF's attempt to cut its budget with concrete measurable negative outputs/outcomes. As a result, it would have received the appropriation it had initially requested.

The HCoJ should provide a detailed breakdown of key line items under the increase in non-financial assets (their price, why these are purchased) while budget is being drafted rather than after the budget is approved. It certainly does not mean that the breakdown of planned increase and the actual increase in financial assets should match exactly; however, failure to plan increase in non-

financial assets in advance is not unacceptable. Rather than detail increase in non-financial assets in an internal document the HCoJ should include the breakdown in its budget. The rationale behind is that a spender should be able to cost inputs against outputs and outcomes. Apart from this, lack of baseline data, makes it impossible to measure progress that has been achieved with the inputs in the budget programs.

3. Recommendations

1. The Department of Common Courts ensure that the first instance and appellate courts draft their own budgets as they know best what their needs are. We believe court managers should be responsible for drafting budgets of general courts, while judges are able to intervene when they think appropriate. Judges having administrative functions, including budgetary responsibilities, is a widespread practice internationally¹³.
 - 1.1. Institutionalization of bottom-up approach in budget planning requires changing 1.1.1. the Law on General Courts of Georgia to get the general courts to draft their own budgets 1.1.2 Article 3-4 of the DoCC Regulations, whereby the budgets of general courts are drafted and their appropriations structured by the Department of Common Courts, to encourage bottom-up budgeting.
 - 1.2. The High Council of Justice and the Department of Common Courts design a funds request template that are adapted to the needs of general courts (leave out the fields that general courts do not need). Modifying the GoG's funds request template is not against law.
 - 1.3. The HCoJ train court managers and other responsible staff members accountable to the HCoJ in bottom-up budgeting.
 - 1.4. The Law of Georgia on General Courts, regulations of the HCoJ and the Department of Common Courts as well as the regulations of the HSoJ detail budgetary responsibilities of the three institutions. In particular, the HCoJ regulations and the Law of Georgia on General Courts should establish the role of the HCoJ in drafting and debating the following year's budget as well as budget execution reporting. As discussed earlier, public spenders, including the HCoJ, the DoCC and the HSoJ, request funding for their programs from the MoF through electronic planner.
 - 1.5. The applicable legislation explicitly require that all three agencies fill out fund requests independently, which should then be reflected by the HCoJ in its fund request later. Similarly, first instance courts should fill out fund requests independently, which should then be reviewed by the Department of Common Courts and revised as needed, based on consultations with the general courts. The department should then draft its wider budget based on the fund requests by the general courts. As noted above, the responsibility to fill out fund requests should lie with the managers of common court. As discussed earlier, centralized (top-down) approach to budget planning means that the budgets of the general courts are drafted by the Department of Common Courts, rather than courts themselves, i.e. the department sets spending priorities for all the

¹³ Consultative Council of European Judges (CCJE) (2001) OP N°2. Consultative Council of European Judges (CCJE). Opinion no 2 (2001) of the Consultative Council of European Judges (CCJE) for the attention of the Committee of Ministers of the Council of Europe on the funding and management of courts with reference to the efficiency of the judiciary and to article 6 of the European Convention on Human Rights (If judges are given responsibility for the administration of the courts, they should receive appropriate training and have the necessary support in order to carry out the task. In any event, it is important that judges are responsible for all administrative decisions which directly affect performance of the courts' functions).

twenty-six courts in the country. The top-down approach to budget planning makes it impossible to rationalize the process.

2. The High Council of Justice, as per the Law on Public Internal Financial Control, and secondary legislation (the Code of Ethics of Internal Auditors¹⁴, the Guidelines for Internal Auditors¹⁵, the Internal Audit Methodology¹⁶, the Internal Audit Standards¹⁷ and the Guidelines for Risk Management in the Public Sector¹⁸) design its own system of the PIFC. In particular, it should set up a system of Financial Management and Control (FMC) and an internal audit unit to improve financial management and decision-making across the judicial system.

As per Article 5(1) of the Law of Georgia on Public Internal Financial Control, each institution must develop a system of Financial Management and Control (FMC), in accordance with the instructions on the rules and procedures of formation of Financial Management and Control, developed by the Central Harmonization Unit approved by the Government of Georgia.

3. Budgets of the HCoJ, the DoCC and the HSoJ draw on costings of inputs against outputs/outcomes, which is what a number of public spenders have done: Tbilisi City Hall in 2015, the Government of Ajara Autonomous Republic in 2014 and 2015. The HCoJ, the DoCC and the HSoJ need to cost inputs against outputs/outcomes to improve proceedings before a court, viz.,

3.1. Funding needed in the current budget year (2015) as well as over 2015-2018 to merge courts to allow consideration of cases by highly qualified specialized judges.

Gearing input/output analysis to improving quality of proceedings before merged courts: 1. offering incentives to better qualified judges to stay with the merged courts 2. improved performance in minor case handling by magistrate judges in the merged courts, etc

However, in its input/output analysis the Department of Common Courts should allow for risks that merging the general courts may bring about, such as limiting geographical accessibility. These as well as other risks need to be reflected in a results-oriented budget.

3.2. Funding needed in the current budget year (2015) as well as over 2015-2018 for (1) launching the system of electronic document management in the judicial system; (2) organizing qualification examinations/competitions; (3) launching the system of evaluation for staff of the general courts.

¹⁴ GoG Order no.1016 The Code of Ethics for Internal Auditors, dated July 30, 2010; amendments approved under Decree no.1836, dated September 14, 2011

¹⁵ GoG Order no.1013 Guidelines for Internal Auditors, July 30, 2010

¹⁶ GoG Order no.1014 Methodology of Internal Audit, July 30, 2010

¹⁷ GoG Order no.1015 Internal Audit Standards, July 30, 2010; amendments by GoG Order no.1857, September 14, 2011

¹⁸ Order no.644 of the Minister of Finance of Georgia Manual for Risk Management in the Public Sector, December 31, 2011

3.3. Funding needed in the current budget year (2015) as well as over 2015-2018 for better social protection of judges and staff members. This should include estimates of salaries based on workload as well as complexity of cases, including costs for supplementary pay for judges and their life and health insurance.

3.4 Funding needed in the current budget year (2015) as well as over 2015-2018 for raising public awareness about the judicial reform. It is important to first estimate what the scale of the awareness campaign need to be as well as its target groups, and then estimate costs of improving public engagement with the judicial system – e.g. producing newspaper articles, videos, ads, etc.

Costing inputs against outputs and outcomes will let the HCoJ, the Department of Common Courts and the HSoJ to prove that the funds they request, be these for improvement of the judicial system or training of court staff members, add up, meaning that the requested funds are a sum of many different line items rather than a lump sum that these institutions break down after they receive it. Such approach will allow the three institutions to streamline their expenditures, which, we believe, is a prerequisite for rationalizing spending.

4. To link expenditures with outputs/outcomes, the Department of Common Courts, the HCoJ and the HSoJ should:
 - ✓ add subprograms and outputs to their budgets (the GoG budget is comprised of four-year programs and 12 month subprograms. The latter are missing from the budget of the judicial system, which means that the implementers provide information on what they will do in 2015-2018, while they are not specific about what they will do in the current year)
 - ✓ estimate funds that are necessary for swift and unimpeded administration of justice and detail necessary *expenditures* in the budget;
 - ✓ provide a description of line items under *increase in nonfinancial assets*. We believe judicial budgets cannot achieve transparency or results orientation without the detailing *increase in nonfinancial assets*.

Planning budgets, the HCoJ, the Department of Common Courts and the HSoJ should use the detailed statistics that the general courts provide to the Supreme Court, which is published on the Supreme Court's website. We believe, the data shows where interventions and, consequently, funding are needed. The statistics of higher courts upholding/revoking decisions by a first instance court is indicative of how effective the first instance court is. If, for example, a certain district court has the highest number of decisions upheld/revoked by a higher court, the HCoJ should with the Department of Common Courts and the HSoJ look at why this is the case. If this is due to higher than normal caseload, it might be advisable to allow the court to have more judges, or if this is due to the lack of judges with certain qualifications, the problem of qualification should be addressed. Needless to say, solving problems requires funding. This is what costing inputs against outputs and outcomes is about, which, we believe, should be part of budgetary planning.

5. The HCoJ, the Department of Common Courts and the HSoJ should ensure that duties are segregated. The following can be used as a model for segregation of duties to reduce risks of fraud and misspending:

- Admin officer prepares the cheques;
- Program officer authorises cheques for payment (Authorisation). Head of Accounting/Administrative Department could also provide secondary authorisation for transfers higher than an established threshold;
- Finance officer makes the bank transfer (custody of assets) and posts the accounting entry and clearly marks the supporting docs as “paid” so as to avoid double payments in the future;
- Admin officer, who, we believe, should be a completely independent party, should perform bank reconciliations on a regular basis;
- Head of Accounting/Administrative Department reviews and approves bank reconciliations.

We believe segregation of duties prevents a single person from being responsible for both custody of assets and the recording function¹⁹ (posting accounting entries; initiation and authorisation of transactions), which, as noted above, significantly increases the risk of fraud.

¹⁹ Making and authorizing bank transfers, for instance