

Introducing Financial Supervision of Governmental bodies in Jordan

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By generating considerable inefficiencies and distortions, corruption poses a significant threat to ensuring the prosperous development of any economy. Corrupt practices lead to considerable waste of natural resources, have an adverse effect on public moral, and more often than not, are not conducive to a sound economic environment. The matter is exacerbated where such corrupt practices occur not only among individuals and private corporations, but are also conducted within governmental and public bodies.

The key in combating corruption, particularly at the ministerial level, is the need to ensure that the use of public funds is properly administered, and is not open to abuse or misappropriation. For years, Jordan has sought various means to help ensure this however, rather than having a comprehensive supervisory policy, the old approach was far more sector-specific, in that each ministry or governmental body would have its own specific internal rules and regulations for administering funds within that particular body, and for supervising and regulating the same. On the 18th of January 2011, the Council of Ministers, in an attempt to eliminate many of the discrepancies of the old system, and to bring the Jordanian system more in line with international auditing standards, approved the Financial Supervision Regulation No.3 of 2011. The Regulation which came into force on the 1st of May, 2011 provides for greater regulation and supervision of public spending, including the creation of various units within governmental ministries and other public departments specifically tasked with the same.

Financial Supervision Unit(s)

The Regulation provides for the establishment of a Financial Supervision Unit ("FSU") within each governmental unit and/or department, and which shall be tasked with the prior auditing of all financial transactions relevant to its particular unit. In doing so, the FSU aims to preserve public funds and assets entrusted to the relevant governmental unit, and ensure that they are properly used and administered.

Further, the Regulation provides that as part of its objective, the FSU shall have the following tasks:

1. Review the correctness and accuracy of any constraints, documentation, accounting information and financial data
2. Verify the effectiveness of any financial transaction adopted and the suitability of the same
3. Protect financial resources and assets from being abused
4. Ascertain the extent to which the legislation in force is complied with, in order to reduce errors and to detect the same if they occur
5. Adhere to the financial policies adopted by governmental bodies and units

In particular, the FSU shall be committed to do the following:

1. Prepare an annual plan for the financial audit and present the same to the competent minister or council for approval, before the end of November of each year
2. To submit a monthly report and whenever the need arises, regarding its financial supervision acts, its achievements and observations, including observations that were not presented to the competent minister or council, provided that it submits an annual report similar to the competent minister during the first four months of the following year.

3. Prepare a guide for financial auditing procedures, and present it to the Minister of Finance for approval.

Additionally, and once the Minister of Finance receives all relevant reports, he shall submit an annual report to the Council of Ministers summarizing the main findings of all the FSUs as outlined in their respective reports.

Please note that the Regulation assists the FSUs in performing the tasks entrusted to them, by making it a legal obligation on all official employees to assist employees of the relevant FSU, and to provide the same with any documents, records, data and/or other information which the FSU may require in order to properly perform their tasks.

Central Financial Supervision Unit

In addition to the establishment of FSUs within each governmental unit or department, the Regulation further entails the establishment of a Central Financial Supervision Unit within each Ministry which supervises the work of each FSU within its Ministry.

Central Commission for Financial Supervision Standards

Finally, the Regulation provides for the establishment of a Central Commission for Financial Supervision Standards, chaired by the Secretary General of the Ministry of Finance or another such senior official, and shall have the following tasks:

1. Lay the foundations and criteria for evaluating the performance of the FSUs and their achievements
2. Determine the general policy related to financial supervision, and update the same
3. Develop standards of financial supervision and help build institutional capacities of governmental units and departments
4. Classify the FSUs
5. Study the organizational and functional structure of the FSUs
6. Prepare a guide of procedures for FSUs

Furthermore, the Central Commission is tasked with drafting the auditing standards to be adopted and any conditions relevant to the same. The same shall be presented to the Minister of Finance, who shall present it along with his recommendations to the Council of Ministers for adoption.