

# Public Sector

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## Managing the challenges in the Public Sector



KPMG Belgium

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# The importance and challenges of the digital government

On October 5, 2015, KPMG organized the first Café Public. Café Public is an initiative by the KPMG Line of Business Public Sector, during which national and international guest speakers discuss the major challenges for the Belgian federal, regional and local authorities in a panel discussion.

During this initial edition, the digital government, its importance and the challenges attached to it were the subjects of a more in-depth discussion. The new governing agreements contain clear departure points for further digitalization of the government, particularly in terms of the service provision to the public and the business community. From 2016 onwards, for example, the use of e-invoicing will be mandatory for government services, e-procurement will become rule and the government will make a partial start with the automatic assignment of social rights and rates (MyCareNet, third-party payor). The government services are expected to make digital

working the new standard (cf. 'radically digital'), although this requires drastic transformations.

The seminar kicked off with an explanation by Anthony Van de Ven (Partner, KPMG Advisory) about the five main challenges to achieve a digital government. The first challenge: 'digital first' or 'digital by default', i.e. the transition from traditional to digital channels. The second is creating an image of 'a single government for the public'. The challenge here is making the switch to 'customer-centric' thinking, in which customer orientation is the focal point. This 'public-centric' thinking at the same time is the third challenge in which 'all' government services are organized and projected from the public's perspective. As soon as all services apply a customer-oriented approach on the basis of a single government image, the public and companies must be able to quickly and efficiently find the service or information they are looking for. A requirement for achieving these objectives is streamlining the operation of the different government services. There is a need for a consistent approach in which clear priorities and standards are applied.

Next, international guest speaker Hans van der Stelt was invited. He is Director of the Netherlands Bureau of the National Commissioner for Digital Government, also referred to as the Digi Commissioner. The latter was appointed by the Dutch government to set up a program for the expansion of a digital government – for now and in the future. Various digitalization plans have already been set up, such as Digital 2017, iAgenda and Municipalities 2020. The challenge for the Digi Commissioner is to find the common central theme within these programs and to coordinate them. According to Mr Van der Stelt, there is no lack of initiatives. What is important now is to make the transfer to the actual implementation, so that at the end of 2017 the public and companies can request the assistance of a digital government more often.

Finally, a panel discussion was organized with Erwin De Pue (Director-General of the Federal Service Administrative Simplification), Luc Lathouwers (Secretary-General of the Flanders Information Agency), Oliver Schneider (Executive Civil Servant e-Wallonia-Brussels Simplification) and Patrick Van Vooren (Director of the Center for Informatics for the Brussels District). The panel discussion was led by Luc Blyaert (former Editor-in-chief at Data News and columnist at De Tijd). The first topic of discussion that was tabled was accessing and sharing authentic sources and how to best manage

**"A coordination between the federal and regional governments is required in order to achieve uniform implementation of the 'digital government'"**

these within a continuously evolving 'digital' context. The conclusion of the panel discussion was that we need to pursue maximum recycling of data, so that the public only needs to submit it once. However, in Belgium there is no need for centralized management of digitalization, as is the case in the Netherlands with the Digi Commissioner.

The panel members are, however, convinced that a maximum effort must be made 'not to reinvent the wheel' and that coordination between the federal and regional governments is required in order to achieve uniform implementation of the 'digital government'. According to the panel members, this uniform implementation is important as the public and companies regard the government as 'one and the same' and therefore there is a need for a 'single Civil Affairs Desk' towards the public.

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# Second edition of Café Public zooms in on integrity management

On Friday 4 December 2015, the second edition of Café Public was held at the Vlerick Business School in Brussels. Through Café Public, KPMG aims to bring responsible parties from the public sector together to discuss a number of important and current challenges for the government.

After a first, successful edition about the digital government, this second edition focused on the importance of integrity management in times of change. By way of introduction to this session, Els Hostyn (Partner, KPMG Advisory) provided an overview of eight critical success factors for the implementation of an effective integrity policy:

- 1 Firstly, it is important to monitor the **clarity** of the policy. Employees need to know and truly understand what is expected from them. Other than what is documented, key is also how this policy is communicated towards all employees within the organization.
- 2 A second success factor is **role modelling**. Not only do employees observe the behavior of their role models, they are often also inclined to copy it. The role of managers when rolling out the integrity policy should not be underestimated.
- 3 In addition, the policy needs to be **feasible**. The expectations that are set in terms of ethical behavior must be realistic and may certainly not clash with other objectives that are imposed on the employees.
- 4 As a fourth factor, it is assessed to what extent employees feel **committed to** the integrity policy. An important aspect here is that employees can easily identify themselves with the
- 5 Furthermore, the success of the policy will also depend on the extent to which an organization is successful in creating the necessary **transparency** surrounding the effects and consequences of unethical behavior. It must be clear for all within the organization how integrity violations are dealt with.
- 6 Integrity is never simply black and white, which is exactly why the organization must create an atmosphere in which employees can and dare to **discuss** uncertainties and dilemmas with their colleagues and managers in all openness.
- 7 A seventh success factor is the extent to which employees are comfortable to **report** any issues without having to fear retaliatory action. In the event of most integrity violations, it appears that employees within the organization had suspicions of misbehavior. It is important to have such concerns out in the open as quickly and as objectively as possible.
- 8 Finally, the **enforcement** of the integrity policy will play a key role in its success. Employees need to realize and believe that ethical behavior is appreciated and that unethical behavior will be met with disciplinary action. It is essential to remain consistent in the enforcement, regardless of who is displaying misconduct.

Following this introduction, **Philippe Van den Spiegel** (Department of Welfare, Public Health and Family Affairs) gave a captivating testimonial on the implementation of an integrity policy within a strongly changing environment. Philippe works within a **newly formed organization**, arisen from three different entities. On the one hand, based on the Flemish Coalition Agreement, the Ministry of Welfare, Public Health and Family Affairs merged with the Flemish Care Inspectorate. On the other, following the sixth state reform, the federal houses of justice and the National Center of Electronic Supervision were integrated as new regional responsibilities.

As a result of this new composition, in combination with an increase in high-risk powers and vulnerable positions, the need for uniform integrity management quickly found its way onto the Department's agenda. During his testimonial, Philippe clearly explained how, on the basis of an **integrity risk analysis**, a strong foundation with **clear priorities** was laid which served as a subsequent starting point. Meanwhile the different entities were brought together to the same starting point, from where the departmental integrity policy will be developed further. The aim here is to see **integrity as a connecting factor** within the newly comprised organization.

Finally, a panel discussion was organized with Professor **Jeroen Maesschalck** (Professor and researcher at the Leuven Institute of Criminology), Mr **Peter De Roeck** (Auditor-General of Integrity Policy at FPS Budget and Management Control) and Mrs **Kristien Verbraeken** (Coordinator, Integrity Management within the Flemish Government).

The panel members first discussed the current challenges in the field of integrity. One of the points discussed was that integrity management is easily downgraded to **window dressing**, with more attention being paid to exterior appearance than to contents. Hence it is an important and continuing challenge to convince employees and managers of the true need for a strong integrity policy. A second challenge is the recurring phenomenon of the **isolation of employees** in handling dilemmas. The challenge here remains to sufficiently stimulate and support employees therein. A third challenge for organizations is to give sincere thought to **what employees are truly assessed** on. If ethical behavior is required, it should also play a role in the assessment. Finally, excess needs to be guarded against. **If integrity becomes all-encompassing, it**

**ultimately loses its value**. According to the panel members, this risk is not yet present, but inherent within Belgium, but it is important to anticipate it. Proper integrity management allows room for innovation and initiative.

Next up, the importance of keeping integrity current within an organization. **Awareness-raising, communication and leading by example** returned as key aspects for an effective integrity policy within this context. Yet the **justification** of all decisions that have an impact on employees and sufficient explanation of these decisions play a major role, too. In addition, the **correct handling of integrity violations** is seen as a motivating factor. Nothing discourages employees more than establishing that unethical behavior is not acted upon. Ultimately, the key to success will be the successful combination and coordination of all instruments.

Finally, a number of areas of resistance were mapped out. For example, comprehensive integrity management is often still regarded as **nice to have, rather than a must-have**. In addition, an important impediment is the frequent perception in which the **controlling element is still deemed dominant**. And we need to step away from that.

The **core message of integrity management** must be that the organization endeavors to assist its employees in dealing with difficult situations, with ambiguity.

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Our 589 OCMW/CPAS or Public Social Welfare Centers, were set up to guarantee dignified living conditions for all. The OCMW/CPAS provide help in a number of different forms, depending on the individual situation of each person. Depending on the situation, this may be financial assistance in the form of minimum income support (RIS) or the equivalent aid (ERIS) to help with socio-professional integration, home help, debt negotiation, legal assistance, medical help, etc.



The activities of the OCMW/CPAS fall within a "federal" legal framework:

- The law implementing the OCMW/CPAS dated July 8, 1976
- The law dated May 26, 2002 concerning the right to social integration
- The law dated April 2, 1965 relating to the financing of emergency assistance provided by the OCMW/CPAS

Alongside the "federal" legal framework are a variety of "regional" decisions, orders and circulars covering specific areas.

The main sources of financing for the OCMW/CPAS consist of federal subsidies (recovery of minimum income support or equivalent aid) and local subsidies (funds allocated by the municipality).

The "services" provided to citizens are constantly changing in response to the local, regional, national and international socio-economic situation. Our OCMW/CPAS centers are currently facing a large number of challenges caused by rent increases, steep rises in the prices of electricity and gas, the ageing population, the time limits applied to

unemployment benefits and the arrival of a larger number of refugees.

The OCMW/CPAS are no longer able to meet all their new "obligations" and our local authorities are no longer able to cover the budget deficits of their OCMW/CPAS.

Many are demanding more funds from the federal and/or regional authorities, but only a tiny number are aware of the need to analyze and improve the management of their expenses and income. We are taking on the task of mapping their activities, analyzing and improving their workflows in order to improve efficiency, as well as to apply the basic principles of internal controls to reduce the risk of unintentional mistakes (or intentional ones in some cases).

Because the subject is so complex (especially when it comes to the rights of foreigners...) as are the deadlines for action, this work is essential for the recovery of RIS and/or ERIS from the SPP (Public Service Program) for social integration, where every one percent of unrecovered support very quickly adds up to hundreds of thousands of euros, even millions of euros for the larger OCMW/CPAS in the country.

The other phenomenon we have seen is the concept of reflecting a true and fair view, which is not always applied to the OCMW/CPAS books. In fact, they often include debts to be recovered that (for the SPP IS, the Federal State) in many cases never will be, and which then weigh (heavily) on the results for the financial year in which they will be taken over.

Finally, not enough of the management bodies (Standing Offices and/or Councils for Social Action) of our OCMW/CPAS have regular financial reporting tools in place to allow them to make decisions in good time. For example, a budget dashboard, a dashboard showing the reimbursement of debts, a cash flow plan, financial reports covering the operation of nursing homes, etc.

This lack of timely information can lead to unpleasant surprises at the end of the year, and can take the form of a much greater budget deficit than was originally estimated. This forces the Municipality involved to cover the deficit, when it may itself not have been able to predict this deficit or make the necessary budgetary adjustments. The warning bell rings again but, like every other time, too few decision-makers take note or take action as a result. Unless a swift solution is found, the impressive work carried out by our social workers

and their colleagues working in the financial support services will be completely wiped out due to lack of funds, which will mean having to review the types of support and the eligibility rules.

Will we then still be able to guarantee our citizens dignified living conditions?

Over the last few years, KPMG accountants have collected a large amount of important credentials within the OCMW/CPAS and have at their disposal both the methodology and knowledge of the sector to be able to help the OCMW/CPAS improve how they manage their expenditure and their income process, especially in relation to recovery of RIS and ERIS from the SPP for Social Integration.

If you require any further information, please contact Jean-Marc Vanwaeyenbergh, Senior Manager Public Sector, who will gladly assist you.

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**Panel discussions with experts on  
the challenges for the public sector**

# Cost Management in the Public Sector

On January, 19, 2016, KPMG organized the third Café Public. After the two prior sessions dealing with digital administration and integrity management, this third session drilled down into the challenges of current-day cost management in the public sector.

To introduce this session, Professor Xavier Gabriëls, Partner at KPMG Advisory, gave an overview of both the main policy challenges for the government in 2016 and the way cost management might be the answer to such challenges. Following his introduction, Jan Nijhuis and Suzanne Kleijn were invited to shed light on how they implement strategic cost management within the Dutch tax authority. And, in conclusion, Ben Smeets, General Director for Organization and Development with the FPS Personnel and Organization, and Werner Jacobs, CFO for the Flemish transport company De Lijn, as well as Mr. Gabriëls and Mr. Nijhuis, were asked to set out their opinion with regards to a number of relevant propositions made during the panel debate.

In the current political context, the government is challenged to increase significantly the efficiency of

governmental services and to improve continuously the services offered to citizens and businesses. 'Do more with less' is a fitting slogan to describe the goal of forming a policy that utilizes available financial, material and personal means most effectively in order to meet one's goals. Doing more with less is not about the government's earnings, but rather about the conscious budgetary allocation that would be reserved for carrying out policy choices.

This awareness is obtained, however, only when policymakers have an accurate insight into what a policy costs. And so, more than ever, there is the question of how much policy changes cost – including the anti-terrorism, refugee and residential renovation policies, digitalization of governmental administration, absenteeism within the administration and more. Without the correct information on the cost of a policy's objective, informed choices cannot be made.



During the panel debate, the panelists and the audience were asked whether correct information and analytical tools were available in order to measure and/or achieve cost savings. Approximately half of the audience said that this was not the case. In the panel, Mr. Smeets acknowledged that a lot of information is available, but that this is often not sufficiently analyzed to coordinate policy decisions.

Across-the-board cuts, made by what is also known as the “cheese slicer method”, do not always prove useful in practice. Linear, across-the-board cuts are a simple way of defining savings targets, even though the cost maturity of the administrations is not taken into account whatsoever. In order to achieve savings, it is therefore recommended that cuts be made where a savings potential exists. To identify where a savings potential exists, it is important to have an insight into administrative costs and the organization’s cost structure, as well as into the drivers of governmental costs. This is also the case at De Lijn, according to Mr. Jacobs. There they focus on the management of the operational and financial parameters that have direct influence on the organization’s financial picture (such as the number of kilometers driven). In this way, a better foundation can be predicted for these so-called drivers when drawing up the budget.

Within the Dutch tax authorities, strategic cost management is also based on a better insight into the organization’s cost structure. By gaining an accurate overview of the cost of their services at the processes level (e.g., collections), products (e.g., income tax) and segments (e.g., SMEs), the organization aims to take the appropriate actions by 2020 in order to bring the total costs down to the same level as the lowered earnings.

Choosing from these appropriate actions is the greatest challenge that administrations are confronted with today. Analyzing the correct information and comparing oneself with leading practices is not enough, on its own. Switching to introducing measures that can make use of the savings potential raises the question of structural and cultural adjustments. According to the panel and the audience, the establishment of common, shared service centers and group purchases are a possible form of cost savings, but certainly not

the most important. If a ‘shared service center’ is chosen, it is important first to optimize and standardize one’s own processes and only then to arrange the organization in such a way to obtain economies of scale, including the modification of necessary software. A shared service center is also not always seen as a grouping together of people, but rather as a way to avoid overlapping.

However, according to the panel, it is more important to switch to a leaner organization and one which makes optimal use of the available technology (such as the digitalization of requests and e-invoicing). It is important to take into account that cost savings can only be realized when they are supported by the organization as a whole. The importance of a policy that leads to cost-conscious behavior with sufficient ‘incentives’ (such as channeling the obtained savings to the department) is more relevant now than ever before.

This Café Public session on cost management in the public sector was the last in a series of three. The following series of discussions with experts about the challenges for the public sector will be announced shortly on our events page:

[www.kpmg.com/be/events](http://www.kpmg.com/be/events)

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