Updating the PEFA Indicators – Draft for Public Consultation, August 7, 2014

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PI-CFS: Credible fiscal strategy

A credible fiscal strategy should support the achievement of the government's fiscal policy objectives including achievement of planned central government fiscal balances. This indicator provides an analysis of overall fiscal management.

Dimension (i) assesses the capacity of the government's macro-fiscal forecasting function to develop a credible fiscal strategy (which should also encompass all types of revenue and expenditure). A well formulated strategy would include numerical objectives, targets or rules, defined in terms of policy parameters/targets such as the level of fiscal deficit, central government expenditures or revenues, or changes in the stock of financial assets and liabilities.

Dimension (ii) assesses the extent to which comprehensive medium-term macro projections (including major economic parameters, e.g. GDP, inflation, exchange rate, important commodity prices, and unemployment) are used to inform the fiscal planning process. The projections should also analyze the extent to which macroeconomic risks to the fiscal variables (including revenue, expenditure and debt), are based on a least optimistic and pessimistic macroeconomic scenarios.

Dimension (iii) assesses the extent to which the planned central government fiscal balance was achieved. This is a core indicator often used by many countries to evaluate their overall fiscal performance.

Together with indicator PI-9 on fiscal risk management, this indicator enables measurement of the performance of these overarching elements of fiscal management. It completes a high-level view of the strength of the overall central government framework within which budgetary operations are carried out.

The coverage of this indicator is central government as per GFS 2001, incorporating sub-sectors of central government (e.g. social insurance funds, resource revenue funds and other autonomous agencies), which may not always be covered by the annual budget law. However, the macro-economic projections in dimension (ii) typically refer to the entire national economy.

Dimensions to be assessed (Scoring method M2):

(i) Formulation of fiscal objectives and strategy.

(ii) Preparation and use of macroeconomic forecasts as a basis for annual and medium-term budgets.

(iii) The difference between actual and the originally forecasted central government fiscal balance.

Dimension	Minimum requirements: Scoring Method M2	
(i) Formulation of fiscal objectives and strategy	**Score = A:**	The government has set at least three year medium-term fiscal objectives (with quantitative targets) in a fiscal strategy document or defined as a fiscal rule for each of the last three years, at the start of the annual or medium-term budget process.
	Score = B:	In one of the last three years, the government has set three year medium-term fiscal objectives (with quantitative targets) at the start of budget preparation.
	Score = C:	In one of the last three years, the government has set at least three year medium-term fiscal objectives at the start of budget preparation. These objectives may not have values attached.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(ii) Preparation and use of macro-economic forecasts as a basis for annual and medium-term budgets	**Score = A:**	Medium-term macro projections for at least three years are prepared and used in the preparation of the medium-term budget, inclusive of relevant economic aggregates, macroeconomic environmental risks to the fiscal variables (including revenue, expenditure and debt), and optimistic and pessimistic macroeconomic scenarios.
	Score = B:	The government prepares and uses macroeconomic projections in the preparation of the annual budget, which include risks to fiscal variables (including revenue, expenditure and debt).
	Score = C:	The government includes macroeconomic projections in the preparation of the annual budget, which include at least risks to debt.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iii) The difference between actual and the originally forecasted central government fiscal balance	**Score = A:**	The difference between the actual central government fiscal balance and the forecast was less than 1% of GDP in at least two of the last three years.
	Score = B:	The difference between the actual central government fiscal balance and the forecast was less than 1.5% of GDP in at least two of the last three years.
	Score = C:	The difference between the actual central government fiscal balance and the forecast was less than 2% of GDP in at least two of the last three years.
	Score = D:	The requirements for a 'C' rating or higher are not met.

PI-1: Aggregate expenditure out-turn compared to original approved budget

Implementing the budget as approved is an important aspect of the government's ability to deliver public services for the year as expressed in fiscal/budgetary policy documents, output commitments and work plans. This indicator reflects this by measuring the actual budget outturns in terms of the major aggregate compared to the originally budgeted outturn (as defined in government budget documentation and fiscal reports). All expenditures including those incurred as a result of exceptional events (e.g. armed conflicts and natural disasters, which may be met from contingency votes); expenditures financed by windfall revenues including privatization should be included and noted in the supporting fiscal tables and narrative. Externally financed expenditure (by loan or grant) **-** if reported in the budget **-** contingency vote(s) and interest on debt are all included in the calculations for scoring the indicator.

In order to understand the reasons behind any deviation from the budgeted outturn, the analysis should describe the factors that have caused the deviation to arise, including the impact of deviations from budgeted revenue and financing.

As actual expenditure outturns can deviate from the originally approved budget for reasons unrelated to the underlying quality of the forecast (for example, as a result of a major macroeconomic shock), the calibration accommodates one unusual or "outlier" year and focuses on deviations from the forecast which occur in two or more of the three years covered by the assessment.

Dimensions to be assessed (Scoring method M1):
(i) The difference between actual expenditure and the originally budgeted expenditure.

Score	Minimum Requirements: Scoring Method M1
A	(i) The aggregate expenditure outturn was between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the last three years.
B	(i) The aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years.
C	(i) The aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years.
D	(i) The requirements for a 'C' rating or higher are not met.

PI-2: Composition of expenditure outturn compared to original approved budget.

Where the sub–aggregate composition of expenditure varies considerably from the original budget, it is unlikely that the budget will be a useful statement of policy intent. This indicator requires an assessment based on the measurement of expenditure outturns against the original budget at a sub-aggregate compositional level. Although a functional or program comparison would provide the most useful basis for assessment of policy intent, budgets are usually adopted and managed on an administrative (ministry/department/agency) and economic classification basis. The same basis should be used for comparison between appropriation and execution.

Dimension (i) captures whether the policy priorities are implemented as approved. Changes in the overall level of expenditure (assessed in PI-1) will translate into changes in spending for administrative/functional/program budget heads. The indicator measures the extent to which reallocations between budget heads during execution have contributed to variance in expenditure composition. Contingency items and interest on debt are not included in this calculation (as opposed to PI-1). All other expenditures including expenditures incurred as a result of exceptional events (i.e., armed conflict, natural disasters); expenditures financed by windfall revenues (including privatization), central government subsidies and transfers, and donor funds reported in the budget should all be included.

At the administrative level, variance should be calculated for the main budgetary heads (votes) of ministries, departments and agencies, which are included in the approved budget. If a functional classification based on GFS/COFOG is used, variance should be based on the ten main functions. Where a functional classification not based on GFS/COFOG is used, the measurement of variance should be based on the main heads approved by the legislature. If a program basis is used, they should be rated at the same level at which they were voted by the legislature.

Dimension (ii) measures the extent to which reallocations between budget items by economic classification during execution have contributed to variance in expenditure composition. The composition of the budget by economic classification is important for showing the balance between different categories of inputs (i.e. capital and recurrent expenditures). This allows an assessment of the extent to which inputs by economic category are in accordance with policy intent. The categories of expenditure are the same as for dimension (i), with the addition of interest on debt, as this is one of the categories of economic classification. The calculation should use the second level of the GFS classification (2 digits) or equivalent.

Dimension (iii) recognizes that while it is prudent to include an amount to allow for unforeseen events in the form of a contingency vote (although this should not be so large as to undermine the credibility of the overall budget), accepted “good practice” requires that these amounts be vired to those votes against which the unforeseen expenditure is recorded (in other words, that expenditure is not charged directly to a contingency vote). It should also be noted that there may be more than one vote of this nature. Assessors should discuss the budgeting and accounting treatment of discernable contingency items in the narrative. The calibration is based on the volume of expenditure recorded against contingency votes (except for transfers to a Disaster Fund or similar devices) as this represents a deviation from policy intent.

Where part of the budget is protected from spending cuts for either policy (e.g. poverty reduction spending) or regulatory reasons (e.g. compulsory welfare payments), this will show up as a composition variance. Assessors are requested to report on the basis for and extent of protected spending in the narrative.

As actual expenditure outturns can deviate from the originally approved budget for reasons unrelated to the underlying quality of the forecast (for example, a major macroeconomic shock), the calibration accommodates one unusual or “outlier” year and focuses on deviations from the forecast which occur in two or more of the three years covered by the assessment.

Dimensions to be assessed (Scoring Method M1):

(i) Extent of the variance in expenditure composition during the last three years, **excluding** contingency items, and interest on debt.

(ii) Extent of the variance in expenditure composition by economic classification during the last three years including interest on debt but **excluding** contingency items.

(iii) The average amount of expenditure actually charged to a contingency vote over the last three years.

Score	Minimum Requirements: Scoring Method M1
A	(i) Variance in expenditure composition by program, administrative or functional classification was less than 5% in at least two of the last three years. (ii) Variance in expenditure composition by economic classification was less than 5% in at least two of the last three years. (iii) Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
B	(i) Variance in expenditure composition by program, administrative or functional classification was less than 10% in at least two of the last three years. (ii) Variance in expenditure composition by economic classification was less than 10% in at least two of the last three years. (iii) Actual expenditure charged to a contingency vote was on average more than 3% but less than 6% of the original budget.
C	(i) Variance in expenditure composition by program, administrative or functional classification was less than 15% in at least two of the last three years. (ii) Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. (iii) Actual expenditure charged to a contingency vote was on average more than 6% but less than 10% of the original budget.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met.

PI-3: Aggregate revenue out-turn compared to original approved budget

Accurate revenue forecasts are a key input to the preparation of a credible budget. Revenues allow the government to finance expenditures and deliver services to its citizens. Optimistic revenue forecasts can lead to unjustifiably large expenditure allocations that will eventually require either an in-year and potentially disruptive reduction in spending or an unplanned increase in borrowing to sustain the spending level. On the other hand, pessimism in the forecast can result in the proceeds of an over-realization of revenue being used for spending that has not been subjected to the scrutiny of the budget process. As the consequences of revenue under-realization may be more severe, especially in the short term, the criteria used to score this indicator allow comparatively more flexibility when assessing an over-realization.

It is recognized that the revenue out-turn can deviate from the originally approved budget for reasons unrelated to the underlying quality of the forecast, such as a major macroeconomic shock. For this reason, the calibration allows for one unusual or "outlier" year to be excluded by focusing on significant deviations from the forecast which occur in two or more of the three years covered by the assessment.

The indicator focuses on domestic and external[1] revenue, which comprises taxes, social contributions, grants, and other revenues including those from natural resources (which may include transfers from a revenue stabilization fund or a Sovereign Wealth fund), where these are included in the budget.

The narrative to support the rating should:

- describe the sources of data (which will normally be drawn from budget execution reports or the annual fiscal report), noting any concerns about their suitability and reliability. If some departmental revenues are not reported, they should be captured as estimates under PI-7(i) and the narrative should cross-refer to such unreported revenues;
- provide background information on the institutional arrangements for revenue forecasting;
- note any special factors that affect revenue forecasts and performance (e.g., dependence on revenue from natural resource; sources of economic and revenue volatility; significant tax reforms; unanticipated macroeconomic developments; "windfalls").

Dimensions to be assessed (Scoring method M1)

(i) Actual revenue compared to that provided for in the originally approved budget.

Score	Minimum Requirements: Scoring Method M1
A	(i) Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.
B	(i) Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years.
C	(i) Actual revenue was between 92% and 116% of budgeted revenue in at least two of the last three years.
D	(i) The requirements for a 'C' rating or higher are not met.

[1] External financing through borrowing is not included in the indicator assessment. This means that grants from development partners will be included in the revenue data used for the indicator rating whereas borrowing on concessionary terms from development partners is not considered as external revenue for this indicator.

PI-5: Classification of the budget

A robust classification system allows transactions to be tracked throughout the budget formulation, execution and reporting cycle, according to administrative unit, economic category, function/sub-function or program. The budget should be presented in a format that reflects the most important classifications and this classification should be embedded in the government's chart of accounts (the accounting classification) to ensure that all transactions can be reported in accordance with any of the classifications used. The budget and accounting classifications should be reliable and consistently applied, providing users with confidence that information recorded against one will be reflected in reports under the other classification.

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. The Government Finance Statistics (GFS) classification provides a recognized international framework for the economic and functional classification of transactions: revenues and expenditures are broken down into four and three classification levels respectively. Under the UN-supported Classification of Functions of Government (COFOG), which is the functional classification applied in GFS, there are 10 main functions at the highest level and 69 functions at the second (sub-functional) level. Although no international standard for programmatic classification exists, this type of classification can be an important tool in budget formulation, management and reporting and the way in which is it applied should be explained in the narrative if the highest score is assigned on this basis.

All parts of the central government's annual budget (current and capital) should be covered by this indicator, whether they are integrated or use separate budget and accounting processes. In the latter case, the requirements for a score should be fulfilled for each process.

For countries rich in natural resources, the government's revenue classification system should identify and report these revenues (whether taxes, royalties, bonuses, dividends, the government's share of profits e.g. from Production Sharing Agreements, etc.) and the main sector(s) from which the revenues originate. The narrative of the assessment should identify if such a classification exists and if it is linked to budget classification and the chart of accounts.

Dimension to be assessed (Scoring Method M1):

(i) Extent to which the classification system used for formulation, execution and reporting of the central government's budget is consistent with international standards.

Score	Minimum Requirements: Scoring Method M1
A	(i) Budget formulation, execution and reporting is based on **ALL** levels of administrative, economic and functional classification using GFS/COFOG standards, or a standard that can produce consistent documentation according to those standards and is fully consistent with all classifications used for reporting financial information. Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional classification.
B	(i) Budget formulation, execution and reporting is based on administrative, economic (at least level 3 of the GFS standard – 3 digits) and full functional/sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards.
C	(i) Budget formulation, execution and reporting is based on administrative and economic classification using GFS standards (at least level 2 of the GFS standard – 2 digits) or a standard that can produce consistent documentation according to those standards.
D	(i) The requirements for a 'C' rating or higher are not met.

PI-6: Comprehensiveness of information included in budget documentation

Annual budget documentation (the executive's budget proposals for the next fiscal year with supporting documents), as submitted to the legislature for scrutiny and approval, should allow a complete picture of central government fiscal forecasts, budget proposals and out-turn of the current and previous years[2].

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, which should include the following information:

Basic elements:
1. Forecast of the fiscal deficit or surplus (or accrual operating result).
2. Previous year's budget outturn, presented in the same format as the budget proposal.
3. Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.
4. Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-5), including data for the current and previous year, in addition to the detailed breakdown of revenue and expenditure estimates.

Additional elements:
5. Deficit financing, describing its anticipated composition.
6. Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.
7. Debt stock, including details at least for the beginning of the current year (presented in accordance with GFS or other internationally recognized standard).
8. Financial Assets, including details at least for the beginning of the current year (presented in accordance with GFS or other internationally recognized standard).
9. Summary information of fiscal risks (including contingent liabilities, guarantees, PPP, etc.).
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.
11. Documentation on the medium-term framework.
12. Quantification of tax expenditures.

Dimension to be assessed (Scoring Method M1):

(i) Share of the above listed information in the executive's annual budget proposals most recently issued by the central government (in order to count in the assessment, the full specification of the information benchmark must be met).

Score	Minimum Requirements: Scoring Method M1
A	(i) Budget documentation fulfills all basic elements (1-4) and at least 6 of the additional elements.
B	(i) Budget documentation fulfills all basic elements (1-4) and at least 3 of the additional elements.
C	(i) Budget documentation fulfills all basic elements (1-4).
D	(i) The requirements for a 'C' rating or higher are not met.

[2] The following terminology is used: Current year (T) is the fiscal year in which the budget proposals are being prepared and usually presented. Next year (T+1) is the budget year or fiscal year for which the annual budget proposals are made. Previous year (T-1) is the last fiscal year completed. Outer years (T+2, T+3 etc.) are the fiscal years beyond the year for which the annual budget proposals are made. Outer years are relevant for the medium-term budget perspective in indicators PI-CFS, PI-12 and PI-13.

PI-7: Extent of reporting on extra-budgetary operations (EBOs)

Ex-ante and ex-post fiscal reports[3] to the legislature should cover all budgetary and extra-budgetary activities of central government to allow a complete picture of revenue and expenditures across all categories, as well as financing. This will be the case if extra-budgetary operations (central government activities which are not included in the annual budget law, such as those funded through extra-budgetary funds and externally financed projects), are insignificant or if any significant expenditures on extra-budgetary activities are included in ex-ante and ex-post fiscal reports and reported to the legislature.

While having a large number of extra-budgetary or off-budget funds should be discouraged, there can be a case for the selective use of these funds, depending on the institutional and governance arrangements in the country. The use of off-budget funds should be accompanied by mechanisms that promote accountability and efficiency, i.e. be included in regular reports to the legislature. Without such controls, extra-budgetary funds can end up serving corrupt interests, weaken good governance and macro-fiscal stability.

Dimension (i) of this indicator assesses the magnitude of operations that are both off-budget and off-account (i.e. not reported), and thus are not fully transparent and subject to effective scrutiny.

Dimension (ii) assesses the quality of income and expenditure information on extra-budgetary operations for planning and decision making and in particular the extent to which information on extra-budgetary operations is sufficient to contribute, together with central budgetary government expenditure, to achieving a comprehensive picture of central government revenues, expenditures and financing. The latter will be the case if the financial information is detailed at least to the level of main categories of GFS economic classification (two-digit) for each of revenue, expenditure and financing, and accompanied by description of the operation and the institutions involved.

The table below should be completed, used to rate the dimensions of PI-7, and included in the Performance Report.

Table 7. Breakdown of identified extra-budgetary operations

	Nature of EBO	**Estimated amount/range of EBO (as share of BCG total spending)**	**How covered in fiscal reports**
	• *Brief description of entity/ issue, including legal status* • *Indicate source of funding (legislative budget, own source revenue, etc.)* • *Discussion of significant assets and liabilities*	• *Estimated amount or range, as a share of spending*	• *Specify in which reports EBOs are addressed and how they are covered* • *Specify whether EBOs are off-budget/off-account or off-budget/on account*
MDAs			
Extra-budgetary units			
Autonomous special funds			
Externally financed projects			

[3] Ex-ante and ex-post reports include annual budget estimates, in-year execution reports, and year-end financial reports. Extra-budgetary operations should be included in such reports either by consolidation with other central government revenue and expenditure or shown in a separate section or annex, or in a separate document presented to the legislature.

Dimensions to be assessed (Scoring Method M2):

(i) The level of extra-budgetary operations (revenue and expenditure[4]) (from Table 7.1.) which is unreported, i.e. not included in ex-ante and ex-post fiscal reports.

(ii) The details of income, expenditure and financing information on reported extra-budgetary operations (not applicable if EBOs constitute less than 1% of total budgetary expenditure).

Dimension	Minimum requirements: Scoring Method M2	
(i) The level of extra-budgetary operations which is unreported	**Score = A:**	The level of unreported extra-budgetary expenditure and revenue is insignificant (below 2% of total expenditure).
	Score = B:	The level of unreported extra-budgetary expenditure and revenue is between 2% and 5% of total expenditure.
	Score = C:	The level of unreported extra-budgetary expenditure and revenue is between 5% and 10% of total expenditure.
	Score = D:	The requirements for a 'C' rating or higher are not met OR the information is insufficient to allow a quantitative estimate to be made.
(ii) The details of income, expenditure and financing information on reported extra-budgetary operations	**Score = A:**	Detailed financial information on all reported extra-budgetary operations (revenue and expenditure) is included in ex-ante and ex-post reports.
	Score = B:	Detailed financial information on the majority of reported extra-budgetary operations (revenue and expenditure), is included in ex-ante and ex-post reports
	Score = C:	Detailed financial information on the majority of extra-budgetary operations is included in ex-post reports.
	Score = D:	The requirements for a 'C' rating or higher are not met.

[4] The magnitude of each EBO may be identified in terms of either the revenue stream or the expenditure. While revenue will eventually lead to corresponding expenditure, there may be considerable time lags between the two events and information may not be identified for both revenue and expenditure at the time of assessment. Each EBO should therefore be counted on the basis of either revenue or expenditure but not both. The denominator is total budgetary expenditure, acting as a proxy for total budgetary turnover.

PI-8: Transparency and risks in inter-governmental fiscal relations

While the indicator set is focused on financial management by central government, sub-national government[5] (SNG) in many countries has wide-ranging expenditure responsibilities. In federal states, the fiscal relationship between the central (federal or union) government and the individual states is typically established in the Constitution of the Union or Federation. In other cases, specific laws determine the layers of SNG, their expenditure responsibilities and arrangements for revenue sharing. In either case these decentralized governance arrangements give rise to a set of intergovernmental financial relations between levels of government including key issues related to the transfer and distribution of funds from central government to SNG, the timeliness and accuracy of information on funds to be transferred, the requirements for reporting from SNG to central government and the risk exposure of central government to SNG operations.

Dimension (i) assesses the transparency and objectivity in the horizontal allocation among SNG entities. Transfers to support SNG expenditure can be made in the form of unconditional grants, where their final use is determined by the SNG through their budgets, or through conditional (earmarked) grants to SNG to implement selected service delivery and expenditure responsibilities e.g. by function or program, typically in accordance with an agreed regulatory/policy standard. The overall level of grants (i.e. the vertical allocation) will usually be determined by policy decisions at the central government's discretion or as part of constitutional negotiation processes, and is not assessed by this indicator. However, clear criteria, such as formulas, for the distribution of grants among SNG entities (i.e. the horizontal allocation of funds) are needed to ensure allocative transparency and medium-term predictability of funds available for planning and budgeting of expenditure programs by SNG. All fiscal transfers from central government to the highest level of sub-national government should be taken into consideration. If different formulae/criteria are used for different elements of transfer, the overall assessment may be based on a weighted average.

Dimension (ii) assesses the timeliness of transfer information. It is crucial for SNG to receive firm and reliable information on annual allocations from central government well in advance of the completion (preferably before commencement) of their own budget preparation processes. Information on transfers to SNG budgets should be regulated by the central government's annual budget calendar, which should provide for reliable indications of allocations early in the cycle.

Dimension (iii) assesses the effectiveness of SNG reporting to central government. Generation of a full overview of expenditure allocations by general government requires that SNG can generate fiscal data with a classification that is comparable to central government and that such information is collected at least annually and consolidated with central government fiscal reports. Depending of legislative arrangements collection and consolidation of fiscal data from SNG may be undertaken directly by central government or by the national statistical agency. For the coverage to be meaningful, the consolidated reporting of fiscal information should be of a reasonable quality, include all tiers of general government, and be presented on both an ex-ante (budgeted) and an ex-post (actual) basis.

Dimension (iv) assesses central government exposure to fiscal risks arising from SNG operations. Fiscal risks created by SNG can take the form of debt service defaults (with or without guarantees issued by central government), operational losses caused by unfunded quasi-fiscal operations, expenditure payment arrears and unfunded pension obligations. Where SNG can generate fiscal liabilities for central government, their fiscal position should be monitored, at least on an annual basis, with consolidation of essential fiscal information.

Dimensions to be assessed (Scoring method M2):

(i) Transparent and rules based systems in the horizontal allocation among SNGs of unconditional and conditional transfers from central government (both budgeted and actual allocations).

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[5] Funding provided to ***deconcentrated*** units of central government (which do not have local accountability mechanisms) is not covered by the scope of this indicator.

(ii) Timeliness of reliable information for budget planning to SNGs on their allocations from central government for the coming year.
(iii) Extent to which consolidated fiscal data (at least on revenue and expenditure) is collected and reported for general government.
(iv) Extent of central government monitoring of SNGs' fiscal position.

Dimension	Minimum requirements: Scoring Method M2	
(i) Transparent and rules based systems in the horizontal allocation among SNGs of transfers from central gov't	**Score = A:**	The horizontal allocation of almost all transfers (at least 90% by value) from central government is determined by transparent and rules based systems.
	Score = B:	The horizontal allocation of most transfers from central government (at least 50% of transfers) is determined by transparent and rules based systems.
	Score = C:	The horizontal allocation of only a small part of transfers from central government (10-50%) is determined by transparent and rules based systems.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(ii) Timeliness of reliable information for budget planning to SNGs on their allocations from central government for the coming year	**Score = A:**	The process by which SNGs receive information on their annual transfers is managed through the regular budget calendar, which is generally adhered to and provides clear and sufficiently detailed information for SNG to allow at least 6 weeks to complete their budget planning on time.
	Score = B:	The process by which SNGs receive information on their annual transfers is managed through the regular budget calendar, and though some delays may be often experienced, the process provides clear and sufficiently detailed information and adequate time (at least 4 weeks) for SNGs to complete their budget planning on time.
	Score = C:	An annual budget calendar exists but is rudimentary and substantial delays may often be experienced in its implementation, and though information on annual transfers to SNGs is issued before the start of the SNG fiscal year, may be too late for significant changes to budget plans to be made.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iii) Extent to which consolidated fiscal data is collected and reported for general government	**Score = A:**	Fiscal information (ex-post) that is consistent with central government fiscal reporting is collected for 90% (by value) of SNG expenditure, consolidated into annual reports within 10 months of the end of the fiscal year.
	Score = B:	Fiscal information (ex-post) that is consistent with central government fiscal reporting is collected for at least 75% (by value) of SNG expenditure, consolidated into annual reports within 18 months of the end of the fiscal year.
	Score = C:	Fiscal information (ex-post) that is consistent with central government fiscal reporting is collected for at least 60% (by value) of SNG expenditure and consolidated into annual reports within 24 months of the end of the year.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iv) Extent of central government monitoring of SNGs' fiscal position	**Score=A:**	SNG cannot generate fiscal liabilities for central government **OR** the net fiscal position is monitored at least annually for all levels of SNG and central government consolidates overall fiscal risk into annual (or more frequent) reports.
	Score=B:	The net fiscal position is monitored at least annually for the most important level of SNG, and central government consolidates overall fiscal risk into a report.
	Score=C:	The net fiscal position is monitored at least annually for the most important level of SNG, but a consolidated overview is missing or significantly incomplete.
	Score=D:	The requirements for a 'C' rating or higher are not met.

PI-9: Fiscal risk management

Central government will usually have a formal oversight role in relation to other public sector entities and should be aware of, monitor, and manage fiscal risks at a consolidated level. In addition, central government may also be obliged (for political reasons) to assume responsibility for a financial default of other entities (such as the banking sector) even when no formal oversight role exists, hence adequate procedures to monitor those risks at the level of the whole of public sector should be in place.

Fiscal risk management consists of a set of procedures designed to quantify and report risks. Those risks can arise from many sources: adverse macroeconomic situations (covered in PI-0); financial position of sub-national (SN) levels of government (covered in PI-8), autonomous government agencies (AGA) and public enterprises (PE); contingent liabilities; etc. Fiscal risks created by AGAs and PEs can take the form of debt service defaults (with sovereign guarantees they would be covered under the contingent liability, but there are risks from AGAs and PEs defaulting on the debt without guarantees issued by central government as well), operational losses caused by unfunded quasi-fiscal operations, expenditure payment arrears and unfunded pension obligations.

The dimension (i) of the indicator assesses the extent to which risks from PEs and AGAs are monitored, which requires central government to receive quarterly financial statements and audited year-end statements from AGAs and PEs, and monitor performance against financial targets. AGAs and PEs often report to parent line ministries, but consolidation of information is important for overview and reporting of the total fiscal risk for central government.

Dimension (ii) of the indicator assesses the monitoring and reporting of the central government's explicit contingent liabilities, including umbrella state guarantees for various types of loans (mortgage loans, student loans, agriculture loans, small business loans, etc.); state insurance schemes (deposit insurance, private pension fund insurance, crop insurance, etc.), financial implications of ongoing litigation and court cases; state guarantees for non-sovereign borrowing by private sector enterprises; and guarantees on private investments of different types. A particular form of guarantees on private investment is related to Public-Private Partnerships (PPPs). In many countries, governments have entered into PPPs in order to finance services (often infrastructure) to communities. PPP arrangements almost always generate a contingent liability for the government should the commercial terms in the contract not be satisfied (for example, the forecast level of tolls generated from a road constructed and operated by the private sector is not realized). While implicit contingent liabilities (bailouts, failure of non-guaranteed pension funds, risks from natural disasters, armed conflicts, etc.) pose a significant risk as well, they are not legally binding, difficult to quantify and thus are not assessed as part of the indicator. Dimension (ii) does not assess explicit contingent liabilities arising from sub-national governments, PEs and AGAs, as they are assessed under PI-8 dimension (iv) and PI-9 dimension (i).

Fiscal risks should be disclosed in one or several statements presented as part of budget documentation. Those statements should discuss the main risks faced by central government and quantify their potential impact on its fiscal position.

Dimensions to be assessed (Scoring Method M2):

(i) Extent of central government monitoring of AGAs and PEs.

(ii) Extent of central government monitoring of explicit contingent liabilities from central government programs and projects.

Score	Minimum requirements: Scoring Method M2
(i) Extent of central government monitoring of AGAs and PEs	**Score = A:** Central government receives annual audited financial reports from all AGAs and PEs and consolidates all fiscal risk issues into an annual (or more frequent) report, including a discussion of AGAs and PEs quasi-fiscal activities. **Score = B:** Central government receives annual audited financial reports from major AGAs and PEs and consolidates major fiscal risk issues into an annual report. **Score = C:** Central government consolidates major fiscal risk issues of majority of AGAs and PEs into an annual report. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Extent of central government monitoring of explicit contingent liabilities from central government programs and projects	**Score = A:** Explicit contingent liabilities (including PPPs) arising from central government programs/projects are quantified, consolidated and reported as part of the annual financial report. **Score = B:** Explicit contingent liabilities (including PPPs) arising from central government programs/projects are quantified and consolidated into an annual report. **Score = C:** Explicit contingent liabilities (including PPPs) arising from central government programs/projects are quantified and information is collected by a central agency. **Score = D:** The requirements for a 'C' rating or higher are not met.

A table with breakdown of risks by entities/type and nature, amount, risk analysis and how they are reported shall be included in the PFM Performance Report in order to provide clear evidence for the score.

PI-10: Public access to key fiscal information

Transparency will depend on whether information on fiscal plans, positions and performance of the government is easily accessible to the general public.

Unless otherwise specifically justified in relation to country circumstances, the access of fiscal information to the public is defined as posting on official websites (i.e. information is accessible without restriction, without requirement to register, and is free of charge). Elements of information to which public access is critical are listed below.

Basic elements

1. **Annual Executive Budget Proposal documentation**: A complete set of executive budget proposal documents (as assessed in PI-6) is available to the public within one week of the executive submitting them to the legislature.
2. **Enacted Budget:** The annual budget law approved by the legislature is publicized within two weeks of passage of the law.
3. **In-year budget execution reports:** The reports are routinely made available to the public within one month of period end. Where a more comprehensive and analytical mid-year report is produced, publication should take place within 3 months of period end.
4. **Audited annual financial report, incorporating or accompanied by the external auditor's report:** The report(s) are made available to the public within twelve months of the year end.

Additional elements

5. **Pre-Budget Statement:** The broad parameters for the executive budget proposal regarding expenditure, planned revenue and debt is made available to the public at least four months before the start of the fiscal year and two months before the executive budget proposal is submitted to the legislature.
6. **Other external audit reports:** All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.
7. **Summary of the Budget Proposal**: A clear, simple summary of the Executive's Budget Proposal and/or the Enacted Budget accessible to the non-budget experts (often referred to as a 'citizens' budget'), and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the Executive Budget Proposal being submitted to the legislature and within one month of the budget's approval respectively.
8. **Medium Term Budget Outlook:** (as assessed in PI-12) is available within one week of its endorsement.

The narrative of the assessment should comment on the quality of information made available (e.g. understandable language and structure, appropriate layout, summarized for large documents) and the means used to facilitate public access (such as websites, the press, notice boards for locally relevant information).

Dimension to be assessed (Scoring Method M1):

(i) The documents for which public access is provided (in order to count in the assessment, the full specification of the information benchmark above must be met).

Score	Minimum requirements: Scoring Method (M1)
A	The government makes available to the public in accordance with the specified time frames all basic elements (1-4) and at least three of the additional elements.
B	The government makes available to the public in accordance with the specified time frames all basic elements (1-4) and at least two of the additional elements.
C	The government makes available to the public all basic elements (1-4).
D	The requirements for a 'C' rating or higher are not met.

PI-11: Orderliness and participation in the annual budget preparation process

While the Ministry of Finance (MOF) is usually responsible for the annual budget formulation process, effective participation in the budget formulation process by other ministries, departments and agencies (MDAs) as well as the political leadership (the leadership of the executive, such as the cabinet or an equivalent body), impacts the extent to which the budget will reflect macro-economic, fiscal and sector policies. Full participation requires an integrated top-down and bottom-up budgeting process, involving engagement from all parties in an orderly and timely manner, in accordance with a pre-determined budget formulation calendar. The wider scope of participation of the legislature and citizens in the budgeting process is not covered here, but the legislature's participation in the budgeting process – as representatives of the citizens - is assessed in PI-27.

Dimension (i) assesses whether an explicit budget calendar exists that allows for passing of the budget law before the start of the fiscal year including sufficient time for MDAs to meaningfully prepare their detailed budget proposals as per the guidance. Delays in passing the budget may create uncertainty about the level of approved expenditures and delays in some government activities, including major contracts.

Dimension (ii) assesses whether clear guidance on the budget process is provided in a budget circular, including budgetary ceilings (allocations) for administrative units or functional areas. The budget for the entire upcoming fiscal year should be covered and is the content of an 'annual' budget. In order to avoid last minute changes to budget proposals, it is important that the political leadership is actively involved in the setting of aggregate allocations (particularly for sectors or functions) from an early stage of the budget preparation process. This should be initiated through review and approval of the ceilings (allocations) in the budget circular, either by approving the budget circular or by approving a preceding proposal for aggregate ceilings (e.g. in a budget outlook paper).

Dimension (iii) assesses whether the annual budget proposal is presented to the legislature in a timely manner so that the legislature has adequate time for its budget review and that the budget proposal can be approved before the start of the fiscal year.

All parts of the central government's annual budget are covered by this indicator, whether they are integrated or use separate processes. Ideally this is ensured through a single or unified budget process and related circular covering all government revenue, recurrent expenditure, capital expenditure, transfers, specific financing etc. In cases where the process is split into different parts, as may be the case for recurrent and capital budgets, the requirements for a score should be fulfilled for each of the separate processes.

The MDAs concerned for the purpose of this indicator are those which are directly charged with responsibility for implementing the budget in line with sector policies and which directly receive funds or authorization to spend from the MOF. Departments and agencies that report and receive budgetary funds through a parent ministry should not be considered in the assessment.

Dimensions to be assessed (Scoring method M2):

(i) Existence of and adherence to a fixed budget calendar.
(ii) Clarity/comprehensiveness of and political involvement in the guidance on the preparation of budget submissions (budget circular or equivalent).
(iii) Timely submission of the annual budget proposal to the legislature or similarly mandated body (within the last three years).

Dimension	Minimum requirements: Scoring Method M2
(i) Existence of and adherence to a fixed budget calendar	**Score = A:** A clear annual budget calendar exists, is generally adhered to and allows MDAs enough time (and at least six weeks from receipt of the budget circular) to meaningfully complete their detailed estimates on time. **Score = B:** A clear annual budget calendar exists, and is largely adhered to, even if delays of minor importance are experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time. **Score = C:** An annual budget calendar exists and attempts are made to comply with it, even if substantial delays are experienced in its implementation, and/or many MDAs fail to meet the deadlines for completing estimates. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Clarity/ comprehensive-ness of and political involvement in the guidance on the preparation of budget submissions	**Score = A:** A single, comprehensive, and clear budget circular, covering all budget expenditure for the full fiscal year, is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent) prior to the circular's distribution to MDAs. **Score = B:** A single, comprehensive, and clear budget circular, covering all budget expenditure for the full fiscal year, is issued to MDAs, which reflects ceilings approved by Cabinet (or equivalent). This approval takes place after the circular distribution to MDAs, but before MDAs have completed their submission. **Score = C:** One or several budget circular(s) is/are issued to MDAs, including ceilings for individual administrative units or functional areas. All budget expenditure is covered for the full fiscal year. The budget estimates are reviewed and approved by Cabinet after they have been completed in all details by MDAs, thus seriously constraining Cabinet's ability to make adjustments. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iii) Timely submission of the annual budget proposal to the legislature or similarly mandated body	**Score = A:** The executive submitted the annual budget proposal at least 2 months before the start of the fiscal year in each of the last three years. **Score = B:** The executive has submitted the annual budget proposal at least 2 months before the start of the fiscal year in two of the last three years and submitted it before the start of the FY in the third year. **Score = C:** The executive has submitted the annual budget proposal at least 1 month before the start of the fiscal year in two of the last three years. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-12: Medium-term perspective in expenditure budgeting

Expenditure policy decisions have multi-year implications, and should be aligned with the availability of resources in the medium-term perspective. The resulting medium-term expenditure estimates at sector level need to be reconciled with the fiscal aggregates determined through a fiscal strategy (ref. PI-CFS) and with the preparation of annual budget proposals (ref. PI-11). They should be updated annually through a process that is transparent and predictable.

Dimension (i) measures the extent to which expenditure policy proposals are described in sector strategy documents, which – in addition to stating medium to long-term sector objectives (outcomes) and related outputs (service delivery targets) ref. PI-23 – should be fully costed in terms of estimates of forward expenditure (including expenditures both of a recurring nature as well as those involving investment commitments and their recurrent cost implications) to demonstrate the cost implications of current and new policies.

Given the need to match implementation of sector strategies with the available resource envelope in the medium term through a prioritization process, Dimension (ii) assesses if a medium-term financial framework is established and updated as part of the annual budget process, with reconciliation between the top-down aggregate resource envelope and the bottom-up costing by MDAs of current and new policy implementation. The medium-term framework itself can vary in its form and its level of sophistication, but it should at least provide the annual budget process with an overall fiscal envelope for overall expenditure, consistent with macroeconomic and macro-fiscal policies for a three-year period (as assessed in PI-CFS).

Dimension (iii) assesses if budget proposals in subsequent years are compared to the medium-term framework's outer year estimates with any deviations fully explained. Such explanations may include changes in macro-economic conditions/parameters and changes to government policy and expenditure priorities.

Further issues regarding the disclosure and approval of the medium-term framework are covered by other indicators such as incorporation in the budget documentation (PI-6), review and approval by the legislature (PI-27) and availability to the public (PI-10).

Dimensions to be assessed (Scoring method M2):

(i) Coverage and content of sector strategies

(ii) Reconciliation of top-down and bottom-up approaches in the medium-term financial framework

(iii) Links between medium-term framework and annual budgets.

Dimension	Minimum requirements: Scoring Method M2
(i) Coverage and content of sector strategies	**Score = A:** Sector strategies exist for sectors representing at least 75% of primary expenditure with full costing of recurrent and investment expenditure **Score = B:** Sector strategies exist for sectors representing at least 50% of primary expenditure with full costing of recurrent and investment expenditure. **Score = C:** Sector strategies exist for sectors representing at least 25% of primary expenditure with full costing of recurrent and investment expenditure **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Reconciliation of top-down and bottom-up approaches in the medium-term financial framework	**Score = A:** A medium-term financial framework of three years (or more) is prepared as part of the annual budget process. It reconciles the top-down budget ceilings with the MDAs' costed budgets in all MDAs for both the annual budget and outer year estimates. **Score = B:** A medium-term financial framework of three years (or more) is prepared as part of the annual budget process. It reconciles the top-down budget ceilings with the MDAs' costed budgets in MDAs representing 75% of primary expenditure, for both the annual budget and outer year estimates. **Score = C:** A medium-term financial framework of three years (or more) is prepared as part of the annual budget process. It reconciles the top-down budget ceilings with the MDAs' costed budgets in MDAs representing 50% of primary expenditure, for both the annual budget and outer year estimates. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Links between the medium-term framework and annual budgets	**Score = A:** Links between the medium-term framework's outer year estimates and subsequent setting of annual budgets is clear, for MDAs representing 100% of primary expenditure and any differences are explained. **Score = B:** Links between the medium-term framework's outer year estimates and subsequent setting of annual budgets is clear, for MDAs representing 75% of primary expenditure and any major differences are explained **Score = C:** Links between the medium term-framework's outer year estimates and subsequent setting of annual budgets is clear, for MDAs representing 50% of primary expenditure. Differences may not be explained. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-13: Revenue budgeting

Revenue budgeting is an essential part of the PFM system, as this will define the resource envelope and form the basis for effective medium-term planning. The ability of a country to estimate future revenue flows and also assess the fiscal implications of policy changes ensures greater predictability of budget execution. The revenue budgeting process is not free of political interferences and thus having transparent and formalized processes in place is essential to ensure accountability for the revenue collection function.

Dimension (i) assesses whether the revenue forecasting function is developed and integrated into the budgeting process. Revenue forecasts define the budget envelope and serve as the principal resource constraint and, if integrated in a top-down budget preparation process, facilitate the allocation of expenditures across different uses (ref. PI-12). Low quality forecasts may lead to under-execution of revenues and result in a financing gap in the budget (ref. PI-3 and PI-CFS). Forecasts should be comprehensive and include all sources of revenue, such as taxes, customs duties, service user charges, royalties from natural resource extraction, and dividends from public enterprises. In a cash-based budget system, proceeds from sales of tangible and intangible assets would also count as revenue. The estimates should be documented in a report, explaining the estimation methodology as well as the assumptions made (including general macroeconomic assumptions and forecasts, ref. PI-CFS(ii), specific assumptions related to each type of revenue and changes in effectiveness of revenue administration). Where preparation of estimates is decentralized, a central process should ensure that assumptions are consistent. The same criteria apply for fiscal impact of new policy proposals to be well evidenced. The revenue forecast report should also explain the assumptions regarding the transfer of revenue to the budget in cases where certain revenue is earmarked for and transferred to extra-budgetary funds, and where the resource envelope of the budget is partly dependent on drawing on resources from such funds.

Dimension (ii) assesses whether there are procedures in place to ensure that the fiscal implications of policy changes are assessed: this is critical to ensure that policies are affordable and sustainable. A failure to estimate the fiscal implication of policies may result in an unexpected reduction in revenues, leading to unintended deficits, and undermining the ability of the government to deliver services to its citizens. The fiscal impact of policy measures should be documented and either prepared by the finance ministry, or consolidated by the finance ministry in cases where individual MDAs prepare the estimates for their respective policy areas.

In dimension (iii), the revenue compositional variance attempts to capture the quality of forecasts of the stability of revenue structure and ability of the government collect each category of revenues as intended. Under-execution of certain categories of revenues results in increase in formal or shadow financing such as rapid privatization, VAT refund arrears, expenditure arrears, additional bond issuance. .

The narrative to support the rating should:

- describe the sources of data (which will normally be drawn from budget execution reports or annual fiscal report), noting any concerns about their suitability and reliability;
- provide background information on the institutional arrangements for revenue and financing forecasting;
- note any special factors that affect revenue composition.

Dimensions to be assessed (Scoring method M2):

(i) Medium-term forecasting of revenues.

(ii) Assessment of the fiscal impact of proposed policy changes

(iii) Variance in revenue composition during the last three years (actual revenue by category compared to the originally approved budget using level three [3 digits] of GFS 2001 classification).

Dimension	Minimum requirements: Scoring Method M2	
(i) Medium-term forecasting of revenues	**Score = A:**	Medium-term forecasts (for at least three years) of all government revenues are produced in a report as part of the annual budget process, explaining assumptions and methodology used for each type of revenue as well as estimates or explanation of upside and downside risks.
	Score = B:	Medium-term forecasts (for at least two years) of the major sources of government revenue (at least 75% of estimated revenue) are produced in a report as part of the annual budget process, explaining assumptions and methodology used for each type of revenue.
	Score = C:	Forecasts of the major sources of revenue (at least 75% of estimated revenue) are produced as part of the annual budget process in a report explaining assumptions and methodology used for each type of revenue.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(ii) Assessment of the fiscal impact of proposed policy changes	**Score = A:**	Proposed policy changes to all government revenues are supported by well-evidenced forecasts of the fiscal impact for each measure including assumptions and methodology.
	Score = B:	Proposed policy changes to the major sources of government revenue (revenue items constituting 75% or more of total revenue) are supported by well-evidenced forecasts of the fiscal impact of each measure.
	Score = C:	The proposed policy changes that are most significant to government revenue are supported by well-evidenced forecasts of the fiscal impact.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iii) Extent of variance in revenue composition during the last three years	**Score = A:**	Variance in revenue composition was less than 5% in two of the last three years.
	Score = B:	Variance in revenue composition was less than 10% in two of the last three years.
	Score = C:	Variance in revenue composition was less than 15% in two of the last three years.
	Score = D:	The requirements for a 'C' rating or higher are not met.

PI-14: Revenue administration compliance

The scope of this indicator comprises the entities constituting central government revenue administration, which would usually include tax administration, customs administration, social security contribution administration, as well as agencies administering revenues from other significant sources such as natural resources extraction. A government's ability to collect revenues, which are due, is an essential component of any PFM system, and is also an area where there is direct interaction between individuals and enterprises on the one hand and the state on the other. Both parties have responsibilities: the government must provide those responsible for providing revenues with a clear understanding of their obligations and the procedures to be followed, while ensuring that mechanisms are in place to enforce compliance from those required to contribute the revenues due.

Dimension (i) assesses the extent to which individuals and enterprises have access to both information about their obligations, and also to administrative procedures which allow redress, such as a fair and independent body outside of the general legal system (ideally a 'Tax Court') that is able to consider appeals against amounts assessed.

Dimension (ii) assesses extent of the use of risk management methods within the revenue entities. Modern revenue administrations rely increasingly on self-assessment and use risk-based processes to ensure compliance. Resource constraints are likely to dictate that revenue administration processes are focused on identifying payers and transactions with the largest potential risk of non-compliance. An efficient risk management system contributes to minimizing evasion and irregularities in revenue administration as well as lowering the cost of collection for revenue collecting agencies and cost of compliance for payers. The assessors should consider use of risk management methods in registration, filing, payment and refunds of tax, customs, social security payments; and comment on their efficiency. The assessment should also look into the mitigation measures in place such as audits, investigations, transfer pricing controls, and outreach activities/communication.

Dimension (iii) assesses whether sufficient controls are in place to deter evasion and ensure that instances of non-compliance are revealed. Sound audit and fraud investigation systems have to be in place to ensure that once risks have been identified, there is follow-up to minimize revenue leakage. More serious issues of non-compliance involve deliberate attempts of payments evasion and fraud, which may involve collusion with representatives within a revenue administration. The ability of the revenue administration to identify, investigate, successfully prosecute and impose penalties in major evasion and fraud cases on a regular basis is essential for ensuring that payers comply with their obligations. This dimension assesses use of audits and fraud investigations, while the dimension (ii) assesses extent to which audits are based on risk profiling.

Dimension (iv) assesses the extent of proper management of arrears within the revenue entities by focusing on the level and age of revenue arrears. Revenue administrations need to have a critical focus on the management of arrears to ensure that debts owing to the government are managed actively and appropriate processes are adopted that focus on expediting the payment of collectable debt. This will ensure that revenue administrations maximize the collection of arrears before they become uncollectable. In order for the arrears management process to be considered comprehensive, it should allow for capturing the information on revenue arrears and facilitate that arrears are collected in the year it occurs

Dimensions to be assessed (Scoring method M2):

(i) Information to individuals and enterprises about their obligations and rights concerning payments to the government;
(ii) Management of risks to revenue;
(iii) Audit and fraud investigation practices (including penalties) to achieve planned outputs in terms of coverage and additional revenue;
(iv) Management of revenue arrears.

Dimension	Minimum requirements: Scoring Method M2	
(i) Information to individuals and enterprises about their obligations and rights concerning payments to the government	**Score = A:**	Entities that contribute more than 75% of government revenue provide easy access to comprehensive, user friendly and up-to-date information and administrative procedures, including a right of redress.
	Score = B:	Entities that contribute more than 50% of government revenue provide easy access to comprehensive, user friendly and up-to-date information and administrative procedures, including a right of redress.
	Score = C:	Entities that contribute more than 50% of government revenue provide access to information and administrative procedures, but may be limited, lacking comprehensiveness or not up-to-date.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(ii) Management of risks to revenue	**Score = A:**	Entities that contribute more than 75% of government revenue utilize a comprehensive risk management process.
	Score = B:	Entities that contribute more than 50% of government revenue utilize a comprehensive risk management process.
	Score = C:	Entities that contribute more than 50% of government revenue utilize risk management processes that may be limited in scope.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iii) Audit and fraud investigation practices to achieve planned outputs in terms of coverage and additional revenue	**Score = A:**	Entities that contribute more than 75% of government revenue undertake audits and fraud investigations and achieve planned outputs.
	Score = B:	Entities that contribute more than 50% of government revenue undertake audits and fraud investigations and achieve planned outputs.
	Score = C:	Entities that contribute more than 50% of government revenue undertake audits and fraud investigations.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iv) Management of revenue arrears	**Score = A:**	The share of revenue arrears at the end of the last completed fiscal year is below 10%.
	Score = B:	The share of revenue arrears at the end of the last completed fiscal year is below 20% AND the revenue arrears older than 12 months are less than 50% of total revenue arrears.
	Score = C:	The share of revenue arrears at the end of the last completed fiscal year is below 20% AND revenue arrears older than 12 months are less than 75% of total revenue arrears.
	Score = D:	The requirements for a 'C' rating or higher are not met OR the reliable data is not available.

PI-15: Accounting for revenues

In many countries, there is more than one agency responsible for revenue administration. Typically, there will be a tax administration body, customs, and social insurance administrator, although the Central Bank or the government Treasury may also perform this function. In addition, there may be MDAs administering revenues from other significant sources, such as natural resources extraction. While the particular institutional arrangements may vary, there is always a need for information on revenue collection to be consolidated and analyzed, to ensure that revenue collection is on track and that cash management of the government is effective (ref. PI-16).

Dimension (i) assesses the extent to which the Ministry of Finance or a body with similar responsibilities coordinates revenue administration activities and collects, accounts and reports timely information on collected revenue.

Dimension (ii) assesses the promptness of transfers of revenue collected to the Treasury[6]or other designated agencies. It is essential to ensure that funds are available as soon as possible to support cash management and ultimately spending. This may involve either a system that obliges payments to be made directly into accounts controlled by the Treasury (possibly managed by a bank) or, where the responsible agency maintains its own collection accounts, by frequent and full transfers from those accounts to Treasury controlled accounts (time periods mentioned do not include delays in the banking system). Transfers of revenue collections to the Treasury should be effective and ensure that any revenue float is minimized. Ideally, all revenues should be transferred to the Treasury, but other agencies could be legally designated to receive earmarked revenues directly from the collecting entity (e.g. autonomous extra-budgetary funds). Transfers to such designated agencies will be assessed in the same way as transfers to the Treasury.

Dimension (iii) assesses the extent to which aggregate amounts related to assessments/ charges, collections, arrears and transfers to (and receipts by) the Treasury or designated other agencies take place regularly and are reconciled. This will ensure that the collection and transfer system functions as intended, that the level of arrears and the revenue float are monitored and minimized. It is important that the difference between amounts assessed/levied and received by the Treasury or other designated agencies can be explained (N.B. this does not assume or imply an accrual based accounting system: the data and reports used for assessing this indicator are based on cash accounting). The responsible entity would normally keep records on aggregate amounts levied, and transfers to the Treasury in its accounting system. The responsible entity should also keep records for each payer about amounts levied and paid, but this may be done in other data systems. The responsible entity should be able to aggregate such information, so that it can report how much of amounts levied is (a) not yet due, (b) in arrears (the difference between what is due and what has been paid in) and (c) collected by the responsible agency but not yet transferred to the Treasury. For revenues from extractive industries, the Extractive Industries Transparency Initiative has developed standards for the disclosure and reconciliation of what companies pay and what governments receive.

[6] Under the current indicator, Treasury will then designate the Treasury itself or any other legally designated recipient.

Dimensions to be assessed (Scoring method M1):

(i) Coverage and timeliness of revenue information collected by the Ministry of Finance.
(ii) Effectiveness of transfer of revenue collections to the Treasury or other designated agencies.
(iii) Frequency of complete accounts reconciliation between assessments, collections, arrears records and receipts by the Treasury or other designated agencies.

Score	Minimum requirements: Scoring method M1
A	(i) At least weekly, the Ministry of Finance collects revenue data broken down by revenue type and period from entities collecting more than 75% of government, and consolidates the data into a report. (ii) All revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury and other designated agencies are made daily. (iii) Complete reconciliation of assessments, collections, arrears and transfers to Treasury and other designated agencies takes place at least monthly within one month of end of month.
B	(i) At least monthly, the Ministry of Finance collects revenue data broken down by revenue type and period from entities collecting more than 75% of government, and consolidates the data into a report. (ii) Revenue collections are transferred to the Treasury and other designated agencies at least weekly. (iii) Complete reconciliation of assessments, collections, arrears and transfers to Treasury and other designated agencies takes place at least quarterly within six weeks of end of quarter.
C	(i) At least monthly, the Ministry of Finance collects revenue data broken down by revenue type and period from entities collecting more than 50% of government, and consolidates the data into a report. (ii) Revenue collections are transferred to the Treasury and other designated agencies at least every two weeks. (iii) Complete reconciliation of assessments, collections, arrears and transfers to Treasury and other designated agencies takes place at least annually within 3 months of end of the year.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met.

PI-16: Predictability in the availability of funds to support service delivery

Effective service delivery and execution of the budget in accordance with the work plans, requires that spending ministries, departments and agencies (MDAs) receive reliable information on the availability of funds within which they can control commitments and make payments for non-financial assets, goods and services. This indicator assesses the extent to which the central ministry of finance is able to forecast commitment and cash requirements and provide reliable information on the availability of funds to MDAs for service delivery.

Dimension (i) assesses for the extent to which the MOF can identify and consolidate cash balances (including those for extra-budgetary funds and government controlled project accounts) as a basis for informing the release of funds. Consolidation of bank accounts is facilitated where a Treasury Single Account (TSA) exists or where all accounts are centralized at a single bank (usually the Central Bank). A TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The control and reporting on individual transactions should be achieved through the accounting system, allowing the Treasury to delink management of cash from control of individual transactions. In order to achieve regular consolidation of multiple bank accounts not held centrally, timely electronic clearing and payment arrangements with the government's bankers will generally be required. The narrative of the indicator should include a discussion of the arrangements used in the assessed jurisdiction.

Dimension (ii) assesses the extent to which MDA commitments and cash flows are forecast and monitored by the MOF. Predictability for MDAs in the availability of funds is facilitated by effective cash flow planning, monitoring and management by the Treasury. This will require that reliable forecasts of cash inflows and outflows – both routine and non-routine (the latter comprising expenditures that do not take place on a regular monthly or annual basis such as the cost of holding elections or discrete capital investments) – are linked to the budget implementation and commitment plans of individual MDAs.

Dimension (iii) assesses the reliability of in-year information to MDAs on ceilings for expenditure commitment for specific periods. Predictability for MDAs in the availability of funds for commitment is necessary to facilitate planning of activities and procurement of inputs to facilitate effective service delivery. In some systems, funds (commitment ceilings, authority to spend or transfers of cash) are released by the MOF to MDAs in stages throughout the budget year (e.g. monthly or quarterly). In others, the passing of the annual budget law grants the full authority to commit and spend from the beginning of the year. However, the MOF/Treasury (or other central agency) may in practice impose constraints on MDAs in incurring new commitments (and making related payments), when cash flow problems arise. To be considered reliable and thus avoid disrupting MDAs implementation plans, the amount of funds for commitment/spending made available to an entity for a specific period should not be subsequently reduced during that period. The adherence of MDAs to the ceilings for expenditure commitment and payments is not assessed here, but is covered by indicator PI-20 on internal controls.

Dimension (iv) assesses the frequency and transparency of adjustments to budget allocations. Governments may need to make in-year adjustments to allocations in the light of unanticipated events that impact revenues and/or expenditures. The impact on predictability and on the integrity of original budget allocations is minimized by specifying, in advance, a mechanism that relates adjustments to budget priorities in a systematic and transparent manner (e.g. the protection of particular votes or budget lines that are declared to be high priority, or say 'poverty related'). In contrast, adjustments can take place without clear rules/guidelines or can be undertaken informally (e.g. through imposing delays on new commitments). While many budget adjustments can take place administratively with little implication for the expenditure composition outturn at higher levels of aggregation in the administrative, functional and economic budget classifications, other more significant changes may alter the actual composition at such aggregated classification levels. The significance of these adjustments is assessed in relation to the percentages specified in the PI-2 rating criteria. Rules for when the legislature should be involved in such in-year budget amendments are assessed in PI-27 and not covered here.

Dimensions to be assessed (Scoring Method M1):

(i) Extent and frequency of consolidation of the central government's cash balances.
(ii) Extent to which cash flows are forecast and monitored.
(iii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment.
(iv) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs.

Score	Minimum requirements: Scoring Method M1
A	(i) All central government bank and cash balances are consolidated on a daily basis; (ii) A cash flow forecast is prepared for the fiscal year, and is updated monthly on the basis of actual cash inflows and outflows. (iii) MDAs are able to plan and commit expenditure for at least six month in advance in accordance with the budgeted appropriations and cash/commitment releases. (iv) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a transparent and predictable way.
B	(i) All central government bank and cash balances are consolidated on a weekly basis, but some extra-budgetary funds may remain outside this arrangement (ii) A cash flow forecast is prepared for the fiscal year and updated at least quarterly, on the basis of actual cash inflows and outflows. (iii) MDAs are provided reliable information on commitment ceilings at least quarterly in advance. (iv) Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way.
C	(i) Consolidation of most central government cash balances takes place at least monthly. (ii) A cash flow forecast is prepared for the fiscal year, but may not (or only partially and infrequently) be updated. (iii) MDAs are provided reliable commitment ceiling information for one or two months in advance. (iv) Significant in-year budget adjustments are frequent, but undertaken with some transparency.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met. (iv) The requirements for a 'C' rating or higher are not met.

PI-17: Recording and reporting on debt and expenditure arrears

Governments that fail to monitor the financial liabilities that arise from domestic and foreign borrowing or from payment arrears – including salaries – may create unnecessarily high debt service costs and are unlikely to be able to deliver planned services.

Dimension (i) assesses the integrity and comprehensiveness of debt recording and reporting. A system to monitor and report regularly on the main features of the debt portfolio is critical for ensuring data integrity and effective management, such as accurate debt service budgeting, making timely service payments, and ensuring well planned debt roll-overs. Regular reporting enables the government to monitor the implementation of its debt strategy and address any deviations arising.

Dimension (ii) assesses the extent to which any expenditure arrears are identified and managed. Arrears are overdue debts, liabilities or obligations, and constitute a form of non-transparent financing. Arrears can cause increased costs to government as creditors adjust prices to compensate for late payment, or delayed supply of inputs affecting service delivery. A large volume of arrears may indicate a number of different problems, such as inadequate commitment controls, cash rationing, inadequate budgeting for contracts, under-budgeting of specific items and lack of information. Government payment deadlines are usually established in contractual obligations (such as procurement or grant contractual agreements or debt service) or legal obligations (such as payroll, pension, welfare payments, non-contractual grants). An unpaid claim or obligation becomes an arrear when it has not been paid at the date stipulated in the contract or in the corresponding law or financial regulation. Even inadmissible or incomplete payment claims can become arrears if the beneficiaries are not notified before the payment deadline is met.[7] Assessors should confirm that the government's data recording and reporting analyses payments, legal and contractual payment deadlines, and invoices (including suspensions and rejections) so that arrears can be and are in fact calculated. Delays in payments/transfers between government entities are not covered by this indicator.

Dimensions to be assessed (Scoring method M2):

(i) Domestic and foreign debt data recording and reporting.

(ii) Monitoring of expenditure arrears.

Dimension	**Minimum requirements: Scoring Method M2**	
(i) Domestic and foreign debt data recording and reporting	**Score = A:**	Domestic and foreign debt records are complete, accurate, updated and reconciled on a monthly basis with data considered to be of high integrity. Comprehensive management and statistical reports (covering debt service, stock and operations) are produced at least quarterly.
	Score = B:	Domestic and foreign debt records are complete, accurate, updated and reconciled quarterly. Data considered of fairly high standard, but minor reconciliation problems may occur. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least annually.
	Score = C:	Domestic and foreign debt records are complete, updated and reconciled at least annually. Data quality is considered fair, with gaps and reconciliation problems recognized.
	Score = D:	The requirements for a 'C' rating or higher are not met.

[7] If a payment claim is inadmissible because it does not meet the terms of the contract or law, it should be rejected informing the beneficiary of the reason. The payment period starts again when a new payment claim is received. If the payment request is admissible but incomplete, or some corrections or clarifications are required, the payment request must be registered and the payment deadline must be suspended from the date the beneficiary is informed until those corrections or clarifications are received. The Performance Report should highlight any systematic attempts by MDAs to create such payment delays, where evidence suggests that this is happening.

(ii) Monitoring of expenditure arrears	**Score = A:**	Complete data on the stock of arrears is generated at least at the end of each fiscal year and includes an age profile.
	Score = B:	Data on the stock of arrears is generated annually, but may not be complete for a few identified expenditure categories or specified budget institutions.
	Score = C:	Data on the stock of arrears has been generated by at least one comprehensive ad hoc exercise within the last two years.
	Score = D:	The requirements for a 'C' rating or higher are not met.

In order to understand the magnitude and importance of expenditure arrears, the assessors should include quantitative data on arrears in the evidence for this indicator, including a description of the source of data and the method of estimation.

Table 17 Stock of Expenditure Arrears at the end of each of the last three financial years

	FY T-3	**FY T-2**	**FY T-1 (last completed year)**
Total Expenditure arrears			
Break-down by type of expenditure or specify types/sectors captured by the data			

PI-18: Effectiveness of payroll controls

The wage bill is usually one of the biggest items of government expenditure and may be susceptible to weak controls and hence corruption. This indicator is concerned with the payroll for public servants only. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of general internal controls (PI-20). However, different segments of the public service may be recorded in different payrolls. All of the more important payrolls should be mentioned in the narrative and assessed in the scoring of this indicator.

Dimension (i) assesses the degree of integration between personnel, payroll and budget data. The payroll should be underpinned by a personnel database (in some cases called the "nominal roll"")," and not necessarily computerized), which provides a list of all staff who should be paid every month, and which should be verified against the approved establishment list (or other approved staff list on which budget allocations are based) and the individual personnel records (or staff files). Controls should also ensure that staff employment and promotion is undertaken within approved personnel budget allocations.

Dimension (ii) assesses the timeliness of changes to personnel and payroll data. Any amendments required to the personnel database should be processed in a timely manner through a change report, and should result in an audit trail.

Dimension (iii) assesses the controls that are applied to effect changes to personnel and payroll data. Effective internal controls should: restrict the authority to change records and payroll; require separate verification; require production of an audit trail that is adequate to maintain a permanent history of all transactions and together with details of the authorizing officers.

Dimension (iv) assesses the integrity extent of the payroll. Payroll audits should be undertaken regularly to identify ghost workers, fill data gaps and identify control weaknesses.

Dimensions to be assessed (Scoring Method M1):

(i) Degree of integration and reconciliation between approved staff lists, personnel records and payroll data.
(ii) Timeliness of changes to personnel records and the payroll.
(iii) Internal controls of changes to personnel records and the payroll.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers.

Score	Minimum requirements: Scoring method M1
A	(i) Approved staff list, personnel database and payroll are directly linked to ensure budget control, data consistency and monthly reconciliation. (ii) Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in a maximum of 3% of salary payments). (iii) Authority to change records and payroll is restricted, results in an audit trail and is adequate to ensure full integrity of data. (iv) A strong system of annual payroll audits exists to identify control weaknesses and ghost workers.
B	(i) The payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data. Staff hiring and promotion is controlled by a list of approved staff positions. (ii) Up to three months' delay occurs in updating of changes to the personnel records and payroll, but affects only a minority of changes. Retroactive adjustments are made occasionally. (iii) Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data. (iv) A payroll audit covering all central government entities has been conducted at least once in the last three years (whether in stages or as one single exercise).
C	(i) Reconciliation of the payroll with personnel records takes place at least every six months. Staff hiring and promotion is checked against the approved budget prior to authorization. (ii) Up to three months delay occurs in processing changes to personnel records and payroll for a large part of changes, which leads to frequent retroactive adjustments. (iii) Sufficient controls exist to ensure integrity of the most important payroll data. (iv) Partial payroll audits or staff surveys have been undertaken within the last three years.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met. (iv) The requirements for a 'C' rating or higher are not met.

PI-19: Transparency, competition and complaints mechanisms in procurement

Significant public spending takes place through the public procurement system. A well-functioning procurement system ensures that money is used effectively for achieving efficiency in acquiring inputs for, and value for money in, the delivery of programs and services by a government. The principles of a well-functioning system need to be stated in a well-defined and transparent legal framework that clearly establishes appropriate policy, procedures, accountability and controls. One of the key principles established by the legal framework is the use of transparency and competition as a means to obtain fair and reasonable prices and overall value for money. Good procurement is not about finding the path of least cost from inputs to outputs. The strategic management of public procurement adds value – it has outcomes in its own right such that it discovers the optimum solutions to the issues in terms that best match the national objectives, and the optimum means of achieving these solutions. In doing so, good procurement (a) rewards innovation in processes and solutions; (b) identifies best fit-for-purpose outcomes; (c) delivers optimum value-for-money; (d) promotes industry competitiveness and development; and (e) strengthens public confidence in government. Dimension (i) assesses the content of the legal and regulatory framework.

Dimension (ii) analyzes the percentage of the total value the contracts awarded with and without competition. A good procurement system ensures that procurement – except low-value procurement under an established and appropriate threshold – uses competitive methods, either because situations in which other methods can be used are effectively restricted by regulations or because the provisions to apply other methods are used sparingly.

Dimension (iii) reviews the level of public access to complete, reliable and timely procurement information. Public dissemination of information on procurement processes and their outcomes are also key elements of transparency. In order to generate timely and reliable data, a good information system will capture data on procurement transactions and be secure. Unless otherwise specifically justified in relation to country circumstances, public access to procurement information is defined as posting on official websites (i.e. information is accessible without restriction, without requirement to register, and is free of charge).

Dimension (iv) assesses the existence and effectiveness of an independent, administrative complaints resolution mechanism. A good procurement system offers stakeholders access to such a mechanism as part of the control system, usually in addition to the more costly and time consuming process of challenging procurement decisions in the general court system. To be effective, submission and resolution of complaints must be processed in a fair, transparent, independent and timely manner. The timely resolution of complaints is necessary to allow contract awards to be reversed if necessary, and limits remedies tied to profit/loss and costs associated with bid or proposal preparation after contract signatures. A good process also includes the ability to refer the resolution of the complaints to an external higher authority for appeal.

The scope of the indicator covers the entire central government i.e. also extra-budgetary funds and AGAs. While the procurement system operates within its own framework, it benefits from the overall control framework that exists in the PFM system, including public access to information, internal controls operated by implementing agencies, and external audit. The procurement system also contributes to many aspects of the PFM system: providing information that enables realistic budget formulation, providing access to information to stakeholders that contribute to public awareness and transparency, and supporting efficiency and accountability in delivery of government programs. The following indicators in particular impact on or are influenced by the effectiveness of procurement: PI-2, PI-10, PI-12, PI-16, P-20, PI-21, PI-24, PI-26, PI-28, PI-PIM and PI-PAM.

Dimensions to be assessed (Scoring method M2):
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework.
(ii) Use of competitive procurement methods.
(iii) Public access to complete, reliable and timely procurement information.
(iv) Existence of an independent administrative procurement complaints system.

Dimension	Minimum requirements: Scoring Method M2
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	The legal and regulatory framework for procurement should: (i) be organized hierarchically and precedence is clearly established; (ii) be freely and easily accessible to the public through appropriate means; (iii) apply to all procurement undertaken using government funds; (iv) make open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified; (v) provide for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints; (vi) provide for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature. **Score = A:** The legal framework meets all six of the listed requirements **Score = B:** The legal framework meets four or five of the six listed requirements **Score = C:** The legal framework meets two or three of the six listed requirements **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Use of competitive procurement methods	The total value of contracts awarded through competitive methods in the most recent fiscal year, represents: **Score = A:** 80% or more of total value of contracts **Score = B:** 70% to 80% of total value of contracts **Score = C:** 60% to 70% of total value of contracts **Score = D:** The requirements for a 'C' rating or higher are not met OR reliable data is not available.
(iii) Public access to complete, reliable and timely procurement information	Key procurement information comprising (1) government procurement plans; (2) bidding opportunities, (3) contract awards; (4) data on resolution of procurement complaints is made available to the public through appropriate means. **Score = A:** All four of the key procurement information elements are complete and reliable for government units representing 90% of procurement operations (by value) and made available to the public in a timely manner through appropriate means. **Score = B:** At least three of the key procurement information elements are complete and reliable for government units representing 75% of procurement operations (by value) and made available to the public in a timely manner through appropriate means. **Score = C:** At least two of the key procurement information elements are complete and reliable for government units representing 50% of procurement operations (by value) and made available to the public through appropriate means. **Score = D:** The requirements for a 'C' rating or higher are not met.

Dimension	Minimum requirements: Scoring Method M2
(iv) Existence of an independent administrative procurement complaints system	Complaints are reviewed by a body which: (1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions; (2) does not charge fees that prohibit access by concerned parties; (3) follows processes for submission and resolution of complaints that are clearly defined and publicly available; (4) exercises the authority to suspend the procurement process; (5) issues decisions within the timeframe specified in the rules/regulations; and (6) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority). **Score = A:** The procurement complaints system meets all six criteria. **Score = B:** The procurement complaints system meets criteria (1), and three of the other criteria. **Score = C:** The procurement complaints system meets criteria (1), and one of the other criteria. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-20: Effectiveness of internal controls for non-salary expenditure

This indicator focuses on non-salary expenditure and covers a wide range of processes and types of payment across central government including segregation of duties, commitment controls and payment controls.[8]

This broad range of non-salary processes, the many types of expenditure, and the number of different people often involved in them increases the risk of incorrect and/or inconsistent application of the laid down procedures and controls. This makes it particularly important for assessors to establish whether or not effective controls exist. Evidence of the effectiveness of the internal control system could come from discussions with government financial controllers and other senior managers, the reports prepared by the external and internal audit and the minutes of audit committee meetings (where such a committee exists). Minutes of management meetings and regular financial reports prepared for management may also be useful in establishing the extent to which non-salary expenditure is controlled. Where specific reviews or surveys relating to procurement and accounting systems have been prepared at the request of management, these can also provide a useful source of information. The existence of procedure manuals, instructions etc. should also be verified wherever possible. Routine and one-off accounting reports – e.g. reports of invoices paid and outstanding, reports of error and rejection rates for financial procedures such as invoice payments, inventory checks etc. – may also assist in rating this dimension, as may meetings held with managers and staff to demonstrate the level of awareness and understanding of internal control. Organizations in which employees understand what controls are and why they are needed are more likely to have better, more effective systems of internal control in place.

Dimension (i) assesses the existence of the segregation of duties which is a fundamental element of internal control to prevent an employee or group of employees to be in a position both to perpetrate and to conceal errors or fraud in the normal course of their duties. The main incompatible responsibilities to be segregated are: (a) authorization; (b) recording; (c) custody of assets; and (d) reconciliation or audit. Particular attention should be paid to management override of controls. Repeated policy exceptions or overrides may indicate potential fraudulent activity or a need to reassess current policies/procedures. Any unusual situations identified should be investigated by the appropriate party and include corrective action if necessary.

Dimension (ii) assesses the effectiveness of expenditure commitment controls. This process is singled out as a separate dimension of this indicator due the importance of such controls for ensuring that the government's payment obligations remain within the limits of budget allocations (as revised) and within projected cash availability, thereby avoiding creation of expenditure arrears (ref. indicator PI-17).

Dimension (iii) assesses the effectiveness of the payment controls systems. It covers both low-value and public procurement as well as casual labor wages and discretionary staff allowances.

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[8] Many of the indicators, and PI-20 in particular, cover elements of the government's internal control system. It will be required that the PFM Performance Report also describes the government's internal control policies as part of the Legal and Institutional Framework in section 2, i.e. the overall process or system that is designed to address risks and to provide reasonable assurance that PFM performance objectives are being achieved in support of pursuing of the government entities' missions. As part of the cross-indicator analysis, and drawing upon both description of the policies and effectiveness of various control activities reflected in the indicators, a high-level analysis of the effectiveness of the overall internal control system will be required, pin-pointing any major weaknesses structured along the five internal control components identified by the international standards: the control environment, risk assessment, control activities, information and communication, and monitoring.

Dimensions to be assessed (Scoring Method M2):

(i) Segregation of duties.
(ii) Effectiveness of expenditure commitment controls.
(iii) Compliance with systems of control for making payments.

Score	Minimum requirements: Scoring method M2
(i) Segregation of duties	**Score = A:** Appropriate segregation of duties exists throughout the process. Responsibilities are clearly laid down. **Score = B:** Segregation of duties exists throughout the process. Responsibilities are clearly laid down for most key steps while further details may be needed in a limited number of areas. **Score = C:** Segregation of duties exists. Important responsibilities are allocated, but may need further definition. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Effectiveness of expenditure commitment controls	**Score = A:** Comprehensive expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations. **Score = B:** Expenditure commitment controls are in place and effectively limit commitments to projected cash availability and approved budget allocations for most types of expenditure, with minor areas of exception. **Score = C:** Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iii) Compliance with systems of control for making payments	**Score = A:** More than 90% of payments are executed in accordance with regular rules and procedures. Exceptions to regular procedures are authorized in advance and duly justified. **Score = B:** 75 to 90% of payments are executed in accordance with regular rules and procedures. Exceptions to regular procedures are authorized and duly justified. **Score = C:** 50 to 75% of payments are executed in accordance with regular rules and procedures. Exceptions to regular procedures are authorized in most cases but are not justified. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-21: Effectiveness of internal audit

Regular and adequate feedback to management is required on the performance of the internal control systems, through an internal audit function (or equivalent systems monitoring function). Such a function should bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In the public sector, the function is primarily focused on the provision of assurance over the adequacy and effectiveness of internal controls: the reliability and integrity of financial and operational information; the effectiveness and efficiency of operations and programs; the safeguarding of assets; and compliance with laws, regulations, and contracts.

Dimension (i) assesses the extent to which all government entities are subject to internal audit. It is measured as the proportion of total planned expenditure/revenue collection of the entities covered by annual audit activities, whether or not substantive audit work is carried out, and does not refer to the sample of transactions selected for examination.

Dimension (ii) assesses Specific evidence of an effective internal audit (or systems monitoring) function would also include a focus on high risk areas, preparing and monitoring of audit plans, use by the SAI of the internal audit reports, and

Dimension (iii) assesses the extent to which action is taken by management on internal audit findings. This is of critical importance since lack of action on findings undermines the rationale for the internal audit function.

Dimension (iv) looks into the nature of audit performed and adherence to professional standards. Effectiveness of risk management, control and governance processes should be evaluated by following professional standards such as the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, including (a) appropriate structure particularly with regard to professional independence, (b) sufficient breadth of mandate, access to information and power to report, (c) use of professional audit methods, including risk assessment techniques. Internal audit functions in some countries are concerned only with pre-audit of transactions, which is here considered part of the internal control system and should therefore be assessed in PI-20.

The internal audit function may be undertaken by an organization with a mandate across entities of the central government (such as government inspection general or IGF) or by separate internal audit functions for individual government entities. The combined effectiveness of all such audit organizations is the basis for rating this indicator.

Dimensions to be assessed (Scoring Method M1):

(i) Coverage of the internal audit function (percentages quoted refer to).

(ii) Implementation of audits and distribution of reports (percentages quoted refer to the average rate of completion of audit plans for all audited entities).

(iii) Extent of management response to internal audit findings.

(iv) Nature of audit performed and adherence to professional standards.

Score	Minimum requirements: Scoring method M1
A	(i) Internal audit is operational for all central government entities. (ii) At least 80% of audit plan engagements are completed, as evidenced by distribution of the reports to the appropriate parties. (iii) There is clear evidence of effective and timely follow up of internal audit findings by management of 80% of the entities audited in the last financial year. (iv) A quality assurance process is in place within the internal audit function. There is evidence that assurance services meet professional standards, including following a risk-based audit plan.
B	(i) Internal audit is operational for central government entities representing at least 75% of total budgeted expenditures and for entities collecting at least 75% of government revenue. (ii) At least 67% of audit plan engagements are completed, as evidenced by distribution of the reports to the appropriate parties. (iii) There is clear evidence of effective and timely follow up of internal audit findings by management of 67% of the entities audited in the last financial year. (iv) Internal audit services follow an annual audit plan and are focused on evaluations of the adequacy and effectiveness of internal controls.
C	(i) Internal audit is operational for central government entities representing at least 50% of total budgeted expenditures and for entities collecting at least 50% of government revenue. (ii) At least 50% of audit plan engagements are completed, as evidenced by distribution of the reports to the appropriate parties. (iii) There is clear evidence of effective and timely follow up of internal audit findings by management of 50% of the entities audited in the last financial year. (iv) Internal audit services consist primarily of ex-post reviews focused on financial compliance.
D	(i) The requirements for a ‘C’ rating or higher are not met. (ii) The requirements for a ‘C’ rating or higher are not met. (iii) The requirements for a ‘C’ rating or higher are not met. (iv) The requirements for a ‘C’ rating or higher are not met.

PI-22: Accounts reconciliation and financial data integrity.

Reliable reporting of financial information requires constant checking and verification of the recording practices of accountants – this is an important part of internal control and a foundation for good quality information for management and for external reports. The indicator covers three critical types of reconciliation.

Dimension (i) assesses the regularity of bank reconciliation. Timely comparison between all government bank account (central or commercial) transaction data and government cash books should be undertaken on a regular basis, the results reported and actions taken to reconcile any differences. Such reconciliation is fundamental to the integrity of the accounting records and the financial statements.

Dimension (ii) assesses the extent to which suspense accounts, including sundry deposits/ liabilities, are reconciled on a regular basis and cleared in a timely way. Failure to clear suspense accounts can distort financial reports and provide an opportunity for fraudulent or corrupt behaviors.

Dimension (iii) focuses on reconciliation and clearance of advance accounts. Advances would cover those paid to vendors under public procurement contracts as well as travel advances and operational imprests. In the case of public procurement contracts, clearing timeline will be compliant with the contractual arrangements. Other clearing processes will follow the national regulations. The present indicator does not cover intergovernmental transfers even though some of them may be called “advances”.
Quality information is essential to support internal controls system. Information is produced by information systems, which encompass people, processes, data and IT. Those elements are dealt with under PI-18 for payroll and PI-20 for commitments and payments.

Dimension (iv) covers how processes support the delivery of quality financial information and focuses on data integrity defined as accuracy and completeness of data (ISO/IEC, International Standard, 2014). While acknowledging that other processes are essential to ensure data integrity, dimension (iv) assesses two key aspects: access to information (including read-only) and changes made to records (creation as well as modification); and existence of an oversight body, unit or team in charge of verifying data integrity. Audit trails constitute an important aspect of data integrity as they enable individual accountability, intrusion detection and problem analysis.

Dimensions to be assessed (Scoring method M2):
(i) Regularity of bank reconciliation.
(ii) Regularity of reconciliation and clearance of suspense accounts.
(iii) Regularity of reconciliation and clearance of advance accounts.
(iv) Processes supporting financial data integrity

Dimension	Minimum requirements: Scoring Method M2
(i) Regularity of bank reconciliation	**Score = A:** Bank reconciliation for all active central government bank accounts takes place at least weekly at aggregate and detailed levels, usually within one week of end of period. **Score = B:** Bank reconciliation for all active central government bank accounts takes place at least monthly, usually within 4 weeks from end of month. **Score = C:** Bank reconciliation for all active central government bank accounts takes place quarterly, usually within 8 weeks of end of quarter. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Regularity of reconciliation and clearance of suspense accounts	**Score = A:** Reconciliation of suspense accounts takes place at least monthly, within a month from end of period. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified. **Score = B:** Reconciliation of suspense accounts takes place at least quarterly within two months of end of period. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified. **Score = C:** Reconciliation of suspense accounts takes place annually, within two months of end of year. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iii) Regularity of reconciliation and clearance of advance accounts	**Score = A:** Reconciliation of advance accounts takes place at least monthly, within a month from end of period. Advance accounts are always cleared in a timely way. **Score = B:** Reconciliation of advance accounts takes place at least quarterly within two months of end of period. Advance accounts are usually cleared in a timely way. **Score = C:** Reconciliation of advance accounts takes place annually, within two months of end of year. Advance accounts may frequently be cleared with delay. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iv) Processes supporting financial data integrity	**Score = A:** Access and changes to records is restricted and recorded, and results in an audit trail. An oversight body, unit or team in charge of verifying financial data integrity is operational. **Score = B:** Access and changes to records is restricted and recorded, and results in an audit trail. **Score = C:** Access and changes to records is restricted and recorded. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-23: Use of performance information for achieving efficiency in service delivery

The purpose of this indicator is to assess the quality and usefulness of the annual performance information at different stages of the budget cycle (specifically in the executive's budget proposal or its supporting documentation, in the year-end report, and in audit reports or performance evaluation reports). It focuses on annual information on public service delivery, and the extent to which the nature and coverage of such information is likely to promote greater operational efficiency in service delivery. It is also important to understand whether resources reach service delivery units as planned to enable the achievement of annual and medium-term performance targets as well as strategic sector objectives (ref. PI-12).

Promoting operational efficiency in public service delivery is a core objective of the PFM system. The inclusion of performance information within budgetary documentation is considered to be international good practice. Increasingly, budget committees within the legislature demand to see both details of past service delivery performance and future targets for expansion or quality improvement in service delivery as part of their consideration of the executive's budget proposal, though the legislature may not be required to approve the targets. Evaluations of service delivery programs may be commissioned by legislative budget offices, directly by the executive (by the ministry of finance or by the president's office/prime minister's office), or as an aspect of the external audit process (e.g. performance audits), which are then considered either by courts of audit or parliamentary public accounts committees.

"Public service delivery" is defined as those areas of government activity through which public services are provided either to the general public or to specifically targeted groups of citizens on a fully or partially subsidized basis. This would often include education and training services, health care, payment of social security entitlements, policing, and road construction and maintenance and, in some cases, might also include agricultural support services, water and sanitation and other services. It would exclude those services provided on a commercial basis through public enterprises. It would also exclude policy functions, national security, internal administration, and purely regulatory functions undertaken by government. The narrative of the assessment should explain which public services are being assessed (e.g. listing the service delivery functions and the expenditures amounts).

"Annual performance information" for the purpose of a PEFA evaluation is defined as information which is collected and reported at least annually, and which presents information on the performance of service delivery programs or institutions in terms of outputs. It excludes information on inputs or processes, which may be useful for managerial purposes but does not provide an indicator of performance. It also excludes indicators of impact (such as indicators of infant mortality, or of life expectancy), which may be useful data for the design of policy but are influenced by too many social and environmental variables to be considered a useful measure of performance in service delivery.

The coverage of this indicator is central government. Services managed and financed by lower levels of government should not be included unless the central government significantly finances such services through reimbursements/earmarked grants, or uses lower levels of government as implementing agents.

Dimension (i) assesses to what extent key performance indicators and targets for the service delivery functions to be financed through the annual or medium term budget are included in the executive's budget proposal or the related documentation, at either the level of programs or ministries/departments/agencies.

Dimension (ii) examines the extent to which performance results are presented either in the executive's budget proposal or in the year-end report or other public document, in a format and at a level (program or agency), which is comparable to the targets previously adopted within the annual or medium term budget.

Dimension (iii) measures the extent to which a system exists to monitor if the service delivery units have received the funds allocated to the sector/service as planned. The ability to capture service delivery level data supports comparison of service performance with actual resources allocation.

Dimension (iv) considers the extent to which the design of service delivery programs and the efficiency and effectiveness of those programs is assessed in a systematic way through independent performance evaluations (which may also be undertaken by the external auditor and be termed 'performance audits'). It assesses both the coverage of these evaluations and the extent to which they include specific recommendations to enhance service delivery, and define mechanisms to follow up on these recommendations

Dimensions to be assessed: (Scoring Method M2)

(i) Disclosure, within budget documentation, of key performance indicators and targets for service delivery (coverage measured as percent of service delivery functions financed by central government).

(ii) Disclosure, within budget documentation, year-end reports or other public documents, of data on the performance results achieved by service delivery functions (in the most recent, completed fiscal year).

(iii) Monitoring of resources received by service delivery units

(iv) Content and coverage of independent performance evaluations (assessing the design, efficiency and effectiveness of service delivery functions or programs).

Dimension	Minimum requirements: Scoring method M2
(i) Disclosure of annual performance targets for service delivery	**Score = A:** performance targets are presented in a format which is clear about what is being measured (outputs) and how it is to be measured (method of calculation and data sources) for more than 50% of service delivery functions. **Score = B:** performance targets are presented in a format which is clear about what is being measured (outputs) and how it is to be measured (method of calculation and data sources) for 25-50% of service delivery functions. **Score = C:** performance targets are presented for 10-25% of service delivery functions OR coverage is more than 25% but with deficiencies in the format or definition of the targets (outputs) or in the methods of measurement. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Disclosure of data on performance results achieved by service	**Score = A:** performance results are presented for more than 50% of service delivery functions and are comparable to targets. **Score = B:** performance results are presented for 25-50% of service delivery functions and are comparable to targets. **Score = C:** performance results are presented for 10- 25% of service delivery functions and are comparable to targets. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iii) Monitoring of resources received by service delivery units	**Score = A:** a system exists, in more than 50% of service delivery functions, that monitors if resources have reached service delivery units as planned. **Score = B:** a system exists, for 25-50% of service delivery functions, that monitors if resources have reached service delivery units as planned. **Score = C:** a system exists, for less than 25% of service delivery functions, that monitors if resources have reached service delivery units as planned. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iv) Content and coverage of independent performance evaluations	**Score = A:** independent performance evaluations for more than 50% of service delivery functions have been undertaken in the last three financial years, and include recommendations for enhancing delivery. **Score = B:** independent performance evaluations for 25-50% of service delivery functions have been undertaken in the last three financial years, and include recommendations for enhancing delivery. **Score = C:** independent performance evaluations for less than 25% of service delivery function have been undertaken in the last three financial years, and include recommendations for enhancing delivery. **Score = D:** The requirements for a 'C' rating or higher are not met.

PI-24: Quality and timeliness of in-year budget reports

Information on budget execution that includes revenue and expenditure data is required to facilitate performance monitoring and, where necessary, help identify actions to maintain or adjust planned budget outturns.

Dimension (i) assesses the extent to which information is presented in timely and accurate in-year reports and in a form that is easily comparable to the original budget (i.e. have the same coverage, basis of accounting, presentation). The division of responsibility between the ministry of finance and line ministries in the preparation of the reports will depend on the type of accounting and payment system in operation (centralized, de-concentrated or devolved). In each case the role of the ministry of finance will vary between:

- Centralized capture and processing of MDA transactions along with production and distribution of various types of MDA specific and aggregated/consolidated reports;
- Production and dissemination of MDA specific and aggregated/consolidated reports based on MDA capture and processing of transactions;
- Consolidation/aggregation of reports provided by MDAs (and where applicable, from deconcentrated units) from their accounting records;

Dimension (ii) assesses whether this information is submitted in a timely, regular, complete and reconciled manner and accompanied by an analysis and commentary on budget execution.

Dimension (iii) assesses the quality of the information submitted, including whether expenditure for both the commitment and the payment stage is provided. This is important for monitoring of budget implementation and utilization of funds released. Accounting for expenditure made from transfers to deconcentrated units within central government should be also included.

Countries may produce different reports on budget execution within a fiscal year. For the purposes of scoring of this indicator the same type of the reports should be used in all dimensions, i.e. timeliness, coverage, comparability and quality is assessed for the same reports.

Dimensions to be assessed: (Scoring Method M1)

(i) Coverage and comparability of reports.
(ii) Timeliness of the issue of reports.
(iii) The quality of the information contained in the reports.

Score	Minimum requirements: Scoring method M1
A	(i) Coverage and classification of data allows direct comparison to the original budget. Information includes all items of budget estimates. Expenditures made from transfers to de-concentrated units within central government are included in the reports. (ii) Budget execution reports are prepared monthly, and issued within 2 weeks of end of period. (iii) There are no material concerns regarding data quality. An analysis of the budget execution is provided by whatever budget classifications are in use. Information on expenditure is covered at both commitment and payment stages.
B	(i) Coverage and classification of data allows direct comparison to the original budget but only with some aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports. (ii) Budget execution reports are prepared quarterly, and issued within 4 weeks of end of quarter. (iii) While there may be some concerns about accuracy of information, data issues are highlighted in the report and do not compromise overall consistency/usefulness. An analysis of the budget execution is provided on at least half-yearly basis. Expenditure is captured at least at payment stage.
C	(i) Coverage and classification of data allows direct comparison to the original budget but possible only for main administrative headings. (ii) Budget execution reports are prepared quarterly (possibly excluding first quarter), and issued within 8 weeks of end of quarter. (iii) While there may be some concerns about the accuracy of information, which may not be highlighted in the reports, they do not fundamentally undermine the data usefulness. Expenditure is captured at least at payment stage.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met.

PI-25: Quality and timeliness of annual financial reports

Annual central government financial reports (for French heritage countries: the "*Loi de règlement* supported its appendixes including the presentation of effective revenues and expenditures and the "*Compte Général de l'Etat*") are critical for accountability and transparency in the PFM system. While some countries have their own public sector financial reporting standards, set by government or another authorized body, in many cases, national accounting standards for the private sector, regional standards, or international standards such as IPSAS are applied. In any event, the outcome should be a set of financial reports that are both complete and consistent with generally accepted accounting principles and standards. For the purpose of this indicator, the annual financial statements, budget execution reports or financial reports produced by central government are used for scoring.

Dimension (i) assesses the completeness of financial reports. Annual financial reports should include an analysis providing for a comparison of the outturn with the initial government budget. Financial reports should include full information on revenue, expenditure, assets, liabilities, guarantees and long-term obligations. This information can be either incorporated into financial reports (in a modified cash or accrual-based system), or presented by way of notes or ad hoc reports (as is often done in a cash-based system). Quality of the reports requires that they be compiled after the clearance of any suspense accounts and after advance and bank account reconciliation (as assessed in PI-22).

Dimension (ii) assesses the timeliness of submission of reconciled year-end financial reports as a key indicator of the effectiveness of the accounting and financial reporting system. In some systems, individual ministries, departments and deconcentrated units and other public entities within the central government issue reports that are subsequently consolidated by the MOF. In more centralized systems, all or part of information for the report is held by the MOF. The actual date of submission is the date on which the external auditor considers the report complete and available for audit.

Dimension (iii) assesses the extent to which annual financial reports are understandable to the intended users and contribute to accountability and transparency. This requires that the basis of recording of the government's operations, and the accounting principles and national standards applied, be transparent and consistent with recognized international standards such as IPSAS.

Dimensions to be assessed: (Scoring Method M1):

(i) Completeness of the financial reports.
(ii) Timeliness of submission of the financial reports.
(iii) Transparency, completeness and consistency of accounting standards applied.

Score	Minimum requirements: Scoring method M1
A	(i) Financial reports for budgetary central government are prepared annually, and include a comparison with the approved budget and full information on revenue, expenditure, financial and tangible assets, liabilities, guarantees and long-term obligations, and are supported by a reconciled cash flow statement. (ii) Financial reports for budgetary central government are submitted for external audit within 3 months of the end of the fiscal year. (iii) Accounting standards applied to all financial reports are both complete and consistent with international standards. Variations are minor and disclosed; any gaps are explained.
B	(i) Financial reports for budgetary central government are prepared annually, and are comparable with the approved budget and include information on at least revenue, expenditure, financial assets, financial liabilities, guarantees and long-term obligations. (ii) Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year. (iii) Accounting standards applied to all reports are consistent with international standards.
C	(i) Financial reports for budgetary central government are prepared annually, comparable with the initial budget and include information on revenue, expenditure and cash balances. (ii) Financial reports for budgetary central government are submitted for external audit within 9 months of the end of the fiscal year. (iii) Accounting standards applied to all reports are based on the country's legal framework, and ensure consistency of reporting over time.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met.

PI-26: Effectiveness of external audit

A high quality external audit is an essential requirement for ensuring accountability and creating transparency in the use of public funds.

Dimension (i) assesses key elements of the quality of external audit in terms of the scope and coverage of audit, as well as adherence to auditing standards. The scope of audit indicates the entities and sources of funds that are audited[9] in any given year and should include extra-budgetary funds and autonomous agencies. The latter may not always be audited by the Supreme Audit Institutions (SAI), as the use of other audit institutions may be foreseen. Where SAI capacity is limited, the audit program may be planned by the SAI in line with legal audit obligations on a multi-year basis in order to ensure that most important or risk-prone entities and functions are covered regularly, whereas other entities and functions may be covered less frequently. Audit work should cover all revenue, expenditure, assets and liabilities, regardless of whether all these are reflected in financial reports (see PI-25).

Adherence to auditing standards (ref. the International Standards of Supreme Audit Institutions (ISSAI) and the IFAC/IAASB International Standards on Auditing (ISA)[10],) should ensure a focus on significant and systemic PFM issues in reports, as well as conducting financial and compliance audit activities, such as providing an opinion on the financial statements, the regularity and propriety of transactions and the functioning of internal control and procurement systems. Inclusion of some aspects of performance audit would also be expected of a high quality audit function, but this is covered in PI-23 dimension (iv). The SAI should implement a quality assurance system to assess whether their audits adhere to the adopted audit standards. These reviews are generally internal to the SAI (though independent of those carrying out the audits), but some external bodies may also play a role in the quality process, for example, through peer reviews or via a professional regulatory body. Independent quality assurance review reports should be the main source for assessing whether audit standards are generally adhered to.

Dimension (ii) assesses the timeliness of submission of the audit report(s) on budget execution to the legislature (or those charged with governance of the audited entity) as a key element in ensuring timely accountability of the executive to the legislature and the public. The Framework requires delays in submission of audit reports to be measured from the end of the period covered (when there is no financial audit involved) or date of the external auditor's receipt of the respective financial reports (when a financial audit is involved). Where audit reports are made separately on different agencies/funds of central government, the overall delay may be assessed as a weighted average of the delays on the respective agencies/funds, weighted by the higher of their income or expenditure.

Dimension (iii) assesses the extent to which effective and timely follow-up of external audit recommendations or observations is undertaken by the executive or audited entity. Evidence of effective follow up of the audit findings includes the issuance by the executive or audited entity of a formal written response to the audit findings indicating how these will be or already have been addressed. Reports on follow-up may provide evidence of implementation by summing up the extent to which the audited entities have cleared audit queries and implemented audit recommendations or observations. Note that follow-up to recommendations issued by the legislature is assessed separately under PI-28.

Dimension (iv) assesses the independence of the SAI from the executive. Independence is essential for an effective and credible system of financial accountability, and should be laid down in the constitution or

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[9] I.e. fall within the implementation of the overall risk based audit plan of the external auditor for the given year, regardless of whether or not the plan requires substantive audit work to be carried out on that entity/fund.
[10] The ISSAIs on financial audit are based on the corresponding ISAs, which guide the conduct of the audit of financial statements, including related compliance audit requirements such as consideration of laws and regulations in an audit of financial statements.

comparable legal framework. In practice, independence is demonstrated by the arrangements for the appointment (and removal) of the Head of the SAI and members of Collegial Institutions, non-interference in the planning and implementation of the SAI's audit work, and in the approval and disbursement procedures for the SAI's budget. The SAI's mandate should cover all central government activities and enable the SAI to carry out a full range of audit activities, specifically financial, compliance and performance audit. The SAI should have unrestricted access to documents, records and information. It should be noted that performance audits are covered by PI-23, whereas PI-26 is focused on audit of the government's annual financial reports.

Dimensions to be assessed (Scoring Method M1):

(i) Scope of audit performed (coverage and auditing standards).

(ii) Timeliness of submission of audit reports to legislature on the government's financial reports.

(iii) Evidence of follow up on audit recommendations or observations by the executive or audited entity.

(iv) Independence and mandate of the Supreme Audit Institution.

Score	Minimum requirements: Scoring method M1
A	(i) Over the last three financial years, financial reports (including revenue, expenditure and assets/liabilities) of all central government entities have been audited using ISSAIs or consistent national auditing standards highlighting material issues and systemic/control risks. (ii) Over the last three financial years, audit reports were submitted to the legislature (or those charged with governance) within 6 months from receipt of the financial reports by the audit office. (iii) Over the last three financial years there was clear evidence of effective and timely follow up by the executive or audited entity on audits for which follow-up was due. (iv) The SAI operates independently from the executive, ensured through the procedures for appointment/removal of the Head of the SAI, planning of audit engagements as well as the approval and execution of the SAI's budget. The SAI has had unrestricted and timely access to records, documentation and information.
B	(i) Over the last three financial years, financial reports of central government entities representing at least 75% of total expenditures[11] and those of entities representing at least 75% of total revenues have been audited, using ISSAIs or national auditing standards highlighting material issues and systemic/control risks. (ii) Over the last three financial years, audit reports were submitted to the legislature (or those charged with governance) within 9 months from receipt of the financial reports by the audit office. (iii) Over the last three financial years, a formal and comprehensive response was made by the executive or audited entity in a timely manner. (iv) The SAI operates independently from the executive, ensured through the procedures for appointment/removal of the Head of the SAI, planning of audit engagements as well as the approval and execution of the SAI's budget. The SAI has had unrestricted and timely access to records, documentation and information for almost all audited entities.
C	(i) Over the last three financial years, financial reports of central government entities representing at least 50% of total expenditures and those of entities representing at least 50% of total revenues have been audited, using ISSAIs or national auditing standards, highlighting significant issues. (ii) Over the last three financial years, audit reports were submitted to the legislature (or those charged with governance) within 12 months from receipt of the financial reports by the audit office. (iii) Over the last three financial years, a formal response was made by the executive or audited entity, though delayed or incomplete. (iv) The SAI operates independently from the executive, ensured through the procedures for appointment/removal of the Head of the SAI as well as the approval of the SAI's budget. The SAI has had unrestricted and timely access to most of the requested records, documentation and information.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met. (iv) The requirements for a 'C' rating or higher are not met.

[11] This percentage refers to the amount of expenditure of the entities covered by annual audit activities (regardless of whether or not substantive audit work is carried out). It does not refer to the sample of transactions selected by the auditors for examination within those entities.

PI-27: Legislative scrutiny of the annual budget law

The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law. If the legislature does not rigorously examine and debate the law, that power is not being effectively exercised and will undermine the accountability of the government to the electorate. Assessing the legislative scrutiny and debate of the annual budget law will be informed by consideration of several factors, including the scope of the scrutiny, the internal procedures for scrutiny and debate as well as the time allowed for that process.

Dimension (i) assesses the scope of the legislative scrutiny. The scope should cover review of fiscal policies, the medium term fiscal framework and medium term priorities as well as the specific details of expenditure and revenue estimates. The review may be undertaken in two or more stages, typically involving a gap between review of medium term aspects and review of the details of estimates for the next fiscal year.

Dimension (ii) assesses the extent to which review procedures are well established and well respected. This will include the internal organizational/committee arrangements, technical support, negotiation procedures and public consultation arrangements. Adequacy of the budget documentation that is made available to the legislature is covered by PI-6.

Dimension (iii) assesses the timeliness of the scrutiny process in terms of the ability to approve the budget before the commencement of the new fiscal year. This deadline is important to meet so that MDAs will know at the start of the fiscal year what resources they will have at their disposal for service delivery. The time available for scrutiny is largely determined by the timing of submission of the executive's budget proposals to the legislature, as assessed in PI-11. The narrative of the assessment should specify the actual time that legislature has spent in reviewing the budget proposal.

Dimension (iv) assesses the arrangements made to approve in-year budget amendments. Such amendments constitute a common feature of annual budget processes. In order not to undermine the significance of the original budget, the authorization of amendments that can be done by the executive must be clearly defined and follow rules, which should indicate: (i) the scope and procedures for adjustments within MDA budget limits without requiring prior MOF approval; (ii) the scope and procedures for adjustments within MDA budget ceilings that require prior MOF approval, but not prior legislature approval; (iii) the scope and procedures for in-year adjustments of MDA budget ceilings that require MOF (and perhaps Cabinet) prior approval but not prior legislature approval; and (iv) the scope and procedures for in-year adjustments of MDA budget ceilings that require prior legislature approval including time limits for the executive's presentation of amendments for retro-active approval by the legislature (also ref. PI-16). These rules must also be adhered to.

Cases where the executive implements its proposed budget and fails to reflect the legislature's recommendations should be considered as in-year amendments to the approved budget, and would warrant a 'D' rating both for dimensions (ii) and (iv).

Dimensions to be assessed (Scoring Method M1):

(i) Scope of the legislature's scrutiny.
(ii) Extent to which the legislature's procedures are well-established and respected.
(iii) Timeliness of budget proposal approval.
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature.

Score	Minimum requirements: Scoring method M1
A	(i) The legislature's review covers fiscal policies, medium term fiscal framework and medium term priorities as well as details of expenditure and revenue. (ii) The legislature's procedures for budget review are firmly established, comprehensive (including internal organizational arrangements, such as specialized review committees, technical support, negotiation procedures, and arrangements for public consultation) and are respected. (iii) The legislature has approved the annual budget before the start of the fiscal year in each of the last three years. (iv) Clear rules exist for in-year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected.
B	(i) The legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates of expenditure and revenue. (ii) The legislature's procedures to review budget proposals are firmly established and respected. (iii) The legislature has approved the annual budget before the start of the fiscal year in two of the last three years, with a delay of up to one month in the third year. (iv) Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they may allow extensive administrative reallocations.
C	(i) The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized. (ii) Some procedures exist for the legislature's budget review, but they may not be comprehensive or may be only partially respected. (iii) The legislature has approved the annual budget within one month of the start of the fiscal year in two or more of the last three years. (iv) Clear rules exist, but they may not always be respected OR they may allow extensive administrative reallocation as well as expansion of total expenditure.
D	(i) The requirements for a 'C' rating or higher are not met (including that there may be no functioning legislature). (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met. (iv) The requirements for a 'C' rating or higher are not met.

PI-28: Legislative scrutiny of external audit reports

The legislature has a key role in exercising scrutiny over the execution of the budget that it approved. A common way in which this is done is through a legislative committee(s) or commission(s) that examines the external audit reports and questions responsible parties about the findings of the reports. A report on the results of review of the external audit report(s) by any mandated committee should be tabled (and ideally debated) in the full chamber of the legislature in order to constitute a completed scrutiny. This is usually necessary before the executive can formally respond, though corrective action may be taken at any time. The operation of the committee(s) will depend on adequate financial and technical resources, and on adequate time being allocated to keep up-to-date on reviewing audit reports.

The focus in this indicator is on central government entities, including autonomous agencies to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling ministry/department must answer questions and take action on the agencies' behalf.

Dimension (i) assesses the timeliness of the legislature's scrutiny, which is a key factor in the effectiveness of the accountability function. Timeliness can be affected by a surge in audit report submissions, where external auditors are catching up on a backlog. In such situations, the committee(s) may decide to give first priority to audit reports covering the most recent reporting periods and audited entities that have a history of poor compliance. The assessment should favorably consider such elements of good practice and not be based on the resulting delay in scrutinizing reports covering more distant periods.

Dimension (ii) assesses the extent to which hearings on key findings of the SAI take place. Hearings on key findings of external audit reports can only be considered 'in-depth' if they include representatives both from the SAI to explain the observations and findings as well as from the audited agency to clarify and provide an action plan to remedy the situation.

Dimension (iii) assesses the extent to which the legislature issues recommendations and follows up on their implementation. The responsible committee may recommend actions and sanctions to be implemented by the executive, in addition to adopting the recommendations made by the external auditors (ref. PI-26), and would be expected to have a follow-up system to ensure that such recommendations are appropriately considered by the executive.

Dimension (iv) assesses the transparency of the scrutiny function in terms of public access. Opening committee hearings to the public is a good opportunity for a parliamentary committee to inform people about its work and facilitates public scrutiny of the proceedings. Hearings can be "open" in a variety of ways, which range from allowing exceptional public access to the committee room to inviting members of the public to speak on a subject. Public scrutiny of proceedings can be achieved either by re-transmission by the mass media (radio/TV) which allows citizens to follow what is currently happening in committees, or by allowing citizens to observe the meetings in the committee room. Dimension (iv) is focused on general public access and does not assess if members of the public are invited to speak at the hearings.

If the legislature does not organize an external audit of the annual financial reports that government submits (see PI-25), the legislature is not fulfilling its role of ensuring the accountability of the executive leading to score 'D' on all dimensions.

Dimensions to be assessed (Scoring Method M1):

(i) Timeliness of examination of audit reports by the legislature (for reports received within the last three years).
(ii) Extent of hearings on key findings undertaken by the legislature.
(iii) Issuance of recommended actions by the legislature and follow up of implementation.
(iv) Transparency of the legislative scrutiny function.

Score	Minimum requirements: Scoring method M1
A	(i) Scrutiny of audit reports on annual financial reports has been completed by the legislature within 3 months from receipt of the reports. (ii) In-depth hearings on key findings of audit reports take place regularly with responsible officers from all or most audited entities. (iii) The legislature issues recommendations on actions to be implemented by the executive, and systematically follows up on their implementation. (iv) All hearings are conducted in public (except for strictly limited circumstances such as discussions related to national security). Committee reports are debated in the full chamber of the legislature and published on an official website.
B	(i) Scrutiny of audit reports on annual financial reports has been completed by the legislature within 6 months from receipt of the reports. (ii) In-depth hearings on key findings of audit reports take place with responsible officers from the audited entities as a routine, and cover at least audited entities which received a qualified or adverse audit opinion. (iii) The legislature issues recommendations on actions to be implemented by the executive, and follows up on their implementation. (iv) Hearings are regularly conducted in public. Committee reports are tabled in the full chamber of the legislature and published on an official website.
C	(i) Scrutiny of audit reports on annual financial reports has been completed by the legislature within 12 months from receipt of the reports. (ii) In-depth hearings on key findings of audit reports take place occasionally, covering a few audited entities or may include with ministry of finance officials only. (iii) The legislature issues recommendations on actions to be implemented by the executive. (iv) Committee reports are published on an official website.
D	(i) The requirements for a 'C' rating or higher are not met. (ii) The requirements for a 'C' rating or higher are not met. (iii) The requirements for a 'C' rating or higher are not met. (iv) The requirements for a 'C' rating or higher are not met.

PI-PIM: Public investment management

Public investments are viewed as a key prerequisite to achieve and sustain economic growth, achieve strategic policy objectives and address national service delivery needs. During periods of economic contraction, countries need to strive to protect and find fiscal space for addressing investment needs, while during periods of expansion countries are typically challenged to prioritize among many worthwhile investments. There are many different national approaches to public investment management (PIM). Similarly, there are many different methods, standards, and approaches in use across the world. However, these systems all have commonalities in terms of the functions carried out. This indicator attempts to distill the three most critical dimensions.

The indicator spans all types of PFM systems, including those with separate recurrent and capital budget management processes and institutions. Moreover, the term ‘project’ includes investments implemented through public-private partnerships (PPPs).

Important issues for public investment management, that are not treated explicitly by this indicator, are covered by other indicators[12], including (a) the issue of consistency of investment projects with national or sector policy objectives is addressed by PI-12; (b), the quality of the procurement process (e.g., the extent to which a reliable, comprehensive procurement plan is prepared ex ante), an important determinant of the efficiency and effectiveness of public investment spending, is covered by PI-19; (c) the question of asset management, also critical for sound public investment management, including a well maintained asset register with accurate values recorded, which is ultimately reliant on good record keeping practices, is examined in PI-PAM.

Dimension (i) assesses the extent to which robust appraisal methods, based on economic analysis, are used to conduct feasibility (and/or pre-feasibility) studies for medium and large projects. It is recognized that some form of generally accepted economic analysis, including analysis of economic externalities (sometimes referred to as social or economic costs and benefits, and including health and environmental impacts), is needed to assess large public investments. Economic analysis frequently utilizes the following techniques: cost-benefit analysis, cost-effectiveness analysis, multi-criteria analysis. For the analysis to have objectivity, it would have to be conducted independently (or at arms’ length) of the project’s sponsoring agency, i.e. validated by an entity other than the concerned MDA. The policy analysis combined with the economic analysis may result in a ranking of projects, whose implementation would then be subject to the budget constraint. The economic analysis used to make decisions should also be current enough to still be meaningful (i.e., very outdated analyses, such as those for which market conditions have shifted considerably are no longer likely to be useful bases for decisions).

For the purpose of this dimension, ‘major projects’ are defined as projects meeting at least two of the following criteria:

- The project’s cost (gross nominal cost) amounts to 1% or more of total annual budget expenditure;
- The project is among the largest 10 projects (by gross nominal cost) for each of the 10 largest MDAs (measured by MDA project expenditure);
- The project’s implementation period is more than 3 years.

Dimension (ii) evaluates whether the budgeting process takes account of the affordability, cash flow management, and maintenance needs over the medium term. Sound budget management requires the preparation of comprehensive and forward-looking project budget plans for capital and recurrent costs over the full life-cycle of the investment. Projections of recurrent cost implications from projects are needed to plan and incorporate these costs into budgets going forward. Solid budget and cash flow management is dependent on comprehensive financial analysis, which is also needed for cost-benefit analysis, of investment projects.

[12] In fact there are many elements of the broader public sector context that will affect project implementation. These include: project implementation capacity, total project cost management (which relies on an accounting system that can capture and report all project costs), facilities operations arrangements, ex post evaluation rules and procedures, etc.

Dimension (iii) assesses the extent to which prudent project monitoring and reporting systems are in place for ensuring value for money and fiduciary integrity. The monitoring system should maintain records on both physical and financial progress, including estimates of work in progress, and produce periodic project monitoring reports which are available to management. Monitoring should cover projects from the point of approval for implementation (i.e. financing is centrally approved/secured). The system would allow supplier payments to be linked to evidence of physical progress. Such a system would also identify deviations from plans and allow for identification of appropriate actions in response. Appropriate IT/management information systems would likely be associated with more robust project monitoring and reporting, but not necessarily so.

Dimensions to be assessed (Scoring method M2):
(i) Objective economic analysis.
(ii) Integrated budgeting over the project life cycle.
(iii) Project monitoring and reporting.

Dimension	Minimum Requirements: Scoring Method M2	
(i) Objective economic analysis	**Score = A:**	Major capital investment projects, are appraised according to economic analysis, as established by national guidelines, and validated by an entity other than the sponsoring MDA.
	Score = B:	At least 50% of major projects in the five major investment MDAs are appraised according to economic analysis as established by national guidelines, and validated by an entity other than the sponsoring MDA.
	Score = C:	At least one major capital investment project in each of the five major investment MDAs are appraised by government, and the appraisal is reviewed by an entity other than the sponsoring MDA.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(ii) Integrated budgeting over the project life cycle	**Score = A:**	Regulations or guidelines, that require comprehensive plans for the full life-cycle costs (including recurrent costs) of the investment to be submitted in MDA project proposals, exist and are implemented.
	Score = B:	Regulations or guidelines, that require comprehensive plans for the full life-cycle costs (including recurrent costs) of the investment to be submitted, exist and are partially implemented and included in MDA project proposals.
	Score = C:	For at least 50 percent (by gross cost) of major projects, at least two MDAs with the most infrastructure projects prepare plans with full life-cycle of the investment (including recurrent costs), which are discussed during the budget preparation process and included in MDA project proposals.
	Score = D:	The requirements for a 'C' rating or higher are not met.
(iii) Project monitoring and reporting	**Score = A:**	Government maintains a project database (or complete, accurate records), including data on approved projects, on physical and financial progress of project implementation and estimates of work in progress. Project monitoring reports are made available to management at least quarterly.
	Score = B:	Major MDAs maintain databases (automated or manual), which may not be complete or entirely accurate, on approved projects, on physical and financial progress of project implementation. Project monitoring reports are made available to management at least annually.
	Score = C:	The two MDAs with the largest share of infrastructure projects have some processes in place to monitor physical and financial progress of project implementation. Project monitoring reports to management are prepared on an ad hoc basis.
	Score = D:	The requirements for a 'C' rating or higher are not met.

PI-PAM: Public asset management

Assets are resources controlled by a government entity as a result of past events from which future economic benefits are expected to flow. Assets are classified under GFS 2001 as either financial or non-financial. Recognizing non-financial asset values and economic potential is important for a variety of Public Financial Management processes including assessing the financial position of government, determining the requirement for future capital investment, maximizing the return on investments and ensuring efficient utilization of resources.

Financial assets can be very diverse, including: cash, securities, loans and receivables owned by the government; foreign reserves and long term funds, such as sovereign wealth funds and equity in state owned and private sector institutions. It is important that a country has systems for managing, monitoring and for reporting on financial assets, including where necessary robust risk management frameworks, and appropriate governance and transparency arrangements.

All economic assets other than financial assets are classified as non-financial assets. Non-financial assets may come to existence as outputs from a production process, be naturally occurring, or be constructs of society. Most non-financial assets provide benefits either through their use in the production of goods and services or in the form of property income. For many countries, one of their most valuable nonfinancial assets is a subsoil mineral resource such as oil, gas, diamonds, or precious or industrial metals. The list of the non-financial assets based on the GFS 2001 to guide the assessment of dimension (ii) is provided in the table below. The assessment should be clear on which categories are included for the purposes of this indicator and the reasons for exclusions if any, and also comment on the mechanisms to capture information. It should indicate which entities own or administer the assets.

Table PAM: Categories of Non-financial Assets

Categories	**Sub-categories**	**Captured in register(s)**	**Comments**
Fixed assets	Buildings and structures		
	Machinery and Equipment		
	Other fixed assets		
Inventories	-		
Valuables	-		
Non-produced assets	Land		
	Mineral and energy resources		
	Other naturally occurring assets		
	Intangible non-produced assets		

Dimension (i) assesses the quality of financial asset monitoring, which is critical to identify and effectively manage the key financial exposures and risks to overall fiscal management.

Dimension (ii) assesses the quality of non-financial assets monitoring. Keeping the up to date registers of non-financial assets allows government to better utilize assets such as infrastructure, as well as plan investment programs and maintenance. The reporting on non-financial assets should cover both assets and related operations. The ‘related operations’ refer to operations that increase the useful life of an asset, its value, or lead to change in the use of an asset (such as renting out, reconstruction, etc.). Maintaining a register or registers of the fixed assets is a basic requirement necessary for the system to function. While according to the best practice the assets should be valued at their market value, this process is frequently complex, so valuation is not required or assessed in the dimension (ii).

Dimension (iii) assesses the procedures for sale, transfer and disposal of assets and usage rights should envisage open competitive procedures, the publication of sale notice and of the results of the sale.

Dimensions to be assessed (Scoring method M2):

(i) Quality of central government financial asset monitoring.
(ii) Quality of central government non-financial asset monitoring.
(iii) Transparency in the sale of non-financial assets.

Dimension	Minimum requirements: Scoring Method M2
(i) Quality of central government financial asset monitoring	**Score = A:** Up to date and substantially complete financial asset registers exist that provide for the identification of key assets, verification of their ownership. The performance of financial assets is monitored and reported annually according to specific criteria formally defined by the Government and disclosed. **Score = B:** Up to date and substantially complete financial asset registers exist. The performance of financial assets is monitored and reported annually and disclosed. **Score = C:** Up to date and substantially complete financial asset registers exist. The performance of financial assets is monitored annually. The performance of financial assets is monitored and reported annually. **Score = D:** The requirements for a 'C' rating or higher are not met.
(ii) Quality of central government non-financial asset monitoring	**Score = A:** Up to date and substantially complete non-financial asset registers exist that provide for the identification of key assets, verification of their ownership. Comprehensive management and statistical reports (covering assets and related operations) are produced at least annually and disclosed. **Score = B:** Up to date and substantially complete fixed asset registers exist. Comprehensive management and statistical reports (covering assets and related operations) are produced at least annually and disclosed. **Score = C:** Fixed asset registers exist. Reports on assets are produced occasionally. **Score = D:** The requirements for a 'C' rating or higher are not met.
(iii) Transparency in the sale, transfer and disposal of non-financial assets and usage rights	**Score = A:** The procedures for the competitive and transparent sale, transfer or disposal of non-financial assets and asset usage rights are established in the legislation and are always respected. **Score = B:** The procedures for the competitive and transparent sale, transfer or disposal of non-financial assets and asset usage rights are established in the legislation and are respected in the majority of cases. **Score = C:** The procedures for the sale, transfer or disposal of non-financial assets and asset usage rights are established in the legislation. **Score = D:** The requirements for a 'C' rating or higher are not met.