**Session 2: Case studies on scoring indicators**

**Objective of the exercise:**

The following cases to illustrate common problems in the scoring of indicators PI-1, 4, 9, 14.2, 17.2, 21.1, 26.1, 28.1, 28.2 and 31.1

For each indicator, information is provided on the state of affairs as found in a typical PFM Performance Report. The group will assess the relevance and adequacy of the information provided, and agree on the score for each indicator or dimension in accordance with the requirements of the *Upgraded Performance Measurement Framework* (Feb 2016),

**Required:**

Each group needs to:

1. Judge if the information provided is sufficient for scoring of each dimension and indicator and identify any information gaps;
2. Make its assessment of the score for each indicator, citing the evidence for that score.

One person in each group should be chosen to report the findings of the group back to the plenary session. All cases should be read, as reports will be made in turn by each group, indicator by indicator, and other groups will be invited to comment.

**Note: Government fiscal year is January 1st to December 31**

**PI-1: Aggregate expenditure outturn**

The overall deviation of primary expenditure from the budget amounted to 14.7% in 20012, 27.8% in 2013 and 13.9% in 2015. It went as high as 43.3% in 2014, but this was caused by a political crisis that paralyzed the government for 5 months in the wake of general elections. During this period hardly any revenue could be collected, public servants were generally not paid and only the defense and other security sector expenditures were made at anywhere near budget estimates.

**Budget execution rates for primary expenditure in recent years.**

|  |  |
| --- | --- |
| **Fiscal year** | **Actual primary expenditure as % of budgeted** |
| 2009 | 84.2% |
| 2010 | 96.3% |
| 2011 | 79.8% |
| 2012 | 85.3% |
| 2013 | 72.2% |
| 2014 | 56.7% |
| 2015 | 86.1% |

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

**PI-4: Budget classification**

Spending classification in the budget appropriations is formulated by major economic code for each budget entity. The classification of recorded expenditure is made for both recurrent expenditures and development expenditures at the level of the organizational unit, source of funding and specific contract, expenditure detail (economic classification), and location (province). The economic classification is bridged to support GFS 2014 standard of reporting. Bridging tables from the organizational unit classification to the functional (COFOG) classification are being used, but some budget entities cover more than one function (e.g. Ministry of Interior, which encompasses both security and local government). Such cases are of important magnitude, and sub-dividing of expenditure according to function has to be done manually, which has proven to be problematic.

**This indicator has been rated B**.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

### PI-9: Public access to fiscal information

Information on the annual budget law[[1]](#footnote-1) and the financial statements is publicized in the government gazette immediately upon the President’s assent to the law and the submission of the statements for audit. The in-year budget execution reports are distributed among the government’s administrative units and made available to the donor agencies on request. It was noted in the recent CFAA report that the non-publication of the reports of the National Audit Office constitutes a major transparency problem. Certain documents are posted on the website of the Ministry of Finance at the same time that they are submitted to the Parliament for debate, for example the proposed annual budget, the annual economic and financial review, and the Poverty Reduction Support Program. The information is publicized in its original format.

In certain sectors (health and education), the service units are encouraged to post on their notice boards the amount of funds they have received from the government, but this is not systematically implemented.

For contracts for goods and works, the regulations provide for open competition through advertisement in the newspaper. The regulation provides for the publication of large contract awards. These awards, however, are not made public by the central procurement unit.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

### PI-14: Macroeconomic and fiscal forecasting

**14.2: Fiscal forecasts**

The Central Bank chairs a macroeconomic group which also comprises the Economic Affairs Unit, Tax Directorate and Debt Management Office from the MoF, the Planning Ministry, and the Bureau of Statistics: this meets twice a month. The macroeconomic group uses the IMF macroeconomic accounting framework for its projections, which focus on the fiscal deficit of budgetary central government[[2]](#footnote-2): this should not exceed 4%.

Each of the 12 line ministries has a budget includes transfers for the AGAs under its supervision (but ***not*** the financial operations of the AGA) and these are presented to the legislature separately, hence there is no single consolidated budget document.

The budget documentation presented by the MoF to the legislature includes a *Financial Note*, from the Economic Affairs Department (not required by legislation), which presents a detailed macroeconomic forecast with a medium Term Fiscal Framework (budget year plus 3 years). In the *Financial Note*, budget data of the 12 ministries are consolidated in administrative and economic categories and the scope is the Budgetary Central Government. There are no financial data on the operations of the 20 AGAs.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

### PI-17: Budget preparation process

**17.2: Guidance on budget preparation**

### At the operational level, the budget circular, issued by Ministry of Finance prior to the beginning of the annual budget process, is intended to guide the annual budget process. Whilst it discusses the general policy of the upcoming budget, the specific budget timetable and various budgetary procedures to be followed, it does not contain ministry/sector ceilings to guide line ministries in planning their budget proposals.

### The Cabinet reviews the budget at least twice before it is presented to the legislature, and there appears to be adequate time allotted to incorporate suggested changes by Cabinet. The Cabinet Subcommittee on the Budget (comprising the largest ministries) scrutinizes and suggests adjustments to the draft budget a number of times over a period of two months.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

**PI-21: Predictability of in-year resource allocation**

**21.1 Consolidation of cash balances**

All Treasury operations are managed through the Single Treasury Account (STA). In line with this, the STA is composed of all the Treasury’s principal accounts with the Central Bank and a number of auxiliary accounts (for revenue collections) located in the commercial banking sector. The revenue accounts work as zero-balance accounts, with monies transferred from them on a daily basis. Through the STA, the Treasury manages payments on behalf of all 60 central government entities. Under the Financial Management Act, the Treasury may authorize the devolution of payment responsibilities, but this has not been done in practice. The implementation of the STA has resulted in significant administrative benefits for the government such as (i) savings on commissions and bank charges for revenue collection and funds transfer; (ii) reduction of internal or floating debt (arrears) due to more efficient cash management and programming; and (iii) savings on internal debt interest payments through cash pooling and account rationalization.

**The four dimensions are rated C, A, B and C, and the overall indicator is rated B.**

**Required**

1. Is it possible to rate dimension (ii)? Is there sufficient evidence? If not, what additional evidence should be obtained?
2. Assuming that dimensions (i) and (iii) are correctly rated, do you agree with an A rating of dimension (ii) and an overall B? Give reasons for your answer.

**PI-26: Internal audit**

**26.1 Coverage of internal audit**

1. The Internal Audit (IA) function covers the majority of central government entities (if measured by the value of expenditure that they represent on the state budget). However, many of these internal audits are performed directly by the Inspector General of Finance (IGF) and only a few ministries have operational IA units of their own. Nevertheless, in aggregate, more than 50% of central government expenditure is covered.

2. Internal audits focus on systemic issues and generally meet professional standards. In 2015, 73% of all inspections planned by IGF were carried out. (A total of 12,092 inspection days were used in 2015, with 94 inspection activities brought forward to 2016.) Activities planned and carried out did not reach a 100% level due to (i) the performance of activities not originally planned and (ii) time allocations exceeded in the planned inspections. Such adjustments are quite normal in internal audit operations and, in general, we would judge the planning and organization of IA activities to be of a high quality, given the evident capacity constraints.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

**PI-28: In-year budget reports**

### 28.1 Coverage and comparability of reports

### The Government has improved its reporting requirements in recent years. Recent amendments to the Public Finances (Management) Act require provincial and local level governments to submit annual financial statements. The Treasury has also improved its in-year budget monitoring and reporting recently, with the introduction of a quarterly budget review process at the beginning of 2015. These internal quarterly budget reports, submitted to the Central Agencies Coordinating Committee (CACC), are compiled by the Treasury and show the performance of budget implementation. Data contained in the in-year budget reports are shown for the main budget heads at the payment stages, but not also at the commitment stage.

### There are limited analytical capacities at all levels, particularly in departments and sub-national governments, to undertake analysis of budgetary expenditures.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

**PI-28: In-year budget reports**

### 28.2 Timing of in-year budget reports

### The Treasury has improved its in-year budget monitoring and reporting recently, with the introduction of a quarterly budget review process at the beginning of 2015. These internal quarterly budget reports, submitted to the Central Agencies Coordinating Committee (CACC), are compiled by the Treasury and show the performance of budget implementation.

### The most recent quarter report (third quarter 2015) was issued two months after the end of the quarter; Treasury has planned that the fourth quarter report will be issued within two months of the quarter-end. However, the quality of the reports could be improved. In particular, it is not clear how CACC is making use of the quarterly budget reports in order to increase accountability for implementation of the budget, and there is no clear line linking budget plans, warrant release and cash allocations so that significant divergences may be identified and investigated. Timely and accurate reporting by provincial and local governments and by statutory agencies is not yet taking place.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

**PI-31: Legislative scrutiny of audit reports**

**31.1 Timing of audit report scrutiny**

The Public Accounts Committee (PAC) is responsible for reviewing the National Audit Office report for all central government accounts.

Reports received by PAC include (i) the unaudited financial statements of individual ministries, departments and autonomous agencies and the annual accounts of the Accountant General; (ii) the detailed audit reports from the National Audit Office. The PAC received the NAO audit report on the financial statements for FY13 in March 2015 (for FY12 in July 2014) and completed its review of the report in May 2015 (for FY12 in October 2014). All PAC reports have been tabled in the full Parliament and approved during the session following their completion.

**Required**

1. Is it possible to rate this indicator? Is there sufficient evidence? If not, what additional evidence should be obtained?

2. If the evidence is sufficient, what is your rating?

1. For the purposes of this case, it can be assumed that the budget documentation meets all the requirements of PI-5. [↑](#footnote-ref-1)
2. There are 20 AGAs who report to the MOF and to their respective ministry (from which they receive a subsidy included in the ministry’s budget). Their financial operations are not included in the ministry’s budget and there is no consolidated data on their revenue and expenditure. As a result there are no financial data on Central Government operations. [↑](#footnote-ref-2)