THE EUROPEAN UNION'S EDF PROGRAMME

PEFA FRAMEWORK ENHANCEMENT FOR BETTER MEASUREMENT OF COUNTRY PFM SYSTEMS

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Analytical Note 2: Transparency and Accountability Aspects of the PEFA Framework

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LIST OF ABBREVIATIONS

COFOG	Classification of the Functions of Government
DSA	Debt Sustainability Analysis
EU	European Union
FT/FTC	Fiscal Transparency / Fiscal Transparency Code
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GIFT	Global Initiative on Fiscal Transparency
IAASB	International Auditing and Assurance Standards Board
IBP	International Budget Partnership
IMF	International Monetary Fund
IFAC	International Federation of Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standard
IPSASB	International Public Sector Accounting Standards Board
ISSAI	International Standard for Supreme Audit Institutions
OBI	Open Budget Index
OBS	Open Budget Survey
OECD	Organisation for Economic Cooperation and Development
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report
PI	Performance Indicator
ROSC	Report on Standards and Codes
SAI	Supreme Audit Institution
SAI PMF	Supreme Audit Institution Performance Measurement Framework
UNDP	United Nations Development Program

1. EXECUTIVE SUMMARY

Fiscal Transparency, accountability and oversight were considered among the 'Issues insufficiently covered in the PEFA Framework' which constituted one of the 'environmental changes' to the PEFA Framework[1]. The objective of the present note is to revisit the PEFA Framework coverage and standards in those areas from a holistic point of view and compare to corresponding standards or assessment instruments issued by other international organizations in order to arrive at recommendations for how the coverage and alignment of the PEFA Framework could be enhanced on those topics.

The note compares the PEFA Framework to the following other norm and standard setting instruments on transparency, oversight and accountability:

- GIFT: High-Level Principles on Fiscal Transparency, Participation and Accountability 2012
- OECD: Best Practices in Budget Transparency 2002
- IMF: Code of Good Practices on Fiscal Transparency, Consultation Draft of July 1, 2013
- IBP: Open Budget Survey 2012
- IPSASB: International Public Sector Accounting Standards – as updated 2012
- INTOSAI: SAI Performance Measurement Framework – exposure draft version 2.0 of 2012

The note identifies 41 subjects where gaps exist between the PEFA Framework and those standards/instruments. On three subjects the PEFA Framework has a gap in relation to four of the other instruments and on 13 subjects there is a gap in relation to two or three of the other instruments. Accommodation of these subjects in the PEFA Framework is each case judged on the basis of (i) how important the gap would be for broad and balanced coverage and (ii) the relative ease of incorporating the subject - without expanding the overall number of performance indicators.

A number of inconsistencies identified in this note. They represent details where PEFA scoring criteria and/or calibration are conflicting with other international standards – thus undermining the idea of their international acceptance – and include cases where PEFA sets the bar higher than any of the other instruments. It is essential that all of these inconsistencies be addressed during the revision.

On this basis, the note presents recommendations for revision of ten PEFA indicators, namely PI-5, PI-6, PI-10, PI-11, PI-12, PI-24, PI-25, PI-26, PI-27 and PI-28 as well as an addition to section 2.3 of the PFM Performance Report. Proposals for PI-6 and PI-10 include addition of several new items to the current lists of information in budget proposals and documents made publicly available. Comprehensive changes are proposed for PI-25 and PI-26 due to the current, very general references to IPSAS and INTOSAI standards, which have proven problematic. Proposals for PI-28 reflect mainly a broadening of the institutional involvement in oversight, Proposals for PI-5, PI-11, PI-12 and PI-24 affect only limited parts of the indicators.

The note does not go as far as making detailed proposals for the formulation of revised PEFA indicators. as this cannot take place on the basis of the consideration of only transparency, oversight and accountability issues.

Several of the standards/instruments compared to are still in revised draft stage only, so alignment may also take place by adjustments to their final versions.

[1] ref. EU/IBF, February 2013

2. INTRODUCTION

2.1. Objective of the Note

Fiscal Transparency, accountability and oversight were considered among the 'Issues insufficiently covered in the PEFA Framework' which constituted one of the 'environmental changes' to the PEFA Framework as discussed in the 1st Analytical Note under this contract. That note suggested that the three subjects be considered together due to the close linkages between them, that the concern about insufficient coverage indeed had merit and that a separate note should be developed to revisit the PEFA Framework coverage and standards in those areas from a holistic point of view, in order to arrive at conclusions on how the coverage in the PEFA Framework could be enhanced on those topics. The current note serves that purpose.

The current note is an updated version of the original note (24 April 2013) and incorporates the IMF's Fiscal Transparency Code, Consultation Draft of 1 July 2013, as replacement for the previous draft of the Code, as presented to the PEWG on 12 March 2013.

There have been many other developments on the revision of the PEFA Framework since April 2013, including proposals from PEWG task teams and additional analytical notes prepared under the EU/IBF contract. The update of the current note does not incorporate the findings and recommendations from that work.

2.2. Structure of the Note

The Note is organized as follows:

Firstly it discusses the nature of the three subjects, how the subjects are defined for the purpose of the note's analysis, the current scope of a PEFA assessment in this regard, and the potential for widening the scope in the PEFA Framework, considering the value and feasibility of such an expansion in a PFM systems assessment (Chapter 3).

Secondly, the note compares the coverage of sub-topics within the three subjects by the PEFA Framework in relation to other widely applied sets of PFM standards and assessment instruments, in order to identify any important gaps in PEFA coverage. The note also compares the standards and rating levels of the PEFA performance indicators to those of other PFM assessment instruments in order to identify issues of conflicts, inconsistency or misalignment (Chapter 4).

Thirdly, on the basis of the gaps and inconsistencies identified, the note presents a set of recommendations for the revision of the PEFA Framework (Chapter 5).

An overview of 'Other PFM Assessment Instruments' used for the comparative analysis is given in Annex A, whereas the details of comparison with other instruments are provided in six tables constituting Annex B.

3. The Nature of Transparency, Accountability and Oversight and Current PEFA coverage

3.1. Definitions

"The overarching purpose of *financial accountability* is to keep the citizens informed of the progress made in the mobilization of financial resources and in using them toward meeting the needs of the community".[2] Citizens may use this information as an input to their choice of government through democratic electoral processes or by influencing government decisions through lobbying or other measures of alerting the government of their opinions.

More specifically, public financial accountability can be defined as the obligation of those handling public finances to report on the management and use of funds through a process which enables abuses and under-performance to be corrected. Public financial accountability forms a part of the wider concept of 'governance', in particular those elements related to (i) the processes through which the government's performance is monitored, (ii) the capacity of the government to effectively formulate and implement sound policies; and (iii) the respect of the state and citizens for the institutions that govern mobilization and use of public financial resources. Monitoring of those elements of governance constitutes the fiscal *oversight* functions, to be undertaken by the national legislature, other oversight bodies and civil society organizations on behalf of citizens at large or specific groups of citizens.

Accountability is not a mere technical process and therefore cannot be entirely apolitical, even when fully objective. A distinction needs to be made between proper political use and abuse of the accountability process; the former seeks to enrich the level of political discourse so that the community's understanding may be illuminated; the latter is a tactical weapon in an adversarial process[3].

Fiscal transparency is defined by the IMF[4] as the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government's fiscal policy-making process, whilst the EU[5] correspondingly defines *budget transparency* as "the full disclosure of all relevant fiscal information in a timely and systematic manner. It is a key element of good governance, as the public availability of comprehensive, accessible, useful, and timely budgetary information is a prerequisite for domestic accountability. With more and better budgetary information, national control bodies like parliament, auditors, local authorities, civil society organisations, and media, can scrutinize the budget and hold decision makers to account for collecting and using public funds effectively and efficiently and to call for policies that improve service delivery". This means that fiscal transparency is a necessary - but not sufficient - condition for effective oversight of the budget processes.

Public financial accountability may be subdivided into *internal and external accountability* of government, each with its related oversight functions and transparency issues. Internal accountability refers to accountability between the various entities of the executive branch of government e.g. between the finance ministry and sector ministries, or between central and sub-national government. External accountability refers to other accountability relationships of the executive branch of government. External accountability may be further subdivided into *domestic accountability and international accountability*,

[2] Ref. Premchand, 1999
[3] Ref. Premchand, 1999
[4] IMF August 2012 page 4
[5] European Commission, September 2012, page 28

where domestic accountability relates to other branches of government (the legislative and judicial branches), and to citizens and civil society, whereas international accountability relates to foreign government and international institutions (e.g. bilateral/multilateral aid agencies, and political regional organizations).

The subject in this note is limited to the issues of external, domestic accountability.

3.2. Current Coverage in the PEFA Framework

The PEFA Framework represents an instrument for production of commonly agreed, multi-purpose PFM assessments at country level that can provide an input to many internal processes of stakeholders. Its main objective is to assess if a country government has the tools to help it deliver the three major budgetary outcomes, namely aggregate fiscal discipline, strategic allocation of resources and efficiency in use of resources for service delivery.

Fiscal transparency, oversight and accountability are highly relevant for the achievement of those objectives. For instance the International Budget Partnership[6] (IBP) states that:

- Opacity in fiscal matters can undermine fiscal discipline[7];
- Transparency and public participation can help shine the light on leakages and improve efficiency in public expenditures;
- Transparency and public participation can foster equity by matching national resources with national priorities.

The PEFA Framework covers both internal and external accountability issues. On external accountability it is mainly concerned with domestic accountability, whereas international accountability is left to other initiatives and instruments such as the international Aid Effectiveness Agenda and the related Surveys of Implementation of the Paris Declaration.

External, domestic accountability is primarily covered in the PEFA Framework by assessing the oversight functions undertaken by the external auditors and the legislature – reflected in indicators PI-26, PI-27 and PI-28. It touches on accountability directly towards citizens and civil society by assessing public access to key fiscal documents in PI-10. Several other indicators are implicitly relevant to external accountability as they assess the existence, content and quality of information/reports that should be transmitted to the external auditors and the legislature, and/or be made publicly available – in fact most of the remaining performance indicators serve those purposes amongst others.

3.3. How wide a scope should PEFA have?

The PEFA Framework currently assumes that publicizing key fiscal information and making the executive branch of government accountable to the legislature are sufficient coverage in pursuit of accountability to citizens. This leaves out important elements of accountability, namely (i) whether the legislature is in fact

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[6] IBP 2012

[7] And continues: “An International Monetary Fund (IMF) study finds that an important predictor of a country’s fiscal credibility and performance is the level of transparency in its public finance systems and practices. In looking at the recent global economic crisis, the IMF study attributes almost a quarter of the unexpected increases in government debt across the countries studied to a lack of available information about the government’s fiscal position”. Ref. IMF August 2012.

an effective watchdog with the incentives and capability of taking the government to task and (ii) whether the judiciary is sufficiently independent, motivated and capable of sanctioning the government and public officials when laws are not respected – i.e. enforcing the rule of law.

The former aspect would require assessment of questions such as: Do legislators truly represent the citizenry at large? Does the executive dominate the legislature? What is the level of political competition – formally or in practice? How are the legislature's resources determined?

The second aspect would require assessment of: The independence of the Judiciary – formally and in practice, its resource allocation, effectiveness in executing its rulings etc.?

It should be noted, that the external government auditor (supreme audit institution) in many countries is primarily accountable to the legislature, whilst in some other countries it forms part of the Judiciary. Independence, mandate, effective implementation of recommendations and rulings of some of the legislature's and judiciary's functions – those that concern the external audit function - are in fact assessed by the PEFA Framework in such cases.

As concerns the question "*To whom is the government accountable*?", it is the opinion of the author of the present note that the scope of accountability in the PEFA Framework is about right and that addition of an assessment of the wider governance processes - such as democratic accountability and the rule of law - would make the PEFA Framework unwieldy and defeat the purpose of providing an instrument for cost-effective assessment with the results commonly agreed by the main stakeholders. In particular, the formulation of indicators on such governance aspects would fundamentally change the nature of the PEFA Framework and require a significant expansion.

Nevertheless, some factual information on the democratic basis of the government and its relationship to the legislature could be a useful addition to the country context of a PEFA Assessment e.g. in section 2.3 of the PFM Performance Report (PFM-PR). It would also be a useful and simple addition to the Framework to include assessment of whether the public has access to the legislature's hearings that take place as part of its fiscal oversight function. Currently the Framework only assesses access to written information.

A different question is: "*For what is the government held accountable*?" The main distinction here is whether the government is held accountable for compliance with laws and regulations or whether the government is held accountable for the results generated by use of public funds (outputs and outcomes of government services). The budget is arguable a government's most important policy implementation instrument. During the past ten years there has been an increasing focus on results-orientation in budget management, both at country level and in international development forums. Results-orientation is an area where the PEFA Framework is deficient as the Framework pays very little attention to non-financial information. In contrast, results-orientation is being addressed by the norms, standards and assessment tools concerning transparency, oversight and accountability with which the PEFA Framework is often compared. This will be demonstrated in chapter 4.

3.4. Existing Assessment Instruments covering Transparency, Oversight and Accountability

A Global Initiative on Fiscal Transparency (GIFT) was launched in 2010. Part of GIFT's agenda is to work towards defining global norms by establishing and monitoring international standards and good practices on fiscal transparency, accountability and engagement. For that purpose GIFT commissioned an analytic mapping and review of existing norms[8]. Forty instruments were compared, though only a handful have

[8] Ref. GIFT 2011

broad coverage of PFM norms, the others covering fairly narrow subjects or being data collection instruments rather than norm setting.

On the basis of this survey and a subsequent study, GIFT issued in November 2012 a set of High-Level Principles on Fiscal Transparency, Participation and Accountability[9]. The set of high-level principles recognizes "the important role in setting norms and standards played by initiatives such as the IMF's Code of Good Practices on Fiscal Transparency, the OECD's Best Practices in Budget Transparency, the International Budget Partnership (IBP)'s Open Budget Index, International Public Sector Accounting Standards promulgated by the International Public Sector Accounting Standards Board (IPSASB), International Standards of Supreme Audit Institutions promulgated by the International Organization of Supreme Audit Institutions (INTOSAI), and the multi-agency Public Expenditure and Financial Accountability program", and acknowledges "that while the range of consensus has grown, there remain gaps and inconsistencies in the existing norms and standards". An analysis of the norms and standards listed here would therefore be an important step forward.

Moreover, a study[10] completed for the PEFA Secretariat as a contribution to work of the PFM Task Force of the Working Group for Aid Effectiveness focused on the existence, hierarchy, complementarity and overlap of PFM diagnostic Instruments. The study in particular noted several tools with a substantial degree of overlap with the PEFA Framework, including the IMF's Fiscal Transparency Code and ROSC, the Commonwealth Secretariat's PFM Self-Assessment Toolkit, the International Budget Partnership's Open Budget Index and the OECD's Budget Practices and Procedures Database. With the exception of the Commonwealth Secretariat's toolkit, which is apparently no longer in use, the other instruments are being updated periodically and cover the subjects of transparency, oversight and accountability; for two of the three instruments, transparency and accountability constitute their main focus. As there is significant overlap in both country application and subject matter, it is important that standards and good practices in these instruments are aligned. Otherwise, the concept of internationally accepted standards and practices would be undermined.

Since 2010 several other developments have taken place related to international initiatives on setting norms for - as well as assessing and monitoring - fiscal transparency, oversight and accountability.

The IMF is in the process of revising and updating its Code of Good Practices on Fiscal Transparency[11] in the light of experience gained from the 2008 global financial crisis and has shared the structure of the updated set of standards, which are currently being tested in a few pilot countries.

INTOSAI has embarked on creating a performance measurement framework for SAIs, which is currently in a draft version undergoing testing in a few pilot countries, whilst International Standards for Supreme Audit Institutions (ISSAIs) are continuously being updated and expanded.

IPSASB is expanding and updating its IPSAS accounting standards on a continuous basis with two new exposure drafts issued in 2012.

A number of organizations continue work on defining a set of norms for the effective oversight by national legislatures, a process that has been ongoing for several years and for which no international consensus has yet been reached[12]. The standards also go far beyond fiscal oversight, which constitutes only a small part of the standards. Some attempts have been made to develop an instrument for assessing the

[9] Ref. GIFT 2012
[10] Ref. OECD/DAC & PEFA 2010
[11] The current code has most recently been re-issued in 2007, ref. IMF 2007.
[12] Ref. for instance UNDP "Benchmarks and Self-Assessment Frameworks for Democratic Parliaments" March 2010.

strength of legislatures' fiscal oversight and control[13], but not to an extent that may be considered as representing an international norm or standard.

This note therefore compares the PEFA Framework to the following other norms and standard setting instruments on transparency, oversight and accountability:

- GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability 2012
- OECD Best Practices in Budget Transparency 2002
- IMF Code of Good Practices on Fiscal Transparency, Consultation Draft of July 1, 2013
- IBP Open Budget Survey 2012
- IPSASB International Public Sector Accounting Standards – as updated 2012
- INTOSAI Performance Measurement Framework (SAI PMF) – exposure draft version 2.0 of 2012

[13] A proposed composite measure of fiscal oversight and control by legislatures for the purpose of international comparison has been developed and published by an individual researcher at the London School of Economics, using data from the OECD's Surveys of Budget Practices and Procedures, (J. Wehner 2008).

4. Analysis of Overlaps, Gaps and Inconsistencies with Other Instruments

A comparison of the PEFA Framework's indicators with each of the six other instruments is shown in Annex B. The comparison is focused on identifying **GAPS in subject coverage** of the PEFA Framework as compared to the respective other instruments.

The comparison also identifies **DIFFERENCES** where the other, more specialized instruments demand detailed norms that go **beyond the level or type of requirements of PEFA indicators** (e.g. going into details of capacity factors such as legislation, staffing and financial resources) in areas which are otherwise broadly covered by both instruments.

Finally, the comparison identifies **INCONSISTENCIES** between the PEFA Framework and each other instrument. Inconsistencies occur where ***either*** (i) PEFA and the other instrument promote significantly different content for the same topic at roughly the same performance level ***or*** (ii) the two instruments use different calibration benchmarks for the same measure (e.g. different percentage coverage or different time delays) ***or*** (iii) PEFA sets a standard that is higher than the other instrument. Case (iii) reflects that PEFA draws on other more specialized norm setting instruments rather than setting new international norms itself.

The summary of findings for each of the six instruments is given below. The summary only reflects findings on GAPS and INCONSISTENCIES, which are the main issues that may give rise to changes in the PEFA Framework. Differences as defined here would not need to be considered for changes to the PEFA Framework.

4.1. GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability

As GIFT's High-Level Principles are indeed formulated at 'high level' a comparison with the PEFA Framework will identify the extent to which PEFA addresses the High-Level Principles – i.e. the gaps in PEFA compared to GIFT – and is less likely to reveal any inconsistencies in standards between the two instruments. With reference to the details in table B.1 of Annex B, the main **GAPS** identified include:

- Reference to **non-financial information** on fiscal activities (including (a) information on objectives, outputs and outcomes of fiscal activities, (b) non-financial information on fiscal risks, public assets and liabilities, (c) a narrative explanation of deviations between budget and actual in in-year reports);
- Issue of a government **statement of fiscal policies**
- Presentation of fiscal information in **national accounts**/statistical systems;
- **Public access to legislation** relevant to public financial management;
- Disclosure of government financial **relationships with the private sector** (other than through taxation and procurement operations);
- **Participation of citizens and non-state actors** in debate over fiscal policies.

In the case of GIFT principles 1, 8 and 9, the PEFA Framework assesses the actual performance or output of a function and provides only a description of legislation and organization, whereas the GIFT principles refer directly to some underlying capacity factors (legislation and resources) that may explain the level of performance/output.

4.2. OECD Best Practices for Budget Transparency

A comparison of the PEFA Framework's indicators with the OECD Best Practices for Budget Transparency is presented in detail in Annex B table B.2. The comparison finds the following major **GAPS *in subject coverage*** of the PEFA Framework as compared to the OECD tool:

- Reference to **non-financial performance information** (data, targets) in the proposed/approved budget and in the year-end report;
- Reference to **explanatory narrative/commentary** for each revenue and expenditure program in the budget and for deviations between budget and actuals in in-year budget execution reports;
- Disclosure and discussion of **non-financial assets**, including valuation or summary listing;
- Disclosure and discussion of **employee pension obligations** and all **contingent liabilities** in the proposed/approved budget and in the year-end report;
- Content and timing of the submission of a **Pre-budget report** to Parliament;
- Requirement of a **Mid-year budget report** with more comprehensive coverage than other in-year budget reports;
- A **Pre-election budget report** with similar content as the mid-year budget report;
- A **Long-term budget report** – to be issued at least every five years, with a forecasting horizon of 10-40 years;
- **Sensitivity analysis** of the impact of key economic assumptions on the budget and financing deficit costs;
- Parliamentary opportunity to **review any fiscal report** (beyond proposed budget and audit reports as required by PEFA);
- Active promotion of the **understanding of the budget process** by citizens and NGOs.

INCONSISTENCIES have been identified to include:

- Differences in the list of **key economic assumptions for the budget** to be disclosed – PEFA in PI-6 includes the exchange rate(s) which is not included in the OECD list; the OECD list then includes several items not in PEFA;
- Differences in the list of **reports to be publicized**. Items (v) and (vi) of PI-10 as well as all items in PI-19(iii) are not covered by OECD, whereas OECD includes publication of reports (or report content) which is included in PEFA indicators as government outputs but not necessarily to be publicized e.g. in PI-8(iii), PI-9(i), PI-9(ii), PI-12(ii) and PI-17(i).
- On the **year-end report**, the OECD best practice specifies a list of recommended content, whereas PEFA in PI-25 makes general reference to the application of IPSAS standards. Whilst both tools accept that modified accrual or modified cash accounting will be sufficient for 'best practice' or 'A' rating, PEFA requirements of the report's accounting standards and disclosures – by using a general reference to IPSAS standards - go far beyond those of the OECD. This is particularly true for accrual basis reports but also to some extent for cash basis reporting. A particular IPSAS requirement for both cash and accrual based reporting is 'consolidation' including all controlled entities, which is specifically highlighted in PI-25(i) but not included in OECD best practice.

- Timing of **budget submission** to the legislature – An 'A' rating of PI-27(iii) requires submission 2 months prior to start of fiscal year, whereas OECD requires minimum 3 months in all cases;
- Frequency of **in-year budget execution** reporting – An 'A' rating of PI-24(ii) requires quarterly reporting only whereas OECD sets the norm as monthly reporting;
- Delay in **submission of audited year-end report** to the legislature – The combined delay benchmarks of PI-25(ii) & PI-26(ii) allow a total of 10 months delay for 'A' ratings on both, whereas OECD sets the standard as a total of 6 months;
- **Economic classification of revenue, expenditures, assets and liabilities**; OECD specifies a number of items that should be separately reported (e.g. earmarked revenue and user charges), in addition to a general statement on sub-classification. PEFA makes general reference to GFS classification in PI-5(i) – without specifying the sub-classification level that applies - and for year-end reports to IPSAS which requires a sub-classification that is appropriate to the operations of the entity plus some specific items for separate reporting such as 'external assistance'. The specific items listed in the two instruments may give rise to inconsistencies, depending on how the loosely defined sub-classifications are defined in each country case.

4.3. IMF Fiscal Transparency Code and ROSC

A comparison of the PEFA Framework and the Fiscal Transparency (FT) Code and ROSC was undertaken by IMF Fiscal Affairs Department during 2009[14]. It revealed substantial overlap between the two assessment instruments with about 75% of the 43 practices of the FT Code being either broadly or partly covered by PEFA, whereas 25% of FT Code practices were either minimally or not at all covered by PEFA. Whilst this analysis was very useful for the discussion of how assessments using the two instruments in the same country could be coordinated, it will not be helpful for the ongoing revision of the PEFA Framework due to the comprehensive update of the FT Code and ROSC that is also ongoing.

Instead the PEFA Framework has been compared to the 45 statements of practices of the FT CodeConsultation Draft of July 2013in order to identify practices in the FT Code that are not covered by PEFA i.e. potential 'gaps' in PEFA. They are split into two sets, namely first a series of practices where the subject is not covered in PEFA and secondly, a set of practices for which PEFA covers the subject partially but is missing potentially important aspects.

Major GAPS have been identified as (with the relevant FT practice in brackets):

- Disclosure and explanation of material revisions to historical fiscal data in fiscal reports (1.3.3);
- Reconciliation between alternative calculations of fiscal aggregates (1.3.2)
- Responsibility and standards for preparing and disseminating fiscal statistics (1.4.1 & 1.4.3);
- Legislative approval of all extra-budgetary operations (2.1.1)
- Mid-Year report – different from quarterly reports (2.2.1);
- Comprehensive and accessible legislation for non-tax revenue (2.3.2)
- Statement of fiscal objectives (2.4.1);
- Non-financial information on policy objectives and results of programmes (2.4.2);
- Summary reporting of the financial implications of government policies for citizens (2.4.3);
- Reporting on projected evolution of the public finances over the long-term (2.4.4);
- Independent evaluation of the government's fiscal forecasts (2.5.1);
- Comparison of alternative macroeconomic forecasts (3.1.1);

[14] Ref. IMF January 2010.

- Reporting on the main sources of specific risks to the government's fiscal forecasts including exposure to the financial sector (3.1.2 & 3.2.6);
- Adequacy and transparency of budget contingencies (3.2.1);
- Disclosure and management of risks relating to major assets and liabilities (3.2.2);
- Disclosure of interests in exhaustible natural resource assets and exploitation (3.2.3);
- Disclosure and management of PPP and other long term contracts (3.2.7);
- Disclosure of exposure to natural disasters and other environmental risks (3.2.8).

Minor GAPS include subjects already covered in PEFA but where disclosure in budget documentation, publication of reports or addition of a narrative explanation is not currently considered in PEFA, including:

- Reporting on revenue and expenditure on 'gross basis' in budget documentation (2.1.2);
- Medium-term estimates explicitly included in budget documentation (2.1.4);
- Qualitative explanation of the macroeconomic forecasts in the budget documentation (2.1.3);
- Publication of the enacted budget (2.2.3);
- Explanation of deviations where fiscal forecasts, budgets and fiscal reports are not comparable (3.1.3);
- Disclosure of government issued guarantees (3.2.5);
- Publication of information on fiscal condition of sub-national government (3.3.1);
- Publication of comprehensive information on the fiscal performance of public corporations (3.3.2).

INCONSISTENCIES in standards and rating benchmarks have been assessed on the assumption that PEFA 'A' rating should correspond to the FT Code's 'good' practice level[15]. Inconsistencies have been identified in relation to:

- Timeliness of in-year fiscal reports (1.2.1)
- Timeliness of submission of audited financial statements (1.2.2)
- Budget classification (1.3.1)
- External audit coverage (1.4.2)
- Audit validation of financial statements (1.4.4)
- Degree of prior legislative approval of budget amendments (2.5.2)
- Reconciliation of budget outturns (3.1.3)
- Provision of budget contingencies (3.2.1)
- Criteria limiting issue of government guarantees (3.2.5)
- Borrowing limits for sub-national governments (3.3.1)
- Disclosure of transfers to public corporations (3.3.2)
- Projected position for social security and health funds (3.3.4)

4.4. IBP Open Budget Survey

The IBP's Open Budget Survey (OBS) is a more specialized instrument than the PEFA Framework with focus on public access to fiscal documentation and opportunities for public participation in the budget management process. A comparison of the PEFA Framework's indicators with the OBS is presented in detail in Annex B table B.4. The comparison finds the following **GAPS *in subject coverage*** of the PEFA Framework as compared to the OBS:

[15] An internal inconsistency in the FT Code's standard 2.1.1 on legislative authorization was also noted, ref table B.3

- Existence and publication of a Pre-Budget Statement;
- Issue of a Citizens Budget document;
- Publication of the Enacted Budget;
- Existence, content and publication of a Mid-Year Review;
- Publication of the government's budget calendar;
- Advance release information for public budget documents;
- Presentation of information in the budget proposal on
  - sensitivity analysis on impact of macroeconomic forecasts;
  - non-financial assets;
  - arrears;
  - contingent liabilities;
  - future liabilities (civil service pensions);
  - explanation of links between government policy goals and the budget proposal;
  - non-financial information on performance indicators/targets, beneficiary target groups and numbers;
- Content of year-end report comparing estimates and outcomes on
  - macroeconomic assumptions,
  - non-financial data, performance indicators
  - beneficiary target groups;
- SAI's staffing of audit activities for the security sector;
- Publication of the executive's response on audit recommendations and reports on implementation of actions taken by the executive;
- The capacity of the legislature to conduct budget analysis;
- The legislature's authority to amend the executive's budget;
- The degree of details in the expenditure budget;
- The executive's engagement with the public during budget formulation and execution;
- Public access to the legislature's hearings on the budget proposal and reports from the hearings;
- The SAI's engagement with the public on audit programming and audit findings and use of audit reports.

INCONSISTENCIES have been identified to include:

- Functional classification in the budget proposal – not specific in OBS as opposed to PI-5 referring to COFOG;
- Earmarked revenues to be presented in budget proposal – not a category in GFS classification used by PI-5;
- Macroeconomic assumptions to be stated in budget proposal according to OBS include different elements than in PI-6(1);
- Date of legislature's receipt of the budget proposal – 3 months prior in OBS, rather than the 2 months in PI-27(iii);
- Frequency of in-year budget execution reports – different from the uniform quarterly reporting required by PI-24;
- Content of in-year budget execution reports: PEFA requires both commitment and payment data;
- Delay in completing/releasing year-end reports – 'A' score requirements of PI-25(ii), PI-26(ii) and PI-10(iv) add up to far longer delay than OBS standard;
- Delay in publicizing the annual audit report(s) – as previous bullet.

The comparison in Annex B only identifies gaps in PEFA compared to OBS, not the reverse. It is worth noting, however, that PEFA in PI-10 on publication of fiscal documents include two requirements not included in OBS – despite OBS's focus on public access to fiscal information - namely

- Reports on funding available to primary service units (with further assessment detail in PI-23);
- Contract award information (and more extensive public information on procurement in PI-19).

Considering the definition of 'inconsistency' in this paper, these two areas are also considered inconsistencies between PEFA and OBS.

4.5. IPSAS Accounting Standards

The PEFA Framework is automatically aligned with the IPSAS accounting and reporting standards, due to the general reference in PI-25(iii) to application of IPSAS (or a corresponding national standard). Therefore, no gaps or differences were identified. However, five **INCONSISTENCIES** have emerged in the application of PI-25 and its general reference to IPSAS, which have led to problems in the practical application of PEFA:

- **IPSAS standards are very comprehensive and detailed compared to other PEFA requirements**: It is virtually impossible for a PEFA assessment team – within even rather generous resource allocations for a typical PEFA assessment - to verify if all the standards are applied. Ratings therefore turn out in practice to be based on rather general statements which are not backed up by hard evidence[16].
- **IPSAS may be setting some requirements above even 'best practice' level:** IPSAS standards are very demanding, which means that many of the individual standards are effectively applied only by a few advanced countries. In particular, IPSAS 6 regarding consolidated financial reporting is arguably not fully applied by any government in the world and therefore set above what could even be described as current 'best' practice.
- **The dimensions of PI-25 duplicate requirements on accounting standards, leading to potential double penalties in scoring.** Whilst PI-25(iii) refers to the implementation of IPSAS standards across the board, the content of PI-25(i) and PI-25(ii) constitutes accounting standards that are already included in IPSAS, namely regarding frequency, timeliness, consolidation and complete information.
- **It is unclear if IPSAS *encouraged* standards should be considered for the assessment in addition to the mandatory standards.** For countries reporting on a cash basis, PI-25(i) require that modified cash basis is applied in order to disclose financial assets and liabilities, which is one of the encouraged standards of Cash Basis IPSAS.
- **IPSAS is dynamic – PEFA standards are static**: IPSAS standards have been expanding gradually with the result that the bar for achieving an 'A' or 'B' rating on PI-25(iii) has been gradually raised since the PEFA Framework was issued i.e. it is more demanding to reach such a rating in 2013 than it was in 2005 despite no change in the PEFA Framework per se.

4.6. INTOSAI

As for IPSAS accounting standards, there is in principle no gaps in the PEFA Framework compared to international auditing standards, because the PEFA Framework in PI-26(i) requires for an 'A' rating that the external auditing 'generally adhere to auditing standards' with explanation in the accompanying

[16] With the exception where a recent diagnostic has been undertaken on application of international accounting standards e.g. using the World Bank's Gap Analysis instrument, ref. World Bank 2009.

guidance that appropriate auditing standards are those of INTOSAI and IFAC's IAASB. The problems relating to the practical implications of this requirement, however, are similar to those concerning IPSAS in that:

- **INTOSAI/IAASB standards are very comprehensive and detailed compared to other PEFA requirements.** The entire set of ISSAIs issued by INTOSAI constitute 73 individual standards documents, which makes verification during a PEFA assessment virtually impossible[17];
- **INTOSAI/IAASB standards may be setting some requirements above even 'best practice' level** – though there is no clear evidence of this until some of the most advanced countries have undertaken an assessment by means of the SAI PMF;
- **The dimensions of PI-26 duplicate requirements on accounting standards, leading to potential double penalties in scoring** – e.g. timeliness as expressed in PI-26(ii) is itself such a standard;
- **INTOSAI/IAASB standards are dynamic – PEFA standards are supposed to be static:** many of the ISSAIs have been issued after 2005;

A comparison of the PEFA Framework's indicators with the SAI PMF is presented in detail in Annex B table B.5. Inconsistencies between the two tools, therefore, appear either where the SAI PMF and PEFA promote different content at roughly the same performance level, or where PEFA sets a standard that is higher than SAI PMF practices. Such cases of **INCONSISTENCY** have been identified to include:

- PI-26(i) refers to annual **coverage of government entities**. SAI-1(i) refers to coverage of the client base over 3 years. The percentage bands in the calibration also differ.
- Indicator SAI-1(ii) refers **timeliness** to what is established in legislation or a default of 6 months for top rating, whereas PI-26(i) sets 4 months for 'A' rating and 8 months for 'B' rating.
- Indicator SAI-1(ii) refers to **submission of reports** to the *appropriate authority*, whereas PI-26(ii) only refers to submission to *the legislature*.
- PI-10(iv) refers only to reports on **government consolidated operations**, whereas SAI-1(iii) refers to all financial audit reports.
- PI-10(iv) sets the standard of **publication delay** to within 6 months from completed audit, whereas SAI-1(iii) for the highest score sets a standard of 15 days for reports submitted to the legislature or judiciary, and 4 weeks for other audit reports, or results published in the SAI's annual report (30 days and 6 weeks respectively for the second highest score).
- PI-26(iii) on **follow-up to audit findings** differs substantially from SAI-1(iv) in that the latter measures if the SAI recommendations are clear, appropriately communicated and SAI monitors follow up; whereas PI-26(iii) measures if the audited entity responds to and effectively follows-up on the recommendations.
- PI-26(i) refers to both **financial and performance audits** but it is not clear how the two types of audit should be **combined** in the assessment; SAI PMF treats each type separately.
- The accompanying guidance to PI-26 mentions several **other types of audit** which should form part of the SAI mandate as expressed in the SAI PMF, but this is not included in scoring of the PEFA indicators, e.g. procurement audit which is essential for effectively assessing PI-19(ii) or tax audit which would be useful for assessing performance under PI-13, PI-14[18] and PI-15.

[17] Also in this case with the exception where a recent diagnostic has been undertaken on application of international auditing standards e.g. using the World Bank's Gap Analysis instrument, ref. World Bank 2009.
[18] as tax audit in PI-14(iii) refers to audit of tax payers and not audit of the tax collection system and its administration.

4.7. Summary of Findings from Comparison

The above comparison of the PEFA Framework's standards with those of GIFT, OECD, IMF, IBP, IPSAS, and INTOSAI has identified a substantial number of **gaps** in the PEFA Framework compared to the coverage of transparency, oversight and accountability in those instruments as well as many **inconsistencies** between the standards compared. Both gaps and inconsistencies need to be addressed in the revision of the PEFA Framework – but not necessarily all gaps. The differences identified in terms of more detail and more nuanced scoring calibration in the more specialized instruments are not cause for concern – that's what to be expected in more specialized instruments.

Many of the gaps and inconsistencies identified in relation to each instrument are in fact largely overlapping. A consolidation of the findings is therefore attempted in tables 1 and 2 below.

Out of a total of 41 gaps identified, the 3 gaps that have been identified between PEFA and all of the other four instruments are highlighted in green in Table 1. Where gaps with two or three of the four instruments occur, the subject has been highlighted in yellow; 13 gaps are found in this group. Finally, 25 gaps are found only in relation to one other instrument.

In table 2, inconsistencies are arranged according to PEFA indicators. Each identified inconsistency is represented by an 'X' in order to emphasize the instances where several inconsistencies have been identified between PEFA and one other instrument concerning a specific PEFA indicator (dimension). The inconsistencies mainly concern seven indicators, namely PI-5, PI-6, PI-9, PI-10, PI-24, PI-25, PI-26 and PI-27.

Table 1 Summary of GAPS in the PEFA Framework compared to Other International Standard Setting Instruments[19]

GAP Subject	GIFT	OECD	IMF	IBP
Disclosure of information in fiscal reports on:				
(a) objectives/outputs/outcomes (fiscal and of govt programs)	X	X	X	X
(b) explanation of links between policy objectives and the budget				X
(c) performance indicators/targets		X		X
(d) fiscal risks & contingent liabilities	X	X	X	X
(e) non-financial assets & liabilities	X	X	X	X
(f) explanation of deviations of outcomes from estimates/targets	X	X	X	
(g) govt employee pensions		X		X
(h) actual outcome on macro-econ forecasts			X	X
(i) adequacy/transparency of budget contingencies			X	
(j) PPPs and long term contracts			X	
(k) Govt issued guarantees			X	
(l) Medium-term budget estimates			X	
(m) Expenditure arrears				X
(n) Beneficiary target groups				X
(o) Macro-econ sensitivity/risk analysis		X	X	X
(p) Disclosure/explanation of revision of historical data			X	
(q) Govt financial relations with private sector	X			
Independent evaluation of govt fiscal forecasts			X	
Presentation of fiscal information in statistical systems	X		X	
Reconciliation between alternative measures of fiscal aggregates			X	
Responsibility for preparing/disseminating fiscal reports			X	
Preparation of fiscal reports				
(a) Budget strategy, pre-budget		X		X
(b) Mid-year budget report		X	X	X
(c) Pre-election budget report		X		
(d) Long-term budget report		X	X	
Public access to				
(a) PFM legislation including non-tax revenue measures	X		X	
(b) The Enacted Budget			X	X
(c) Citizens budget			X	X
(d) Sub-national govt condition			X	
(e) Performance of public corporations			X	
(f) Govt budget calendar				X
(g) Advance release info on fiscal documents				X
(h) Govt response to audit recommendations and implementation of remedial actions				X
(i) Legislature's budget hearings				X
SAI's				
(a) Staffing of audit for security sector				X
(b) Engagement with the public				X
Legislature's				
(a) opportunity to review any fiscal report		X		
(b) capacity to conduct budget analysis				X
(c) authority to amend the executive's budget				X
(d) approval of all extra-budgetary operations			X	
Citizens and non-state actors participation in debate on fiscal policies	X	X		X

[19] IPSASB and INTOSAI excluded from table as there are in principle no gaps in PEFA

Table 2 Summary of Inconsistencies between the PEFA Framework and Other International Standard Setting Instruments

INCONSISTENCY in PEFA	GIFT	OECD	IMF	IBP	IPSAS	INTOSAI
PI-2(ii)			X			
PI-5		X	X	X		
PI-6(i)		X		X		
PI-9(i)			XX			
PI-9(ii)			X			
PI-10 general		X				
PI-10(iii)				X		
PI-10(iv)				X		XX
PI-10(v)		X				
PI-10(vi)		X				
PI-17(iii)			X			
PI-19(iii)		X				
PI-24(i)				X		
PI-24(ii)		X	X	XX		
PI-24(iii)			X			
PI-25 general		X			XXXX	
PI-26 general						XXXXX
PI-26(i)			X			XX
PI-26(ii)		X	X			XX
PI-26(iii)			X			X
PI-27(i)						
PI-27(iii)		X	X	X		

Note: Each identified inconsistency is represented by one ‘X’

5. Recommendations for the PEFA Framework Revision

5.1. Basis for recommendations

The PEFA Framework has been developed as a broad based instrument of assessing PFM systems, drawing on internationally accepted good practices. That a practice is an internationally accepted good practice must mean that it is included in official sets of norms and standards issued by recognized international bodies with wide geographical participation and/or embedded in related PFM systems assessment instruments. The comparison in chapter 4 aimed at identifying gaps in PEFA related to such standards and instruments in the area of transparency, oversight and accountability. While these three inter-related subjects do not represent the only high-level subjects to be covered by the PEFA Framework – having the tools to deliver the three budgetary outcomes is the principal aim - they are nevertheless at the heart of the PEFA initiative as witnesses both by 'financial accountability' in PEFA's name and the continuous discussion about overlaps and complementarities with IMF's Fiscal Transparency Code and ROSC.

It should be recognized that the standard or instrument of any international body represents the views of a distinct stakeholder group and has been established for a specific purpose and use, suited to the method of follow-up or implementation monitoring preferred by the relevant international body and its stakeholders. By drawing on these different standards and instruments, PEFA has attempted to establish a general purpose PFM assessment with less bias in respect of any particular stakeholder group. This approach means that PEFA should take particular note where a gap has been identified in relation to several international standards, while it may pay less attention to subject gaps that relate to only one other international standard.

The proposed enhancements to the PEFA Framework are made on the basic assumption that they should be accommodated without expanding the current indicator structure of the Framework, where opportunities exist for enhancing content as part of the revision[20].

5.2. General recommendations

The three gaps that are found in relation to all other four instruments in Table 1 (marked 'green') should be given first priority for inclusion in the PEFA Framework during its revision, and substantial effort made to accommodate them.

Next, the 13 gaps related to 2-3 of the other instruments ('yellow' in table 1) should be considered for inclusion in the PEFA Framework, but in each case two aspects need to be judged, namely (i) how important the gap would be for broad and balances coverage of subjects and (ii) the relative ease or difficulty in incorporating the subject in a PEFA assessment.

Gaps related to only one other instrument should not necessarily be ignored, but there should be a strong case for accommodating any such gaps, in terms of subject importance and easy of accommodation.

The inconsistencies identified in chapter 4 represent details where PEFA scoring criteria and/or calibration are conflicting with other international standards – which undermine the idea of their

[20] Ref. EU/IBF February 2013, pages 6-8

international acceptance – and include cases where PEFA sets the bar higher than any of the other instruments. It is essential that ***all of these inconsistencies should be addressed during the revision***.

Nevertheless, suggestions for changes to the PEFA Framework based on the above findings and considerations are outlined in the next section, indicator by indicator. The note does not go as far as making detailed proposals for the formulation of revised PEFA indicators. This detailed formulation cannot take place on the basis of the consideration of only the transparency, oversight and accountability issues discussed in the present note. The detailed formulation must combine the revision needs emanating from the basic revision issues[21] as well as other environmental changes or cross-cutting concerns to be addressed by the revision.

Several of the standards/instruments compared to are still in revised draft stage and undergoing pilot testing. Therefore, alignment between the instruments may also take place by adjustments to the final versions of those currently in draft.

5.3. Suggestions for each PEFA indicator

PI-5 on budget classification*:*

a) Rather than a rather rigid reference to COFOG as the basis for a functional classification, PEFA may wish to introduce more flexibility in how functional classification is determined at country level and instead be more specific about what features a program classification should have – since program classification acts as a substitute to functional classification and is arguably more frequently used for budget appropriations, ref. recommendation (b) for PI-6 below.
b) PEFA should be specific about what level of GFS economic classification is required as a basis for the budget classification both for expenditure and revenue[22] (level 3 appears appropriate)

PI-6 on Information included in budget documentation: The list of elements may be expanded to include the following new disclosure requirements:

a) Statement of fiscal policy objectives;
b) Statements of objectives and expected outputs/outcomes or performance indicators/targets for each government program;
c) Macroeconomic sensitivity analysis;
d) Fiscal risk and contingent liabilities (including from macro-economic shocks, social security and health care funds, government issued guarantees, exposure to the financial sector and environmental disasters);
e) Description of non-financial assets, particularly as regards exhaustible natural resources.

At the same time element (1) could be amended to include interest rates among the assumptions, whilst element (8) may be more specific about the level at which aggregates are presented, ref. PI-5.

PI-10 on public access to key fiscal information: The list of elements may be expanded to include the following additional public reports:

a) Pre-budget strategy or outlook report, minimum 4 months prior to the start of the fiscal year - assuming that PI-11 be amended to be explicit about such a report – ref. also PI-27(i);

[21] ref. EU/IBF, February 2013

[22] Analytical Note 3 on Capturing Natural Resource Revenue further recommends that resource revenue should be separately identifiable, if significant.

b) All organic and annual PFM legislation including the (annually) enacted budget – as approved by the legislature or other appropriate body, as referred to in Section 2.3 and PI-11(iii);
c) A citizens' budget document (existence not assessed in other indicators, but only of use if published)
d) A long-term budget report – or simply the report on debt sustainability analysis depending on any changes to PI-12(ii);
e) The fiscal data on consolidated general government operations referred to in PI-8(iii);
f) The report on performance of and fiscal risks from AGAs and public enterprises, referred to in PI-9(i);
g) The report on condition of and fiscal risks from sub-national government, referred to in PI-9(ii);
h) The debt management reports referred to in PI-17(i)

At the same time, element (v) on contract awards should be removed as it is duplicated in PI-19(iii) and element (vi) on resources available to primary service units should probably also be removed, since it sets a standard that is not shared with any of the other comparable instruments. These measures would increase the total number of elements from 6 to 12.

It should be considered to change subject of element (iii) to *Year-end fiscal report* and replace the reference to *completed audit* by *end of reporting period*;

Finally in element (iv) consider removing the limiting reference to *consolidated* operations, while excluding audit reports on legally established confidential areas such as security sector, and reduce the publication delay to 6 weeks.

PI-11 on orderliness and participation in the annual budget process

a) Consider reference to preparation of a budget strategy or outlook paper for the Cabinet - and possibly the Legislature, ref. PI-27(i) - for the purpose of determining the macro-fiscal framework for the coming year and determining budget priorities including sector budget ceilings.

PI-12 on multi-year perspective in fiscal planning, expenditure policy and budgeting

a) Consider changing PI-12(ii) to analysis and reporting of long term fiscal forecasts (10-40 year perspective). A long-term report would include debt sustainability which is the current subject of the dimension, but would be broadened to cover long term fiscal sustainability i.e. solvency, stable economic growth, stable taxes, and intergenerational fairness[23]. The report would assess implications of current policy choices related to for instance demographic developments (such as the impact of ageing and migration on pension and health care expenses) as well as the utilization of natural resource wealth (rate of extraction from natural resource wealth and the use of related resource revenue ref. forthcoming Note 3). The budget deficit and its financing – and thus debt sustainability – would remain at the core of the dimension. It could be argued that this proposed change would represent introduction of a rather advanced practice in the PEFA Framework. However, many middle income countries – where PEFA is frequently used – may interested in such a new tool which is widespread among OECD countries. The more than 50 natural resource dependent countries would also benefit from undertaking long-term forecasting of budget aggregates. The different degrees of sophistication of long-term reports could be reflected in the scoring progression e.g. with 'A' and 'B' ratings demanding more elaborate

[23] Ref. OECD 2009

forecasting methods, whereas a 'C' rating may require only a Debt Sustainability Analysis as currently defined[24].

PI-24 on in-year budget execution reports, the following changes should be considered:

a) For an 'A' rating require monthly budget execution reports[25] as well as a comprehensive mid-year report in PI-24(ii);
b) The mid-year report should explain deviations from macro-economic forecasts and budget estimates and include an updated forecast of the budget outcome for the current fiscal year, PI-24(i);
c) Removal of reference to both commitment and payment stage of expenditure (at least for 'B' score) as no other instrument includes such a demand in PI-24(i)[26].

PI-25 on annual financial statements should be restructured. Whilst the indicator's subject and broad scope of content should remain unchanged, there are several reasons for changing the structure of the indicator in terms of both indicator dimensions and scoring calibration.

a) General reference to IPSAS standards should be abolished and be replaced by selection of a limited set of important standards that can be relatively easily verified by a PEFA assessment team (which is already partly the case);
b) One dimension may reflect a progression from cash basis, via modified cash and modified accrual to full accrual basis of accounting;
c) Frequency and timeliness may constitute another dimension;
d) The coverage of the entire budgetary central government by the annual financial statements (consolidated and/or in separate statements) may be the subject of the third dimension;
e) A fourth dimension may be added to assess the application of important (IPSAS based) disclosures (e.g. comparison to the approved budget) and any exceptions from full coverage of all items. A list of requirements could be introduced to capture a range of items, as in PI-19(i), and the elements to be selected may be informed by relevant disclosures included in other overlapping assessment instruments.

PI-26 on external audit should be restructured in a manner similar to PI-25 as they have important issues in common.

a) General reference to international auditing standards should be abolished and be replaced by a limited set of important standards that can be relatively easily verified by a PEFA assessment team and are not already specified in other parts of PI-26 or other indicators;
b) Such selected standards may be assessed in a separate indicator dimension PI-26(iv) comprising a list which is rated on the basis of number of criteria met; as e.g. in PI-6. One such standard concerns the external auditor(s) independence, which may be sufficiently important to be the subject of a mandatory criterion for certain scores, say 'A' and 'B' scores;
c) Coverage of central government entities in terms of nature and related frequency of audits may form one dimension – corresponding to the current dim(i) after removal of adherence to (other) auditing standards and adjusted to align with the standards set in the SAI PMF;

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[24] The FT Code (Consultation Draft July 2013) already includes different rating criteria for 'basic' and 'good' practice. Alignment between the FT rating criteria and PEFA should be sought (practice 2.4.4).

[25] The FT Code (Consultation Draft July 2013) already includes different rating criteria for 'basic' and 'good' practice. Alignment between the FT rating criteria and PEFA should be sought (practice 1.2.1).

[26] Data from 165 PEFA assessments by September 2011 shows the scoring distribution for PI-24(i) being: A 25%, B 13%, C 44%, D 12% and NS 7%. This suggests problems in progression of scoring calibration with many countries held back at C score level until they jump straight to A score – typically a result of the issue raised here.

d) Timeliness of audit report issue may continue as dim(ii) but the calibration scale should be adjusted to fit with the standards being set in the SAI PMF;
e) Follow-up on audit recommendations should continue - dim(iii). though it is recommended that ***either*** its content be merged with that of PI-28(iii) as the two indicator dimensions are substantially overlapping so that PI-28(iii) in practice adds no real value[27] ***or*** PI-26(iii) and PI-28(iii) be amended to reflect distinctly different aspects of follow-up, such as the SAI's monitoring of executive follow-up in PI-26(iii)[28] whereas PI-28(iii) may focus on the executive's actions taken to address auditors' and legislature's findings and recommendations. If the latter of these two options is chosen, then the entire indicator PI-26 is focused on the performance of the SAI only[29].

PI-27 on legislative scrutiny of the annual budget law*,* the following changes should be considered:

a) In PI-27(iii) the calibration may be amended to set 3 months for an 'A' score and 2 months for a 'B' score, thus avoiding the currently identical requirement for 'B' and 'C' scores[30], as well as setting 'A' requirements in line with other instruments as regards scrutiny of the *detailed* budget estimates.
b) For 'A' and 'B' scores it would also be relevant to set a deadline for time available to review fiscal policies, medium-term fiscal framework and budget priorities prior to receiving detailed budget submission for review, say at least one month for 'B' and two months for 'A' score in order to allow time for this review to have a potential impact on the detailed budget estimates.
c) PI-27(ii) would benefit from a more specific calibration, setting out the features expected at each score level, including specialized budget analysis unit;
d) Public access to budget hearings may be included in the criteria for an 'A' score for PI-27(ii), or could be included as a new dimension - though the latter option may clash with the use of M1 aggregation as lack of public access does not completely undermine the value of legislative scrutiny.

PI-28 on legislative scrutiny of external audit reports, the following changes should be considered:

a) Public access to (most) hearings may be incorporated in the requirement for an 'A' score in PI-27(ii);
b) In PI-28(iii) remove overlap with PI-26(iii) as suggested under PI-26 above.
c) Change the title of the indicator to '*Scrutiny and impact of external audit reports'*. By removing the word 'legislature[31]' from the title the indicator would recognize that this accountability process is not conducted by the legislature in all countries (it could be the judiciary), and that public hearings offer a role for civil society. The title change would also reflect that the indicator – most importantly - measures the executive's response to adverse audit findings and implementation of the auditors' recommendations.

[27] In cases where the legislature does not scrutinize audit reports, PI-28(i) and PI-28(iii) are also overlapping
[28] In SAI PMF corresponding to dimension(iii) of SAI-1, SAI-2 and SAI-3
[29] There have been several cases where a low overall rating on PI-26 due to the executive not implementing audit recommendations has led to misunderstanding and controversy – especially challenged in countries with a well-functioning SAI.
[30] The FT Code (Consultation Draft July 2013) sets 3 months as 'advanced' practice and 2 months as 'good'. Alignment of rating levels between the FT Code and PEFA needs to be clarified.
[31] In both PI-26 and PI-28 the reference to 'the legislature' in guidance and scoring calibration should be replaced by 'the constitutionally designated oversight institution'.

5.4. Other Suggestions for the Revision

***Section 2.3 on Institutional Framework for PFM*:** It is suggested (as already explained in chapter 3 of this note) that the PFM Performance Report should elaborate briefly on the political context for the legislature's role in fiscal accountability in terms of: how the government is elected/appointed (parliamentary system, presidential system, self-appointed, years in power and last election), and party composition of the legislature (including the dominance of the governing party). This information would be helpful in determining the importance of indicators that reflect the legislature's oversight functions (PI-27 and PI-28) and therefore the weight that should be accorded these indicators when bringing together the analytical summary assessment of the PFM-PR.

ANNEX A. OVERVIEW OF NORMS AND STANDARDS ANALYSED

A.1. GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability

The Global Initiative for Fiscal Transparency (GIFT) was initiated in 2010 as a multi-stakeholder action network working to advance and institutionalize global norms and significant, continuous improvements on fiscal transparency, participation, and accountability in countries around the world. The Lead Stewards of GIFT are the Brazil Ministry of Planning, Budget and Management, Department of Budget & Management Philippines, World Bank, International Monetary Fund, and International Budget Partnership. 'Innovations for Scaling Impact' is the coordinator of GIFT.

In 2011 GIFT's 'Advancing Global Norms Working Group' commissioned two reports as part of the Group's mandate to mobilize stakeholders to work towards defining global norms by establishing and monitoring international standards and good practices on fiscal transparency, accountability and engagement. The work stream comprises two phases. The first phase comprised an analytic mapping and review of existing norms. Following the decision at the Norms Working Group meeting in November 2011, the second report suggested a new set of High Level Principles on Fiscal Transparency, Accountability and Participation, which led to the High-Level Principles publicized on November 1, 2012[32]. The principles are intended to reflect a shared set of norms that both frames and anchors the subsequent operationalization of the Principles at the second level of the norms hierarchy (standards) and the third level (assessment). Specifically, the High Level Principles could be used to systematically review and assess the adequacy of the existing set of instruments. They could also contribute towards integrating this work stream with those on incentives, capacity building, and the use of new technologies[33].

The detailed statement of the High-Level Principles are shown in Annex B, table B.1.

A.2. OECD Best Practices for Budget Transparency

The OECD' Working Party of Senior Budget Officials issued a set of fiscal transparency 'best practices' in 2002, known as 'OECD Best Practices for Budget Transparency'. The list of practices were based mainly on the experience gained by individual OECD member countries and was meant as a reference tool for both member countries and non-members. The tool includes 65 statements of 'best practices', arranged within three pillars (1. Budget reports; 2. Specific disclosures; 3. Integrity, control and accountability) – for details see Annex B, table B.6. Whilst the document explains that the 'best practices' are not meant to constitute formal standards, the document is in practice being used as a reference point for reviewing and discussing progress in the area for both OECD member countries and non-members[34], and has remained unchanged for more than ten years.

A.3. IMF Fiscal Transparency Code and ROSC

In 1998, the IMF introduced a Code of Good Practices on Fiscal Transparency (FT Code), which led to a program of fiscal transparency assessments called fiscal transparency modules of Reports on the

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[32] The document is dated as draft of August 4, 2012 but no completion process has been identified and the document is referred to by representatives of GIFT members as final.

[33] Murray Petrie, December 2011: 'Defining The Technical Content of Global Norms: Towards a New Global Architecture' Phase 2 Report for the Advancing Global Norms Working Group.

[34] E.g. at a conference on Budget Transparency for Middle-Eastern and North African Countries in 2012.

Observance of Standards and Codes (FT ROSC). These developments reflected a clear consensus that fiscal transparency is a key ingredient of good governance, which is of central importance to achieving macroeconomic stability and high-quality growth. To expand and explain the principles of the FT Code, and to help guide the conduct of FT ROSCs, the first version of this Manual on Fiscal Transparency was issued the same year. A limited update of the Code and the Manual was undertaken in 2001, whereas a more comprehensively updated version was issued in 2007.

A comparison of the PEFA Framework and the Fiscal Transparency (FT) Code and ROSC was undertaken by IMF Fiscal Affairs Department during 2009[35]. It revealed substantial overlap between the two assessment instruments with about 75% of the 43 practices of the FT Code being either broadly or partly covered by PEFA, whereas 25% of FT Code practices were either minimally or not at all covered by PEFA.

An internal review of the FT Code in 2012[36] suggested that understanding of governments' underlying fiscal position and the risks to that position remains inadequate, as demonstrated by the emergence of previously unreported fiscal deficits and debts and the crystallization of large, mainly implicit, government liabilities to the financial sector during the crisis since 2008. The IMF is therefore revising the FT Code and FT ROSC. In particular the IMF found[37] deficiencies in that

- Existing Code & ROSC evaluate clarity of reporting procedures, not quality of reports
    - Code's 4 “Pillars” reinforce focus on formal laws, institutions, and processes
    - ROSCs pay too little attention to the content of fiscal reports themselves
- ROSC assessments tended to be exhaustive rather than risk-based
    - Place equal weight on all elements of the Code
    - Difficult to judge relative seriousness of different fiscal reporting gaps
    - Include a large number of unprioritized recommendations
- Code & ROSC adopt a “one-size-fits-all” approach to evaluating countries
    - Do not take into account different levels of institutional capacity
    - Do not provide milestones to full compliance with international standards
    - Make it difficult to benchmark against comparator countries

Drafts of the revised FT Code and ROSC have been prepared and are being tested in a couple of pilot countries. Results of initial testing were completed by May 2013[38]. Based on this experience, a complete ‘Consultation Draft of July 1, 2013’ was posted on the IMF website in July. Further testing is ongoing in three countries. The consultation draft of the FT Code includes assessment of 45 standards organized within three pillars (for details see Annex B, table B.3). Country performance on each practice is assessed on an ordinal scale of ‘advanced’, ‘good’, ‘basic’ and - by default – ‘below basic’ i.e. a 4-point ordinal scale. In addition, 32 quantitative indicators (e.g. fiscal data ratios in percentage of GDP) are included but will not be subject to scoring.

Whilst the 2009 comparison of PEFA and the FT ROSC was very useful for the discussion of how assessments using the two instruments in the same country could be coordinated, it will not be a helpful for the ongoing revision of the PEFA Framework due to the comprehensive update of the FT Code and ROSC. Nearly all the practice statements of the FT Code have been changed and a bridge table is not available. Many practices have been removed, whereas others have been added or former ones have

[35] Ref. IMF January 2010.
[36] IMF Fiscal Affairs Department: “Fiscal Transparency, Accountability, and Risk” August 7, 2012
[37] Ref. IMF presentation, March 12, 2013
[38] The resulting Fiscal Transparency Assessment for Ireland was published in July 2013.

been split into their constituent parts. For instance, many of the 10 practices under Pillar I of the 2007 FT Code have been removed in the 2013 draft version – mostly assessing clarity of roles and responsibilities as well as the legal framework for PFM – practices that are generally not assessed by PEFA indicators. Also removed is the set of five practices on 'internal oversight and safeguards' in section 4.2, of which several were also covered by PEFA.

Instead the PEFA Framework has been compared to the 2013 consultation draft of the FT Code's 45 statements of practices.

A.4. IBP Open Budget Survey

The International Budget Project launched in the early 2000s an initiative for assessment and international comparison of the transparency of government budget processes, published as the Open Budget Index. The assessment is based on Open Budget Surveys conducted by local, non-government researchers. The first Open Budget Survey was carried out in 2006, and covered 59 countries. Since then, three more rounds of the Survey have been completed (2008, 2010, and 2012), gradually increasing coverage to the current 100 countries[39].

The Survey covers 125 questions under five main headings, (1) The Availability of Budget Documents, (2) The Executive's Budget Proposal, (3) The Budget Process, (4) Strength of the Legislature, (5) Citizens Budget and Public Engagement in the Budget Process.

The Open Budget Survey 2012 has introduced a 4-point ordinal scale A-D where in general A=best=100%, B=good=67-100%, C= moderate=33-67%, D=weak practice=0-33%. An additional E rating is used when the question is 'not applicable'. For a few questions, however, the rating scale only includes three grades A-C. Availability of documents are rated on a scale of (i) available to public, (ii) available for internal use, and (iii) not produced.

The 2012 version of the Survey was changed from the earlier used version by adding 14 new questions, deleting 12 questions, modifying 2 questions and reordering a large number of questions.

A.5. IPSASB International Public Sector Accounting Standards

International Public Sector Accounting Standards (IPSASs) are currently intended for application for general purpose financial statements (and related financial reports) of all public sector entities, with the exception of government business enterprises. The initial set was developed between 1999 and 2002 and known as the core set of accounting standards, IPSAS 1 – 20 for accrual based accounting and Parts 1-8 of the Cash Basis IPSAS, all of which went into effect before the PEFA Framework was launched in 2005. Since 2005, however, IPSASB has gradually expanded the range of IPSASs to 32 (and two additional parts for Cash Basis IPSAS) of which the last IPSAS 32 (concerning Service Concession Grantors) take effect only from January 1, 2014. As a recent development IPSASB has begun a process of developing 'recommended practice guidelines' for reporting concerning other than general purpose financial statements.

PEFA refers in indicator PI-25 to 'application of IPSAS or corresponding national standard' for financial statements of all government entities or all with some exceptions as requirement for rating 'A' and 'B' respectively. This means that PEFA is automatically aligned with the PEFA Framework. There is therefore no need to compare details of the IPSAS standards with the PEFA Framework in Annex B.

[39] IBP, 2012

A.6. INTOSAI Supreme Audit Institutions Performance Measurement Framework

The establishment of internationally agreed standards for external auditing of the public sector arguably commenced with the issue by INTOSAI of “The Lima Declaration of Guidelines on Auditing Precepts” in 1977. The founding principles of the Lima Declaration became the starting point for developing a wide range of detailed auditing guidelines for SAIs, being issued as International Standards for Supreme Audit Institutions (ISSAIs) starting in 1998 and using the IFAC’s IAASB standards for the private sector as a basis. The standards are issued at four levels with The Lima Declaration itself constituting Level 1 - issued in 1998 as “ISSAI 1 Founding Principles”. To date 73 ISSAIs have been issued, many of them taking effect after the PEFA Framework was issued in 2005.

The Lima Declaration comprise 25 principles (or sections with one to five statements each) arranged under seven headings I. General, II. Independence, III. Relationship to Parliament, government and the administration; IV. Powers of SAIs; V. Audit methods, audit staff, international exchanges of experience; VI. Reporting; VII. Audit powers of SAIs.

Since 2011 INTOSAI has worked on the development of a SAI Performance Measurement Framework (SAI PMF), very similar to the PEFA Framework in nature. It is based on performance indicators being scored on a 5-point ordinal scale, and incorporated in a Performance Report. The set of 22 indicators (of one to four dimensions each) measures SAI performance against international good practice in seven domains: A. SAI Performance, B. Independence and Legal Framework, C. Strategy for Organizational Development, D. Audit Standards and Methodology, E. Management and Support Structures, F. Human Resources and G. Communications and Stakeholder Management. The SAI PMF is in its structure of domains and indicators very close to the founding principles of the Lima Declaration, but draws on the relevant lower level ISSAIs, in particular for the formulation of indicator scoring calibration. An exposure draft version 2.0 was issued in 2012 and currently undergoing testing in pilot countries with official launch scheduled for 2016.

As the SAI PMF is closely aligned with the founding principles of the Lima Declaration, is drawing on the many detailed ISSAIs and is an assessment instrument similar to the PEFA Framework, it has been chosen as a basis for comparison of international good practice in auditing in the PEFA Framework. Annex B, table B.5 presents the details of the indicator structure of the SAI PMF as a basis for comments on alignment and inconsistencies between the PEFA Framework and auditing standards promoted by INTOSAI.

ANNEX B. COMPARISON OF PEFA FRAMEWORK WITH OTHER NORMS AND STANDARDS

Table B.1 GIFT High-Level Principles on Fiscal Transparency, Participation and Accountability, draft 2012

Subject	***Standard/Practice***	***Relevant PEFA coverage***	***Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.***
Access to Fiscal Information			
1.	Everyone has the right to seek, receive and impart information on fiscal policies. To help guarantee this right, national legal systems should establish a clear presumption in favour of the public availability of fiscal information without discrimination. Exceptions should be limited in nature, clearly set out in the legal framework, and subject to effective challenge through low-cost, independent and timely review mechanisms.	-	***Difference:*** PEFA assesses what fiscal information is publicly available in practice, not whether the law establishes any rights or obligations.
2.	Governments should publish clear and measureable objectives for aggregate fiscal policy, regularly report progress against them, and explain deviations from plans.	PI-6, PI-24, PI-25, PI-27.	Subject partly covered by PEFA Framework. PI-25 includes such a requirement as it refers to IPSAS that covers the subject; and PI-27 assesses if the legislature reviews the government's fiscal policies, thus indirectly measuring if fiscal policy statements are made. ***Gaps:*** (a) PI-6 does not specifically require a statement of fiscal policy; (b) in-year budget execution reporting in PI-24 does not require narrative explanations of deviations from plan.
3.	The public should be presented with high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, and public assets and liabilities. The presentation of fiscal information in budgets, fiscal reports, financial statements, and National Accounts should be an obligation of government, meet internationally-recognized standards, and should be	Covers most PEFA indicators	Subject partly covered by PEFA Framework. ***Gaps*** include (a) Non-financial information is not required by PEFA indicators; (b) National Accounts are not referred to in PEFA indicators; (c) Public assets and liabilities are only partially covered by PEFA (e.g. non-financial excluded)

	consistent across the different types of reports or include an explanation and reconciliation of differences. Assurances are required of the integrity of fiscal data and information.		
4.	Governments should communicate the objectives they are pursuing and the outputs they are producing with the resources entrusted to them, and endeavor to assess and disclose the anticipated and actual social, economic and environmental outcomes.	-	***Gap:*** PEFA does not require this kind of non-financial information.
Governance of Fiscal Policy			
5.	All financial transactions of the public sector should have their basis in law. Laws, regulations and administrative procedures regulating public financial management should be available to the public, and their implementation should be subject to independent review.	Section 1	Subject partly covered by PEFA. ***Difference:*** Content of laws not covered by PEFA indicators – though descriptive provision in Section 2.3; ***Gap:*** Public access to all legislation on PFM is not included in PEFA indicator ratings.
6.	The Government sector should be clearly defined and identified for the purposes of reporting, transparency, and accountability, and government financial relationships with the private sector should be disclosed, conducted in an open manner, and follow clear rules and procedures.	Section 1	Subject partly covered by PEFA, as section 1 require a description of the government sector and PEFA indicators PI-13 and PI-19 address taxation and procurement aspects of government relation to the government. ***Difference:*** The extent of clarity in defining the government sector is not subject to a PEFA standard with performance rating; ***Gap:*** Other aspects of government interaction with the private sector are missing.
7.	Roles and responsibilities for revenue raising, incurring liabilities, consuming resources, investing, and managing public resources should be clearly assigned in legislation between the three branches of government (the legislature, the executive and the judiciary), between national and each sub-national level of government, between the government sector and the rest of the public sector, and within the government sector itself.	Section 2	Partly covered by PEFA through narrative sections of the PFM Performance Report, but not subject to performance rating.
8.	The authority to raise taxes and incur expenditure on behalf	Section 2,	Partially covered by PEFA. PEFA assesses if the

	of the public should be vested in the legislature. No government revenue should be raised or expenditure incurred or committed without the approval of the legislature through the budget or other legislation. The legislature should be provided with the authority, resources, and information required to effectively hold the executive to account for the use of public resources.	PI-27, PI-28	legislature reviews and approves fiscal policies, medium-term fiscal framework/priorities and the annual budget and if it scrutinizes audit reports; it also describes the relevant legislation. ***Difference*:** PEFA does not assess the resources available to the legislature.
9.	The Supreme Audit Institution should have statutory independence from the executive, and the mandate, access to information, and appropriate resources to audit and report publicly on the use of public funds. It should operate in an independent, accountable and transparent manner.	PI-26	Partially covered by PEFA. PI-26 rates to what extent audits take place, are timely and use recognized standards (audit performance). The mandate and access to information are part of general auditing standards. ***Difference:*** PEFA does not rate the resources of the auditors (as these are considered possible underlying explanatory factors of audit performance).
10.	Citizens should have the right and they, and all non-state actors, should have effective opportunities to participate directly in public debate and discussion over the design and implementation of fiscal policies.	-	***Gap:*** The subject is not at all covered by PEFA.

Table B.2 OECD Best Practices for Budget Transparency 2002

Subject	*Standard/Practice*	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
1. Budget Reports			
1.1 The Budget	The budget is the government's key policy document. It should be comprehensive, encompassing all government revenue and expenditure, so that the necessary trade-offs between different policy options can be assessed.	PI-6	Fully covered by PEFA
	The government's draft budget should be submitted to Parliament far enough in advance to allow Parliament to review it properly. In no case should this be less than three months prior to the start of the fiscal year. The budget should be approved by Parliament prior to the start of the fiscal year.	PI-27(iii) PI-11(iii)	Subject fully covered. ***Inconsistency***: For an 'A' rating, PEFA requires submission only two months prior to start of fiscal year. Full correspondence.
	The budget, or related documents, should include a detailed commentary on each revenue and expenditure programme.	-	***Gap:*** No requirement in PEFA for a commentary other than for new policy initiatives.
	Non-financial performance data, including performance targets, should be presented for expenditure programmes where practicable.	-	***Gap:*** Non-financial performance data not covered by PEFA
	The budget should include a medium-term perspective illustrating how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year. Similarly, the current budget proposal should be reconciled with forecasts contained in earlier fiscal reports for the same period; all significant deviations should be explained.	PI-12(i) PI-27(i)	Medium-term perspective (2+ years beyond budget proposal) is covered with similar content by PI-12(i), and PI-27(i) will score 'A' only if such information is part of legislative budget review, thus implicitly assuming that medium-term budget information is submitted to the legislature by the executive.
	Comparative information on actual revenue and expenditure during the past year and an updated forecast for the current year should be provided for each programme. Similar comparative information should be shown for any non-financial performance data.	PI-6	Subject covered by PEFA except that (***difference***) the financial information may be on administrative classification where OECD assumes programme basis and (***Gap***) no non-financial performance data is referred to by PEFA.
	If revenue and expenditures are authorised in permanent	PI-7(i)	Fully consistent with PEFA

	legislation, the amounts of such revenue and expenditures should nonetheless be shown in the budget for information purposes along with other revenue and expenditure.		
	Expenditures should be presented in gross terms. Ear-marked revenue and user charges should be clearly accounted for separately. This should be done regardless of whether particular incentive and control systems provide for the retention of some or all of the receipts by the collecting agency.	-	***Inconsistency:*** PEFA refers to GFS economic classification (PI-5) which does not include a category for earmarked revenue.
	Expenditures should be classified by administrative unit (e.g. ministry, agency). Supplementary information classifying expenditure by economic and functional categories should also be presented.	PI-5	Subject and details fully covered by PEFA
	The economic assumptions underlying the report should be made in accordance with Best Practice 2.1 (below).	PI-6	Subject covered by PEFA but some ***inconsistency*** in details as per 2.1 below.
	The budget should include a discussion of tax expenditures in accordance with Best Practice 2.2 (below).	PI-7(i)	Ref. comment under 2.2 below
	The budget should contain a comprehensive discussion of the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities in accordance with Best Practices 2.3-2.6 (below).	-	***Gap:*** Comprehensive discussion/narrative not required by PEFA
1.2 Pre-budget report	A pre-budget report serves to encourage debate on the budget aggregates and how they interact with the economy. As such, it also serves to create appropriate expectations for the budget itself. It should be released no later than one month prior to the introduction of the budget proposal.	PI-11(ii) PI-27(i)	The subject is covered implicitly by PEFA. PEFA makes reference to expenditure ceilings approved by the Cabinet, implicitly assuming that a budget outlook/strategy report is submitted to Cabinet before detailed budget estimates are made by MDAs; PI-11. PI-27(i) scores A and B only if fiscal policies and aggregates are reviewed by the legislature, implicitly assuming that such information is submitted to the legislature by the executive. ***Gap:*** PEFA does not identify when a pre-budget report should be submitted.
	The report should state explicitly the government's long-term	PI-27(i)	***Gap:*** PEFA does not specify the content of such a

	economic and fiscal policy objectives and the government's economic and fiscal policy intentions for the forthcoming budget and, at least, the following two fiscal years. It should highlight the total level of revenue, expenditure, deficit or surplus, and debt.		report.
	The economic assumptions underlying the report should be made in accordance with Best Practice 2.1 (see below).	PI-27(i)	As for pre-budget report above.
1.3 Monthly reports	Monthly reports show progress in implementing the budget. They should be released within four weeks of the end of each month.	PI-24(ii)	Subject is fully covered by PEFA. ***Inconsistency:*** PEFA only require quarterly reports to justify an 'A' rating.
	They should contain the amount of revenue and expenditure in each month and year-to-date. A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period. Any in-year adjustments to the original forecast should be shown separately.	PI-24(i)	Subject covered by PEFA in principle, but ***difference*** in that PEFA does not detail the content of the report to the same extent.
	A brief commentary should accompany the numerical data. If a significant divergence between actual and forecast amounts occurs, an explanation should be made.	PI-24	***Gap:*** PEFA requires no such report commentary.
	Expenditures should be classified by major administrative units (e.g., ministry, agency). Supplementary information classifying expenditure by economic and functional categories should also be presented.	PI-24(i) with PI-5	Fully covered by PEFA
	The reports, or related documents, should also contain information on the government's borrowing activity (see Best Practice 2.3 below).	PI-17(i)	Subject covered by PEFA but ***difference*** in that PEFA accepts this information appears in separate debt management reports.
1.4 Mid-year report	The mid-year report provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years. The report should be released within six weeks of the end of the mid-year period.	-	***Gap:*** PEFA does not require a mid-year report that is different from the second quarterly budget execution report.
	The economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed (see Best Practice 2.1 below).	-	Ref. above
	The mid-year should contain a comprehensive discussion of	-	Ref. above

	the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities in accordance with Best Practices 2.3-2.6 (below).		
	The impact of any other government decisions, or other circumstances, that may have a material effect on the budget should be disclosed.	-	Ref. above
1.5 Year-end report	The year-end report is the government's key accountability document. It should be audited by the Supreme Audit Institution, in accordance with Best Practice 3.3 (below) and be released within six months of the end of the fiscal year.	PI-25 PI-26	Subject fully covered by PEFA. ***Inconsistency:*** PEFA splits timing of the completion of the year-end report and the completion of audit report in PI-25(ii) and PI-26(iii) with two 'A' ratings given for completion within 6+4=10 months.
	The year-end report shows compliance with the level of revenue and expenditures authorised by Parliament in the budget. Any in-year adjustments to the original budget should be shown separately. The presentation format of the year-end report should mirror the presentation format of the budget.	PI-25(iii)	Subject fully covered. PEFA refers to the application of IPSAS which cover these subjects in IPSAS 1 and IPSAS 24 (accrual) as well as Cash Based IPSAS. ***Inconsistency:*** PEFA requires the end-year report to be 'consolidated' which in accordance with IPSAS (both cash and accrual) requires all controlled entities to be consolidated into the financial statement of the government.
	The year-end report, or related documents, should include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable.	-	***Gap:*** PEFA does not require non-financial performance information to be included.
	Comparative information on the level of revenue and expenditure during the preceding year should also be provided. Similar comparative information should be shown for any non-financial performance data.	PI-25(iii)	***Difference:*** IPSAS (and thus PEFA) do not require comparison with preceding year. ***Gap:*** PEFA does not require non-financial performance information to be included.
	Expenditure should be presented in gross terms. Ear-marked revenue and user charges should be clearly accounted for separately.	PI-25(iii)	'Gross terms' fully covered. ***Inconsistency:*** IPSAS does not make specific reference to 'earmarked revenue' whereas IPSAS requires separate disclosure of 'external assistance'
	Expenditure should be classified by administrative unit (e.g.	PI-25(iii)	Fully corresponding. PEFA refers to IPSAS that

	ministry, agency). Supplementary information classifying expenditure by economic and functional categories should also be presented.		cover this issue (IPSAS 1.108 requires “a subclassification of total revenue, classified in a manner appropriate to the entity’s operations”). PEFA in PI-5 moreover requires use of GFS economic classification for budget formulation and execution – without specifying any sub-classification level.
	The year-end report should contain a comprehensive discussion of the government’s financial assets and financial liabilities, non-financial assets, employee pension obligations and contingent liabilities in accordance with Best Practices 2.3-2.6 (below).	-	***Gap:*** PEFA refers to IPSAS which currently does not include a standard on the subject. A new standard issued as exposure draft ED47 in 2012 is supposed to address this gap.
1.6 re-election report	A pre-election report serves to illuminate the general state of government finances immediately before an election. This fosters a more informed electorate and serves to stimulate public debate.	-	***Gap:*** Pre-election report is not covered by PEFA.
	The feasibility of producing this report may depend on constitutional provisions and electoral practices. Optimally, it should be released no later than two weeks prior to elections.	-	As above
	The report should contain the same information as the mid-year report.	-	As above
	Special care needs to be taken to assure the integrity of such reports, in accordance with Best Practice 3.2 (below)	-	As above
1.7 Long-term report	The long-term report assesses the long-term sustainability of current government policies. It should be released at least every five years, or when major changes are made in substantive revenue or expenditure programmes.	-	***Gap:*** A general long term report is not covered by PEFA. However, PEFA does include an element of such a report in terms of a debt sustainability analysis in PI-12(ii).
	The report should assess the budgetary implications of demographic change, such as population ageing and other potential developments over the long-term (10-40 years).	-	As above
	All key assumptions underlying the projections contained in the report should be made explicit and a range of plausible scenarios presented.	-	As above
2. Specific Disclosures			

2.1 Economic assumptions	Deviations from the forecast of the key economic assumptions underlying the budget are the government's key fiscal risk.	-	n.a.
	All key economic assumptions should be disclosed explicitly. This includes the forecast for GDP growth, the composition of GDP growth, the rate of employment and unemployment, the current account, inflation and interest rates (monetary policy).	PI-6	***Inconsistency:*** PEFA requires disclosure of GDP growth, inflation and *exchange rate*.
	A sensitivity analysis should be made of what impact changes in the key economic assumptions would have on the budget.	PI-6	***Gap:*** No reference to sensitivity analysis is made by PEFA
2.2 Tax expenditures	Tax expenditures are the estimated costs to the tax revenue of preferential treatment for specific activities.	-	n.a.
	The estimated cost of key tax expenditures should be disclosed as supplementary information in the budget. To the extent practicable, a discussion of tax expenditures for specific functional areas should be incorporated into the discussion of general expenditures for those areas in order to inform budgetary choices.	PI-7(i)	In principle, PEFA covers tax expenditures under PI-7(i) as clarified in Clarification #7-g, though in practice this element is rarely included in the data used for scoring PI-7.
2.3 Financial liabilities and financial assets	All financial liabilities and financial assets should be disclosed in the budget, the mid-year report, and the year-end report. Monthly borrowing activity should be disclosed in the monthly reports, or related documents.		For the budget PI-6 refers to debt stock and financial assets only; for in-year reports PI-24(i) requires disclosure comparable to the information in the budget. For year-end reports, PI-25 requires full information on financial assets and liabilities for an 'A' rating, even if cash basis IPSAS is otherwise applied. PI-17 requires quarterly reporting on debt stock, debt service and debt operations for an 'A' rating. ***Differences*** therefore concern mainly report frequencies if debt management is reported separately from general in-year reporting.
	Borrowings should be classified by the currency denomination of the debt, the maturity profile of the debt, whether the debt carries a fixed or variable rate of interest, and whether it is callable.	PI-17(i)	***Difference:*** Whilst the subject of reporting on borrowing is covered, PEFA does not include the details of disclosures specified in the OECD standard.

	Financial assets should be classified by major type, including cash, marketable securities, investments in enterprises and loans advanced to other entities. Investments in enterprises should be listed individually. Loans advanced to other entities should be listed by major category reflecting their nature; historical information on defaults for each category should be disclosed where available. Financial assets should be valued at market value.	-	***Difference:*** PEFA refers to GFS economic classification for all fiscal reports without specifying the sub-classification level that should be used. The OECD details assume the use of the most detailed sub-classification (4^{th} level). In the cases of year-end reports where the government reports on (modified) accrual basis, the relevant details of the IPSAS apply.
	Debt management instruments, such as forward contracts and swaps, should be disclosed.	-	***Difference:*** No such details required by PEFA.
	In the budget, a sensitivity analysis should be made showing what impact changes in interest rates and foreign exchange rates would have on financing costs.	-	***Gap:*** No sensitivity analysis required by PEFA for PI-6.
2.4 Non-financial assets	Non-financial assets, including real property and equipment, should be disclosed.	-	***Gap:*** PEFA does not require any information on non-financial assets, except in the cases of year-end reports where the government reports on accrual basis and therefore the relevant details of the IPSAS apply (e.g. IPSAS 17).
	Non-financial assets will be recognised under full accrual-based accounting and budgeting. This will require the valuation of such assets and the selection of appropriate depreciation schedules. The valuation and depreciation methods should be fully disclosed.	-	As above
	Where full accrual basis is not adopted, a register of assets should be maintained and summary information from this register provided in the budget, the mid-year report and the year-end report.		As above
2.5 Employee pension obligations	Employee pension obligations should be disclosed in the budget, the midyear report and the year-end report. Employee pension obligations are the difference between accrued benefits arising from past service and the contributions that the government has made towards those benefits.	-	***Gap:*** PEFA does not require information on employee pension obligations, except in the cases of year-end reports (where PEFA for an 'A' rating requires that full information on financial liabilities is included).
	Key actuarial assumptions underlying the calculation of	-	***Difference:*** PEFA only requires this detailed

	employee pension obligations should be disclosed. Any assets belonging to employee pension plans should be valued at market value.		information on employee pension obligations in the cases of year-end reports where the government reports on accrual basis and therefore IPSAS 25 applies (unless the term ‘full information’ in PI-25(i) is interpreted to include those details – no clarification issued).
2.6 Contingent liabilities	Contingent liabilities are liabilities whose budgetary impact is dependent on future events which may or may not occur. Common examples include government loan guarantees, government insurance programmes, and legal claims against the government.	-	n.a.
	All significant contingent liabilities should be disclosed in the budget, the mid-year report and the annual financial statements.	-	***Gap:*** PEFA does not require disclosure of information on contingent liabilities, except (1) in the cases of year-end reports where the government reports on accrual basis and therefore the relevant details of the IPSAS apply (2) for contingent liabilities from other parts of the public sector as assessed by PI-9.
	Where feasible, the total amount of contingent liabilities should be disclosed and classified by major category reflecting their nature; historical information on defaults for each category should be disclosed where available. In cases where contingent liabilities cannot be quantified, they should be listed and described.	-	As above. In case of PI-9, PEFA does not spell out what kind information should be included in a report on fiscal risks.
3. Integrity, control and accountability			
3.1 Accounting policies	A summary of relevant accounting policies should accompany all reports. These should describe the basis of accounting applied (e.g. cash, accrual) in preparing the reports and disclose any deviations from generally accepted accounting practices.	-	***Difference:*** PEFA only requires a statement of accounting standards and (consistent) format in relation to year-end reports, ref PI-25(iii).
	The same accounting policies should be used for all fiscal reports.	-	As above.
	If a change in accounting policies is required, then the nature of the change and the reasons for the change should be fully	-	As above

	disclosed. Information for previous reporting periods should be adjusted, as practicable, to allow comparisons to be made between reporting periods.		
3.2 Systems and responsibility	A dynamic system of internal financial controls, including internal audit, should be in place to assure the integrity of information provided in the reports.	PI-18 PI-20 PI-21	Subject fully covered by PEFA.
	Each report should contain a statement of responsibility by the finance minister and the senior official responsible for producing the report. The minister certifies that all government decisions with a fiscal impact have been included in the report. The senior official certifies that the Finance Ministry has used its best professional judgement in producing the report.	-	***Difference:*** No such report content on responsibility and judgment required by PEFA.
3.3 Audit	The year-end report should be audited by the Supreme Audit Institution in accordance with generally accepted auditing practices.	PI-26	Fully covered by PI-26(i).
	Audit reports prepared by the Supreme Audit Institution should be scrutinized by Parliament.	PI-28	Fully covered by PI-28.
3.4 Public and parliamentary scrutiny	Parliament should have the opportunity and the resources to effectively examine any fiscal report that it deems necessary.	PI-27, PI-28	***Gap:*** PEFA only refers to Parliamentary review of the proposed budget (including possibly a pre-budget statement) and audit reports. ***Difference:*** PEFA does not require information on the Parliament's resources and what is required by OECD is not well defined.
	All fiscal reports referred to in these Best Practices should be made publicly available. This includes the availability of all reports free of charge on the Internet.	PI-10	The subject is covered by PI-10. ***Inconsistency:*** Whereas OECD requires all the above mentioned reports published, PEFA does not require publication of all the reports it assesses under various indicators which have implications for fiscal transparency, such as those in PI-8(iii), PI-9(i) and PI-9(ii), PI-12(ii) and PI-17(i). But PEFA requires publication of reports not covered by OECD, ref. PI-10 (v) and (vi) as well as PI-19(iii).
	The Finance Ministry should actively promote an	-	***Gap:*** No PEFA coverage

	understanding of the budget process by individual citizens and non-governmental organisations.		

Table B.3 IMF Code of Fiscal Transparency – Consultation Draft version July 1, 2013

Subject	***Standard/Practice***	***Relevant PEFA coverage***	***Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.***
1. Fiscal Reporting			
1.1.1	The structure and functions of the public sector and its relationship with the private sector are clearly defined.	Section 1 & 2.3	***Difference:*** The PFM-PR requires a description of the general government sector in section 1 and the institutional structures in Section 2.3 – based on distinctions between government, public and private sectors as per GFS definitions, but is not scored
1.1.2	Fiscal reports cover all entities engaged in government activity which are delineated according to international standards.	PI-7 Section 1	Fuly covered: The PFM-PR requires a description of the general government sector in section 1 with reference to GFS definitions; PI-7 assesses the extent to which government operations are excluded from fiscal reports.
1.1.3	Fiscal reports include a balance sheet of government assets, liabilities, and net worth	PI-6 PI-25	***Difference:*** PEFA excludes disclosure of non-financial assets and liabilities, whereas they are included in FT Code as 'advanced practice' only.
1.1.4	Fiscal reports cover all government revenues, expenditures, and financing.	PI-6 PI-7 PI-24 PI-25	Fully covered by PEFA
1.1.5	The government regularly discloses all revenue loss from tax expenditure	PI-7(i)	PI-7(i) includes assessment of the extent to which tax expenditures are reported/unreported.
1.2.1	In-year fiscal reports and statistics are published on a frequent and regular basis	PI-24(ii) PI-10	Fully covered by PEFA ***Inconsistency:*** FTC requires quarterly reports to be issued within 3 months, whereas PEFA requirement is within 4 weeks.
1.2.2	Audited or final annual financial statements are published in a timely manner.	PI-25(ii) PI-10	Fully covered by PEFA ***Inconsistency:*** FTC defines 'timely' as 9 months from end of FY, whilst PEFA allows 6+4 months.
1.3.1	Fiscal reports classify information in ways that make clear the	PI-5	Fully covered by PEFA with reference to GFS and

	use of public resources and facilitates international comparisons		COFOG classification standards ***Inconsistency:*** FTC 'good' practice requirements correspond roughly to PEFA 'B' rating rather than 'A' but adds resource revenue specification.
1.3.2	Fiscal reports are internally consistent and include reconciliations between alternative measures of summary fiscal aggregates.	-	Partly covered, as PI-24(i) assesses comparability with the budget and PI-25 refers to IPSAS for comparability standards. ***Gap:*** Reconciliation between various fiscal aggregates is not assessed in PEFA.
1.3.3	Material revisions to historical fiscal statistics are disclosed and explained	-	***Gap:*** Subject not covered by PEFA
1.4.1	Responsibility for verifying and disseminating fiscal statistics is vested in a specific body that is independent	-	***Gap:*** Subject not covered by PEFA
1.4.2	Annual financial statements are subject to a published audit by an independent supreme audit institution, according to international standards.	PI-26	Fully covered by PEFA ***Inconsistency:*** PEFA requires some performance (VFM) audit for an 'A' rating, which FTC does not refer to even for 'advanced' practice
1.4.3	Fiscal statistics meet internationally accepted systems and standards	-	***Gap:*** Fiscal statistical systems and standards are not explicitly covered by PEFA
1.4.4	The annual financial statements meet generally accepted accounting standards and their reliability is validated	PI-25(iii) PI-26	Fully covered by PEFA ***Inconsistency:*** FTC rating criteria includes the degree of audit qualifications which PEFA does not include [Note: FTC 'good' practice should include "… no or minor ….”]
2. **Fiscal Forecasting and Budgeting**			
2.1.1	Revenues, expenditures, and financing of central government, both budgetary and extra-budgetary, are authorized by the legislature.	PI-27(i) PI-11(iii)	Partly covered by PEFA ***Gap:*** Legislature's authorization of extra-budgetary operations not covered ***Inconsistency:*** There is *an inconsistency between the FTC's subject description and rating criteria*, as legislative authorization of fiscal operations is not the same as incorporating information in budget documentation (the latter may be for information only).

2.1.2	Revenues and expenditures are presented on a gross basis in budget documentation	-	***Gap:*** 'Gross basis' not required for budget documentation - only covered for end-year reports (PI-25(iii) reference to IPSAS standards)
2.1.3	The budget projections are based on comprehensive macroeconomic forecasts which are disclosed and explained	PI-6	***Gap:*** PI-6 requires disclosure of basic macroeconomic assumptions, but no qualitative explanation.
2.1.4	Budget documentation includes outturns and projections of revenues, expenditures and financing over the medium-term on the same basis as the annual budget.	PI-12 PI-27(i)	PI-12(i) and PI-12(iv) assess the preparation of medium-term fiscal projections and PI-27 assesses if the legislature reviews medium-term fiscal policies, but ***(gap***) PI-6 does not require explicitly that such information to be included in budget documentation.
2.2.1	The government provides a mid-year report summarizing macroeconomic and fiscal developments since the last budget, and macroeconomic and fiscal forecasts for the preparation of the upcoming budget	-	***Gap:*** a specific Mid-Year report – different from quarterly reports – is not covered by PEFA
2.2.2	The legislature and the public are consistently given adequate time to scrutinize and approve the annual budget before the start of the financial year	PI-27(iii)	Fully covered by PEFA
2.2.3	The approval and publication of the budget legislation consistently provides adequate time for its effective execution	PI-11(iii)	Approval of the budget is fully covered by PEFA. ***Gap:*** PEFA does not assess publication of the enacted budget.
2.3.1	The use of public resources should be governed by a comprehensive legal framework	Section 2.2	***Difference:*** Narrative description required by PEFA, but no rating
2.3.2	Laws and regulations related to the collection of tax and on-tax revenue should be comprehensive and accessible.	PI-13	***Gap:*** Non-tax revenue not covered by PEFA
2.4.1	The government states and reports on clear and measurable objectives for the public finances.	-	***Gap:*** PEFA does not require statement of fiscal objectives
2.4.2	Budget documentation provides information regarding the objectives and results achieved under each major government policy area.	-	***Gap:*** PEFA does not cover non-financial information on policy objectives and results
2.4.3	The government makes available to all citizens a clear, accessible, and useful summary of fiscal performance and economic prospects as well as the distributional implications	-	***Gap:*** Subject not covered by PEFA

	of fiscal policies.		
2.4.4	The government regularly publishes the projected evolution of the public finances over the long-term	-	***Gap:*** Long-term reports not covered by PEFA
2.5.1	The government's fiscal forecasts are subject to independent evaluation	-	***Gap:*** Subject not covered by PEFA
2.5.2	as Any material changes to the approved budget are authorized by the legislature	PI-16(iii) PI-27(iv)	Fully covered by PEFA ***Inconsistency:*** FTC is more specific than PEFA as to what changes require prior legislative approval.
2.5.3	Budget documentation and any subsequent updates explain any material changes to the government's previous fiscal forecasts, distinguishing the fiscal impact of new policy measures	PI-6(9) PI-12(i)	Fully covered for annual documentation: PI-12(i) require that explanation is given to the differences between forecasts/estimates for the same FYs, prepared in subsequent years, whereas PI-6(9) covers the fiscal impact of new policy measures. Gap regarding mid-year reports ref. 2.2.1
3. **Fiscal Risk Analysis and Management**			
3.1.1	The government reports on how fiscal outcomes might differ from baseline forecasts as a result of different macroeconomic shocks.	-	***Gap:*** Outcome on macroeconomic forecasts not covered by PEFA
3.1.2	The government regularly reports on the main specific risks to its fiscal forecasts, such as contingent liabilities.	-	***Gap:*** Reporting on contingent liabilities is not covered by PEFA
3.1.3	Fiscal forecasts, budgets, and fiscal reports are presented on a comparable basis, with any deviations explained.	PI-24(i) PI-25(iii)	Comparability of in-year and end-year reports to the budget is covered; ***Gap:*** PEFA does not require explanation of deviations. ***Inconsistency:*** FTC requires reconciliation of budget outturns with either fiscal statistics or final accounts, which PEFA does not.
3.2.1	The budget has adequate and transparent provision for contingencies that arise during budget execution	PI-2(ii)	PI-2(ii) assesses the size of the contingencies or budget reserves including an upper limit, but ***(Gap)*** not whether the contingencies are adequate and transparently presented. ***Inconsistency:*** PEFA set quantitative limit for contingencies whilst FTC does not.
3.2.2	Risks relating to major assets and liabilities are disclosed and managed.	-	***Gap:*** Subject not covered by PEFA

3.2.3	The value of the government's interest in exhaustible natural resource assets and their exploitation is disclosed	Section 3.8	***Gap:*** Subject not covered by PEFA indicators but section 3.8 of the PFM-PR should explain natural resource assets, exploitation and revenue management if significant
3.2.4	Financial derivative positions, if any, are regularly disclosed, assessed and managed	PI-25(iii)	***Difference:*** PEFA does not refer directly to derivatives, but to IPSAS standards which cover disclosure and assessment of derivatives in IPSAS 15, 28, 29 and 30
3.2.5	Government guarantees and their management policy are regularly disclosed	PI-17(iii)	Management of guarantees at the issue stage is covered in PI-17(iii); ***Gap:*** Disclosure of guarantees not covered by PEFA. ***Inconsistency:*** FTC requires legislative guarantee ceiling, whilst PEFA refers to transparent criteria and fiscal targets.
3.2.6	The government's potential fiscal exposure to the financial sector is analyzed and disclosed	PI-9(i)	Risks from public financial corporations covered by PI-9(i) but ***Gap*** risks fromprivate sector financial institutions not covered by PEFA
3.2.7	Major and multi-annual contracts, including public-private partnerships and contracts for exploitation of resources, are regularly disclosed and actively managed, with all public rights, obligations and other exposures detailed	-	***Gap:*** Disclosure and management of PPP and other long term contracts are not covered by PEFA
3.2.8	The potential fiscal exposure to natural disasters and other major environmental risks are analyzed, disclosed and managed	-	***Gap:*** Subject not covered by PEFA
3.3.1	Comprehensive information on the fiscal condition of sub-national governments, individually and as a consolidated sector, are collected and published	PI-9(ii) PI-8(iii)	Collection and processing of SN govt fiscal information are covered; ***Gap***: Publication is not assessed. ***Inconsistency:*** FTC includes borrowing limit on SNG for 'good' practice, whilst PEFA does not.
3.3.2	The government oversees and regularly publishes comprehensive information on the financial performance of public corporations	PI-9(i)	Collection and processing of financial information on public corporations is covered; ***Gap***: Publication is not assessed. ***Inconsistency:*** FTC requires disclosure of transfers to public corporations for both 'basic' and 'good'

			practice which PEFA does not refer to.
3.3.3	Quasi-fiscal activity is avoided, or if undertaken, reported comprehensively	PI-7(i)	The extent of unreported quasi-fiscal activity is covered by PI-7(i)
3.3.4	Fiscal risks relating to the social security and health care funds are disclosed and managed	PI-9(i)	Fiscal risk from Autonomous Government Agencies – including social security and health care funds - is covered by PI-9(i) ***Inconsistency:*** The FTC rating criteria includes projected position for the funds even for 'basic' practice, whilst PEFA does not include this.

Table B.4 IBP Open Budget Survey 2012 version

Subject/ Question	*Standard/Practice*	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
(1) The Availability of Budget Documents.			
	Pre-Budget Statement	-	***Gap:*** PEFA does not assess existence and publication of such a budget document
	Executive's Budget Proposal with supporting documents	PI-10 PI-6	***Difference:*** OBS uses a more nuanced calibration than PEFA for timing and means of dissemination; OBS also rates advance release notification.
	Citizens Budget	-	***Gap:*** PEFA does not assess existence and publication of such a budget document
	Enacted Budget	-	***Gap:*** PEFA does not assess publication of the enacted budget
	In-Year Reports	PI-10 PI-24	***Difference:*** OBS uses a more nuanced calibration than PEFA for timing and means of dissemination; OBS also rates advance release notification.
	Mid-Year Review	-	***Gap:*** PEFA does not assess existence and publication of such a budget document
	End-Year Report	PI-10 Pi-25	***Difference:*** OBS uses a more nuanced calibration than PEFA for timing and means of dissemination; OBS also rates advance release notification.
	Audit Report	PI-10 PI-26	***Difference:*** OBS uses a more nuanced calibration than PEFA for timing and means of dissemination; OBS also rates advance release notification.
(2) The Executive's Budget Proposal.			
1	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for the budget year that are classified by administrative unit?	PI-5	OBS rates the extent expenditures are covered by this classification; PEFA only yes/no.
2	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for the budget year by functional classification?	PI-5	***Inconsistency:*** OBS rates the extent expenditures are covered by this classification; PEFA refers specifically to COFOG and distinguishes main and sub-functions.

3	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for the budget year that are presented by economic classification?	PI-5	OBS rates the extent expenditures are covered by this classification; PEFA only yes/no. PEFA refers to GFS, OBS only to 'accordance with international standards'.
4	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for individual programs for the budget year?	PI-5	OBS rates the extent expenditures are covered by this classification; PEFA rates if number of programs exceeds number of COFOG sub-functional groups.
5	In the Executive's Budget Proposal or any supporting budget documentation are estimates of the aggregate level of expenditure presented for a multi-year period (at least two years beyond the budget year)?	PI-6 PI-12(i) PI-27(i)	This is covered by PI-12(i) but *differences* in calibration (PEFA: no. of forward years as opposed to OBS: extent of expenditure covered). Also, PEFA does not rate if such estimates are presented in the budget proposal (e.g. PI-6) but only if the legislature reviews.
6	In the Executive's Budget Proposal or any supporting budget documentation is more detail in addition to the aggregate level presented for expenditure estimates that cover a multi-year period (for at least two years beyond the budget year)?	PI-6 PI-12(i) PI-27(i)	As for Q.5
7	Does the Executive's Budget Proposal or any supporting budget documentation identify the different sources of tax revenue (such as income tax or VAT) for the budget year?	PI-5	PEFA refers to GFS economic classification which also relates to revenue.
8	Does the Executive's Budget Proposal or any supporting budget documentation identify the different sources of non-tax revenue (such as grants, property income, and sales of government-produced goods and services) for the budget year?	PI-5	As for Q.7
9	In the Executive's Budget Proposal or any supporting budget documentation are estimates of the aggregate level of revenue presented for a multi-year period (at least two years beyond the budget year)?	PI-6 PI-12(i) PI-27(i)	As for Q.5
10	In the Executive's Budget Proposal or any supporting budget documentation is more detail in addition to the aggregate level presented for revenue estimates that cover a multi-year period (for at least two years beyond the budget year)?	PI-6 PI-12(i) PI-27(i)	As for Q.5
11	Does the Executive's Budget Proposal or any supporting budget	PI-6	PI-6(4) requires data on debt stock for the year

	documentation present data on the total government debt outstanding for the budget year?	PI-17(i)	prior to the budget year to which the proposal concerns. PI-17(i) assesses debt reporting in more detail.
12	Does the Executive's Budget Proposal or any supporting budget documentation present interest payments on the debt for the budget year?	PI-5	As for Q.3
13	Does the Executive's Budget Proposal or any supporting budget documentation present information related to the composition of government debt (such as interest rates on the debt, maturity profile of the debt, currency denomination of the debt, or whether it is domestic or external debt) for the budget year?	PI-6 PI-17(i)	As for Q.11
14	Does the Executive's Budget Proposal or any supporting budget documentation present the macroeconomic forecast upon which the budget projections are based?	PI-6	Covered by PI-6(1). ***Inconsistency:*** PEFA requires exchange rate disclosure, whereas OBS requires unemployment and interest rate disclosure.
15	Does the Executive's Budget Proposal or any supporting budget documentation show the impact of different macroeconomic assumptions (i.e., sensitivity analysis) on the budget (including impacts on expenditures, revenues, and debt)?	PI-6	***Gap:*** Sensitivity analysis is not required in PEFA
16	Does the Executive's Budget Proposal or any supporting budget documentation present information for at least the budget year that shows how policy proposals, as distinct from existing policies, affect expenditures?	PI-6	Covered by PEFA but only with yes/no answer, whereas OBS has more nuanced calibration.
17	Does the Executive's Budget Proposal or any supporting budget documentation present information for at least the budget year that shows how policy proposals, as distinct from existing policies, affect revenues?	PI-6	As for Q.16
18	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for the year preceding the budget year (BY-1) that are classified by administrative unit (that is, by ministry, department, or agency)?	PI-6	Covered by PEFA, but PEFA simply asks in PI-6(7) if the information on BY-1 is presented in the same format as the proposal for the coming year, and has only yes/no response options.
19	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for the year preceding the budget year (BY-1) that are classified by functional classification?	PI-6	As for Q.19
20	Does the Executive's Budget Proposal or any supporting budget	PI-6	As for Q.19

	documentation present expenditures for the year preceding the budget year (BY-1) that are classified by economic classification?		
21	Does the Executive's Budget Proposal or any supporting budget documentation present expenditures for individual programs for the year preceding the budget year (BY-1)?	PI-6	As for Q.19
22	In the Executive's Budget Proposal or any supporting budget documentation, how many months of data on actual expenditures are reflected in the expenditure estimates of the year prior to the budget year (BY-1)?	PI-6	***Difference:*** PEFA does not ask this specific question (which obviously is related to the timing of the release of the budget proposal)
23	In the Executive's Budget Proposal or any supporting budget documentation are estimates of the aggregate level of expenditure presented for more than one year prior to the budget year (that is, BY-2 and prior years)?	PI-6	Covered by PEFA, but PEFA simply asks in PI-6(6) if the information on BY-1 is presented in the same format as the proposal for the coming year, and has only yes/no response options.
24	Does the Executive's Budget Proposal or any supporting budget documentation present more detail in addition to the aggregate level for expenditure estimates that cover more than one year prior to the budget year (that is, BY-2 and prior years)?	PI-6	As for Q.23
25	In the Executive's Budget Proposal or any supporting budget documentation, what is the most recent year presented for which all expenditures reflect actual outcomes?	PI-6	***Difference:*** PEFA does not ask this specific question (but assumes that data for BY-2 is at least very close to actual).
26	Are the expenditure estimates for the years prior to the budget year adjusted as needed to be comparable with the budget-year estimates in terms of classification and presentation?	PI-6	As for Q.18 and Q.23
27	Does the Executive's Budget Proposal or any supporting budget documentation identify the different sources of tax revenue (such as income tax or VAT) for the year preceding the budget year (BY-1)?	PI-6	As for Q.18
28	Does the Executive's Budget Proposal or any supporting budget documentation identify the different sources of non-tax revenue (such as grants, property income, and sales of goods and services) for the year preceding the budget year (BY-1)?	PI-6	As for Q.18
29	In the Executive's Budget Proposal or any supporting budget documentation, how many months of data on actual revenues are reflected in the revenue estimates of the year prior to the budget	PI-6	As for Q.22

	year (BY-1)?		
30	In the Executive's Budget Proposal or any supporting budget documentation are estimates of the aggregate level of revenues presented for more than one year prior to the budget year (that is, BY-2 and prior years)?	PI-6	As for Q.23
31	In the Executive's Budget Proposal or any supporting budget documentation is more detail in addition to the aggregate level presented for revenue estimates for more than one year prior to the budget year (that is, BY-2 and prior years)?	PI-6	As for Q.23
32	In the Executive's Budget Proposal or any supporting budget documentation, what is the most recent year presented for which all revenues reflect actual outcomes?	PI-6	As for Q.25
33	Does the Executive's Budget Proposal or any supporting budget documentation present information related to the government debt for the year preceding the budget year?	PI-6	Covered by PI-6(4) but only with yes/no response options, where OBS is more nuanced.
34	In the Executive's Budget Proposal or any supporting budget documentation, what is the most recent year presented for which the debt figures reflect actual outcomes?	PI-6	Not specifically asked by PEFA if the historical data referred is 'actual'
35	Does the Executive's Budget Proposal or any supporting budget documentation present information on extra-budgetary funds for at least the budget year?	PI-7	PEFA assesses the magnitude of extra-budgetary operations NOT reflected in the budget.
36	Does the Executive's Budget Proposal or any supporting budget documentation present information on intergovernmental transfers for at least the budget year?	PI-5	***Difference:*** Not specifically covered by PEFA. PI-5 refers to GFS economic classification which as at second sub-level includes 'grants to other general government units'.
37	Does the Executive's Budget Proposal or any supporting budget documentation present information on transfers to public corporations for at least the budget year?	PI-5	***Difference:*** Not specifically covered by PEFA. PI-5 refers to GFS economic classification which as at second sub-level includes 'subsidies to public corporations'.
38	Does the Executive's Budget Proposal or any supporting budget documentation present information on quasi-fiscal activities for at least the budget year?	PI-7(i)	QFA is included in assessment of PI-7(i), ref. comment on Q.35
39	Does the Executive's Budget Proposal or any supporting budget documentation present information on financial assets held by the	PI-6	Subject covered by PI-6(5), but PEFA only offers yes/no rating options, whereas OBS has a nuanced

	government?		calibration.
40	Does the Executive's Budget Proposal or any supporting budget documentation present information on nonfinancial assets held by the government?	PI-6	***Gap:*** Non-financial assets not covered by PEFA
41	Does the Executive's Budget Proposal or any supporting budget documentation present information on expenditure arrears for at least the budget year?	PI-4 PI-6	***Gap:*** Subject is assessed by PI-4 but not asked specifically in PI-6 if arrears are reported in the budget documentation (could be part of debt stock).
42	Does the Executive's Budget Proposal or any supporting budget documentation present information on contingent liabilities (such as government loan guarantees)?	PI-6 PI-9 PI-17(iii)	***Gap:*** Subject partly assessed by PI-9 and PI-17(iii), but asked in PI-6 if contingent liabilities are reported in the budget (or any other publicized documentation ref. PI-10).
43	Does the Executive's Budget Proposal or any supporting budget documentation present information on future liabilities, such as civil service pensions?	PI-6	***Gap:*** Not covered by PEFA
44	Does the Executive's Budget Proposal or any supporting budget documentation provide details on the sources of donor assistance, both financial and in-kind?	PI-6 PI-5 PI-7(ii)	Subject is assessed in PI-7(ii). As regards inclusion in the budget proposal, PI-5 refers to GFS economic classification which as at second sub-level includes 'grants from foreign governments'
45	Does the Executive's Budget Proposal or any supporting budget documentation present information on tax expenditures for at least the budget year?	PI-6 PI-7(i)	Tax expenditure is included in assessment of PI-7(i), ref. comment on Q.35
46	Does the Executive's Budget Proposal or any supporting budget documentation identify all earmarked revenues?	PI-6	***Inconsistency:*** Question not asked by PEFA. Budget information according to PEFA is supposed to use GFS economic classification ref. PI-5, but earmarking is not part of GFS classification.
47	What percentage of expenditure in the budget year is dedicated to spending on secret items relating to, for instance, national security and military intelligence?	PI-5 PI-6 PI-7(i)	PI-7(i) assesses the magnitude of government operations not included in the budget estimates. If the 'secret' expenditure is included in the budget, OBS does not define what difference in budget presentation makes those expenditure classify as 'secret'.
48	Does the Executive's Budget Proposal or any supporting budget documentation explain how the proposed budget is linked to	PI-6 PI-12	***Gap:*** Subject is partly assessed in PI-12(iii) and PI-12(iv), but PI-6 does not require any explanation in

	government's stated policy goals, by administrative unit or functional category, for the budget year?		the budget proposal.
49	Does the Executive's Budget Proposal or any supporting budget documentation explain how the proposed budget is linked to government's stated policy goals for a multi-year period (for at least two years beyond the budget year)?	PI-6 PI-12	As for Q.48
50	Does the Executive's Budget Proposal or any supporting budget documentation present nonfinancial data, such as the number of beneficiaries, for expenditure programs?	-	***Gap:*** PEFA does not require non-financial information.
51	Are the nonfinancial data presented useful for assessing how an expenditure program is performing?	-	As for Q.50
52	Does the Executive's Budget Proposal or any supporting budget documentation contain performance indicators for expenditure programs?	-	***Gap:*** PEFA does not refer to performance indicators.
53	Are the performance indicators sufficiently well designed, such that one can assess whether there has been progress toward meeting policy goals?	-	As for Q.52
54	Are performance indicators used in conjunction with performance targets presented in the Executive's Budget Proposal or any supporting budget documentation?	-	As for Q.52
55	Does the Executive's Budget Proposal or any supporting budget documentation present information on policies (both proposals and existing commitments) that are intended to benefit directly the country's most impoverished populations in at least the budget year?	-	***Gap:*** PEFA does not require information regarding beneficiary target groups
(3) The Budget Process.			
56	How far in advance of the release of the budget is the day of its release known?	PI-11(i)	The release date is part of the budget calendar, ref. Q.57
57	Does the executive release to the public its timetable for formulating the Executive's Budget Proposal (that is, a document setting deadlines for submissions from other government entities, such as line ministries or subnational government, to the Ministry of Finance or whatever central government agency is in charge of coordinating the budget's formulation)?	PI-11(i)	***Gap:*** The existence of a budget calendar is assessed in PI-11(i) but its publication is not assessed by PEFA.

58	Does the executive adhere to its timetable for the preparation and release of the budget?	PI-11(i)	Adherence to the budget calendar is assessed in PI-11(i)
59	Does the executive hold consultations with members of the legislature as part of its process of determining budget priorities?	P-27(i)	Not covered by PEFA other than as commented on Q.98
60	When does the executive release a Pre-Budget Statement to the public?	-	***Gap:*** Issue of a Pre-budget statement not covered by PEFA other than whether the legislature reviews fiscal policies and medium-term priorities, ref. Q.98
61	Does the Pre-Budget Statement describe the government's macroeconomic and fiscal framework?	-	As for Q.60
62	Does the Pre-Budget Statement describe the government's policies and priorities that will guide the development of detailed estimates for the upcoming budget?	-	As for Q.60
63	How often does the executive release to the public In-Year Reports on actual expenditure (organized by administrative unit, economic classification, and/or function)?	PI-24(ii) PI-10(ii)	***Inconsistency:*** PI-24(ii) is only concerned with quarterly frequency, whereas OBS calibrates on monthly/quarterly/semi-annual basis.
64	What share of expenditure is covered by In-Year Reports on actual expenditure (organized by administrative unit, economic classification, and/or function)?	PI-24(i)	***Inconsistency:*** PI-24(i) requires expenditure data on both commitment and payment basis, whereas OBS does not require this distinction.
65	What is the most detail provided in the In-Year Reports on actual expenditures organized by administrative unit?	PI-24(i)	As for Q.64
66	Do the In-Year Reports released to the public compare actual year-to-date expenditures with either the original estimate for that period (based on the enacted budget) or the same period in the previous year?	PI-24(i)	***Difference:*** PI-24(i) does not offer the option of comparison with the previous year's actuals and uses a calibration for coverage slightly different from OBS.
67	How often does the executive release to the public In-Year Reports on actual revenue collections by source of revenue?	PI-24(ii) PI-10(ii)	As for Q.63
68	What share of revenue is covered by the In-Year Reports on actual revenue collections?	PI-24(i)	As for Q.66
69	Do the In-Year Reports released to the public compare actual year-to-date revenue collections with either the original estimate for that period (based on the enacted budget) or the same period in the previous year?	PI-24(i)	As for Q.66
70	Does the executive release to the public In-Year Reports on actual	PI-17(i)	***Gap:*** Reporting on debt management is covered by

	borrowing?		PI-17(i) but PEFA does not require publication of such reports
71	Do In-Year Reports released to the public on actual borrowing present information related to the composition of government debt (such as interest rates on the debt, maturity profile of the debt, and currency denomination of the debt) for the budget year?	PI-17(i)	As for Q.70
72	For In-Year Reports on actual expenditure released to the public by the executive, how much time typically elapses between the end of the reporting period and when the reports are released (e.g., are quarterly reports released less than four weeks after the end of the quarter)?	PI-24(ii)	***Inconsistency:*** PEFA calibration (4, 6 or 8 weeks delay) is more detailed than OBS (1 or 2 months)
73	Does the executive release to the public a Mid-Year Review of the budget that discusses the changes in economic outlook since the budget was enacted?	-	***Gap:*** Not covered by PEFA other than as a standard quarterly report
74	Does the executive release to the public a Mid-Year Review of the budget that includes updated expenditure estimates for the budget year underway?	-	As for Q.73
75	What is the most detail provided in the Mid-Year Review for expenditures?	-	As for Q.73
76	Does the executive release to the public a Mid-Year Review of the budget that includes updated revenue estimates for the budget year underway?	-	As for Q.73
77	How long after the end of the budget year does the executive release to the public a Year-End Report that discusses the budget's actual outcome for the year?	PI-25(ii) PI-10(iii)	***Inconsistency:*** PI-10 refers to publication max 6 months after completed audit (yes/no), whereas OBS calibrates score on max 6, max 12 or more than 12 months, irrespective of auditing.
78	In the Year-End Report have the data on the actual outcomes been audited?	PI-10	***Inconsistency:*** PI-10 assumes that the year-end report has been audited, which is not the case in OBS.
79	Does the Year-End Report explain the differences between the enacted levels (including in-year changes approved by the legislature) and the actual outcome for expenditures?	PI-25	Covered by PI-25(iii) through reference to IPSAS standards
80	What level of detail is the focus of the explanation of the differences between the enacted levels and the actual outcome	PI-25	As for Q.79

	for expenditures presented in the Year-End Report?		
81	Does the Year-End Report explain the differences between the enacted levels (including in-year changes approved by the legislature) and the actual outcome for revenues?	PI-25	As for Q.79
82	Does the Year-End Report explain the differences between the original macroeconomic forecast for the fiscal year and the actual outcome for that year?	PI-25	***Gap:*** IPSAS (and thus PEFA) do not require comparison macroeconomic data.
83	Does the Year-End Report explain the differences between the original estimates of nonfinancial data and the actual outcome?	PI-25	***Gap:*** IPSAS (and thus PEFA) do not require comparison of non-financial data
84	Does the Year-End Report explain the differences between the original performance indicators and the actual outcome?	PI-25	***Gap:*** IPSAS (and thus PEFA) do not require reporting on performance indicators
85	Does the Year-End Report explain the differences between the enacted level of funds intended to benefit directly the country's most impoverished populations and the actual outcome?	PI-25	***Gap:*** IPSAS (and thus PEFA) do not require reporting on beneficiary target groups.
86	Does the Year-End Report present the actual outcome for extra-budgetary funds?	PI-25 PI-7	PI-7(i) assesses if EBF financial outcomes are reported ex-post in either budget execution reports or annual financial statements. ***Gap:*** PI-25 covers only Budgetary Government (ref. Field Guide) and does not explore the preparation of annual financial statements for EBFs (though audit of all government operations is covered in PI-26).
87	How long after the end of the fiscal year are the final annual expenditures of national departments audited and the results of the audits (except for secret programs) released to the public?	PI-25(ii) PI-26(ii) PI-10(iv)	***Inconsistency:*** OBS calibrates on the basis of 'up to 6, 12, 24 or more than 24 months', whereas rating by PEFA becomes the aggregate of the delays rated by three different indicators with an 'A' rating for all three indicators allowing a total of 6+4+6=16 months
88	Two years after the end of a fiscal year, what percentage of annual expenditures has been audited and included in (except for secret programs) the Audit Report(s) released to the public?	Pi-26(i)	***Inconsistency:*** PI-26 assesses coverage of audits but does not relate this to a particular cut-off point.
89	Does the annual Audit Report(s) that is released to the public include an executive summary?	PI-26(i)	***Difference:*** International auditing standards on reporting (such as ISSAI 1700 for reporting on financial audit) refer to stating the management responsibility, auditor responsibility and audit

			opinion. PEFA refers to such standards. The executive summary referred to by OBS appear to be a narrative aimed at a layman audience.
90	Must a branch of government other than the executive (such as the legislature or the judiciary) give final consent before the head of the supreme audit institution (SAI) can be removed from office?	PI-26(i)	Independence of SAI is a core principle of international auditing standards, and therefore covered indirectly by PI-26 in its reference to adherence to such standards
91	Does the supreme audit institution (SAI) release to the public audits of extrabudgetary funds?	PI-7 PI-26(i) PI-10	PEFA does not assess this question directly, but it is covered to the extent that EBFs are reported in the annual financial statements.
92	Beyond the established year-end attestation audits, does the supreme audit institution (SAI) have the discretion in law to undertake those audits it may wish to?	PI-26(i)	Partly overlapping – PI-26 assesses if financial audits and performance audits are undertaken.
93	Who determines the budget of the supreme audit institution?	PI-26(iii)	As for Q.90
94	Does the supreme audit institution (SAI) employ designated staff to undertake audits of the central government agencies pertaining to the security sector (military, police, intelligence services)?	-	***Gap:*** Not covered by PEFA (and not forming part of core principles of international auditing standards)
95	Does the executive make available to the public a report on what steps it has taken to address audit recommendations or findings that indicate a need for remedial action?	PI-26(iii)	***Gap:*** PI-26(iii) assesses the executive's response and follow-up to audit recommendations, but PEFA does not assess if the response is made public.
96	Are Audit Reports of the annual accounts of the security sector (military, police, intelligence services) and other secret programs provided to the legislature (or relevant committee)?	PI-26(iii) PI-28(ii)	PEFA does not assess this question directly; it forms part of audit coverage and legislative scrutiny
(4) Strength of the Legislature.			
97	Does the legislature have internal capacity to conduct budget analyses or access to independent research capacity for such analyses?	-	***Gap:*** Not covered by PEFA
98	Does the legislature formally debate the overall budget policy prior to the tabling of the Executive's Budget Proposal?	PI-27(i)	Subject covered by PI-27(i) but with less detail in calibration.
99	How far in advance of the start of the budget year does the legislature receive the Executive's Budget Proposal?	PI-27(iii)	***Inconsistency:*** OBS calibration different periods than PEFA, with 3 months for highest rating against 2 months in PEFA.
100	Does the legislature have the authority in law to amend the	-	***Gap:*** Not covered by PEFA

	Executive's Budget Proposal?		
101	What is the highest level of detail provided for appropriations (expenditure budget) in the Enacted Budget approved by the legislature?	-	***Gap:*** Not covered by PEFA
102	Is the executive required by law or regulation to seek input from the legislature when it shifts funds between administrative units that receive explicit funding through the annual budget?	PI-27(iv) PI-16(iii)	***Difference:*** PEFA covers the subject in PI-27(iv) and PI-16(iii) but in less detail than OBS.
103	Is the executive required seek input from the legislature when it shifts funds between line items (except when the amounts are below a certain minimal level specified in law or regulation)?	PI-27(iv) PI-16(iii)	As for Q.102
104	What legal or regulatory restrictions are in place on the executive's discretion to spend excess revenue that may become available during the budget execution period?	PI-27(iv) PI-16(iii)	As for Q.102
105	When does the legislature typically approve supplemental budgets?	PI-27(iv) PI-16(iii)	As for Q.102
106	When does the legislature approve the expenditure of contingency funds or other funds for which no specific purpose was identified in the Enacted Budget?	PI-27(iv) PI-16(iii)	As for Q.102
107	Does a committee of the legislature view and scrutinize the audit reports?	PI-28	PI-28 covers the legislature's scrutiny of audit reports. ***Difference:*** PEFA does not directly assess whether a committee undertakes the audit scrutiny (it is assumed, ref. indicator guidance).
108	Does either the supreme audit institution or legislature release to the public a report that tracks actions taken by the executive to address audit recommendations?	-	***Gap:*** Though PEFA assesses tracking of action taken by the executive (PI-26(iii) and PI-28(iii)), PEFA does not assess public access to this.
(5) Citizens Budget and Public Engagement in the Budget Process.			
109	What is the most detail provided by the Citizens Budget?	-	***Gap:*** A citizens budget is not covered by PEFA
110	How is the Citizens Budget disseminated to the public?	-	As for Q.109
111	Are the public's priorities on budget information taken into consideration by the executive while drafting the Citizens Budget?	-	As for Q.109
112	Are Citizens Budgets published throughout the budget process?	-	As for Q.109
113	Does the executive make available to the public accessible, nontechnical definitions of terms used in the budget and other budget-related documents (for instance, in a glossary)?	-	As for Q.109

114	Is the executive formally required to engage with the public during the budget process?	-	***Gap:*** Not covered by PEFA
115	Does the executive clearly, and in a timely manner, articulate its purpose for engaging the public during the budget formulation and execution processes?	-	***Gap:*** Not covered by PEFA
116	Has the executive established practical and accessible mechanisms to identify the public's perspective on budget priorities?	-	***Gap:*** Not covered by PEFA
117	Has the executive established practical and accessible mechanisms to identify the public's perspective on budget execution?	-	***Gap:*** Not covered by PEFA
118	Does the executive provide formal, detailed feedback to the public on how its inputs have been used to develop budget plans and improve budget execution?	-	***Gap:*** Not covered by PEFA
119	Does a legislative committee (or committees) hold public hearings on the macroeconomic and fiscal framework presented in the budget in which testimony from the executive branch and the public is heard?	PI-27(i)	***Difference:*** Subject covered by PEFA but not requiring details regarding committees and testimony.
120	Do legislative committees hold public hearings on the individual budgets of central government administrative units in which testimony from the executive branch is heard?	PI-27(ii) PI-28(ii)	***Difference:*** For ex-ante budget, hearings may be part of the legislature's internal procedure, but no other details are required by PEFA.
121	Does a legislative committee (or committees) hold public hearings on the individual budgets of central government administrative units in which testimony from the public is heard?	-	***Gap:*** No PEFA requirements that hearing be public.
122	Do the legislative committees that hold public hearings release reports to the public on these hearings?	-	***Gap:*** Not covered by PEFA
123	Does the supreme audit institution (SAI) maintain formal mechanisms through which the public can participate in the audit process?	-	***Gap:*** Not covered by PEFA
124	Does the SAI maintain any communication with the public regarding its audit reports beyond simply making these reports publicly available?	-	***Gap:*** Not covered by PEFA
125	Does the supreme audit institution (SAI) provide formal, detailed feedback to the public on how their inputs have been used to determine its audit program or in audit reports?	-	***Gap:*** Not covered by PEFA

Table B.5 SAI Performance Measurement Framework - compared to the PEFA Framework

Domain / Indicator	Dimensions	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
A. SAI Performance			
1. Financial Audit Results	(i). Financial audit coverage of the audit client base (ii). Submission of financial audit reports (iii). Publication and dissemination of financial audit reports (iv). SAI follow-up on implementation of financial audit observations and recommendations	PI-26(i) PI-26(ii) PI-10(iv) PI-26(iii)	***Inconsistencies:*** - PI-26(i) refers to annual coverage of government entities. SAI-1(i) refers to coverage of the client base over 3 years. - The percentage bands in the calibration differ. - SAI-1(ii) refers timeliness to what is established in legislation or a default of 6 months for top rating, whereas PI-26(i) sets 4 months for A rating and 8 months for B rating. - SAI-1(ii) refers to submission to the *appropriate authority*, whereas PI-26(ii) only refers to submission to *the legislature*. - PI-10(iv) refers only to reports on government consolidated operations, whereas SAI-1(iii) refers to all financial audit reports. - PI-10(iv) sets the standard as publication within 6 months, whereas SAI-1(iii) sets 15 days for reports submitted to the legislature or judiciary, and 4 weeks for other audit reports, or results published in the SAI's annual report (30 days and 6 weeks respectively for the second highest rating). '- PI-26(iii) differs substantially from SAI-1(iv) in that the latter measures if the SAI recommendations are clear, appropriately communicated and SAI monitors follow up; whereas PI-26(iii) measures if the audited entity responds to and effectively follows-up on the recommendations.

Domain / Indicator	Dimensions	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
2. Compliance Audit Results	(i). Compliance audit coverage of the audit client base (ii). Submission of Compliance audit reports (iii). Publication and dissemination of Compliance audit reports (iv). SAI follow-up on implementation of Compliance audit observations and recommendations	PI-26(i) PI-26(ii) PI-10(iv) PI-26(iii)	Compliance audits are not specifically referred to in PI-26.
3. Performance Audit Results	(i). Coverage, selection and objective of performance audits (ii). Publication and dissemination of performance audit reports (iii). SAI follow-up on implementation of performance audit observations and recommendations	PI-26(i) PI-26(ii) PI-10(iv) PI-26(iii)	Same comments as for SAI-1, since PI-26 combines financial and performance audits. However, it is not clear how financial and performance audits should be weighted in a combined assessment in PI-26.
4. SAI Value Added Services	(i). SAI Value Added Services	PI-26(i)	PI-26(i) only refers directly to financial and performance audits. The accompanying guidance mentions several other types of audit, but this is not brought out in the PI-26 dimensions for scoring (e.g. audit of procurement systems; and clarification 26-c to the PEFA Framework concerns tax audit).
5. SAI Annual Report	(i). Content and submission of SAI annual report (ii). Publication and dissemination of SAI annual report (iii). Measuring and reporting on the SAIs Performance	PI-26(ii)	SAI annual reports are in principle covered under PI-26, ref. clarification 26-b to the PEFA Framework.
B. SAI Independence and Legal Framework			
6. Independence of the SAI	(i). Appropriate and effective constitutional legal framework (ii). Appropriate and effective statutory / legal framework (iii). Financial independence / autonomy (iv). Organizational independence / autonomy	PI-26(i)	The subjects of all SAI-6 to SAI-8 are not covered specifically in PEFA but constitute a range of auditing standards referred to in PI-26(i) with the formulation ‘generally adhere to auditing standards’. Independence of the SAI is specifically mentioned in the guidance to PI-26 as well as in clarification 26-a.

Domain / Indicator	**Dimensions**	***Relevant PEFA coverage***	***Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.***
7. Independence of the Head of the SAI and its Officials	(i). Independence of the Head of the SAI and its Officials	PI-26(i)	As for SAI-6.
8. Mandate of the SAI	(i). Sufficiently broad mandate (ii). Access to information (iii). Right and obligation to report (iv). Existence of effective follow up mechanisms	PI-26(i)	As for SAI-6. The broad mandate in SAI-8(i) is aligned with PI-26(i) applying to *all* central government entities. SAI-8(ii) is aligned with PEFA clarification 26-c concerns access to information.
C. Strategy for Organizational Development			
9. Strategy for Organizational Development	(i). Content of the strategic plan (ii). Strategic planning process (iii). Content of the annual plan (iv). Annual planning process	PI-26(i)	The subjects of all SAI indicators 9-22 are not covered specifically in PEFA but constitute a wide range of auditing standards referred to in PI-26(i) with the formulation 'generally adhere to auditing standards'.
D. Audit Standards and Methodology			
10. Audit Planning for SAIs	(i). Audit planning process (ii). Audit plan content	PI-26(i)	As for SAI-9
11. Financial Audit	(i). Planning financial audits (ii). Executing financial audits (iii). Reporting financial audits (iv). Completion of financial audits to time and budget	PI-26(i)	As for SAI-9
11.a Accounts Judging Procedure / Rendering of Accounts	(i). *Accounts Judging Procedure / Rendering of Accounts* *[Optional for Court of Accounts]*	PI-26(i)	As for SAI-9
12. Compliance Audit	(i). Planning Compliance audits (ii). Executing Compliance audits (iii). Reporting Compliance audits (iv). Completion of Compliance audits to time and budget	PI-26(i)	As for SAI-9

Domain / Indicator	Dimensions	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
13. Performance Audit	(i). Planning performance audits (ii). Executing performance audits (iii). Reporting performance audits (iv). Completion of performance audits to time and budget	PI-26(i)	As for SAI-9
14. Quality Control and Quality Assurance of Audit Processes	(i). Quality Control of Audit Processes (ii). Quality Assurance of Audit Processes	PI-26(i)	As for SAI-9
E. Management and Support Structures			
15. Management and Internal Control	(i). Code of Ethics (ii). Assignment of Responsibilities and Supervision of Staff (iii). Financial Management (iv). Internal Control Environment	PI-26(i)	As for SAI-9
16. Support Structures and Infrastructure	(i). Infrastructure (ii). Administrative Support Services	PI-26(i)	As for SAI-9
F. Human Resources and Leadership			
17. Human Resource Function	(i). Human Resources strategy (ii). Existence of a human resources function and recruitment (iii). Remuneration, promotion and staff welfare	PI-26(i)	As for SAI-9
18. Professional Development and Training	(i). Professional Development	PI-26(i)	As for SAI-9
19. Leadership of Human Resources	(i). Leadership of Human Resources	PI-26(i)	As for SAI-9
G. Communication and Stakeholder Management			
20. Communications	(i). Communications strategy	PI-26(i)	As for SAI-9

Domain / Indicator	Dimensions	*Relevant PEFA coverage*	*Comments on PEFA subject gaps, differences and inconsistencies in standards/practices.*
Strategy and Internal Communication	(ii). Management and resourcing of the communications function (iii). Best practices regarding internal communication		
21. Communication with the Government Branches	(i). Best practices regarding the communication with the Legislative/Judiciary (the body to which the SAI reports) (ii). Meetings between the SAI leadership and the audit clients leadership	PI-26(i)	As for SAI-9
22. Communication with the Media, the Citizens and the Civil Society	(i). Best practices regarding the communication with the media (ii). Best practices regarding communication with citizens and the civil society	PI-26(i)	As for SAI-9

ANNEX E. LIST OF REFERENCES

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