



GUIDANCE FOR SNG PEFA ASSESSMENTS: HOW TO GET A FULL OVERVIEW OF THE PFM PERFORMANCE AT SNG LEVEL

DRAFT

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LIST OF ABBREVIATIONS AND ACRONYMS

CG	Central government
HLG	Higher-level of government
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
SNG	Subnational government

I. INTRODUCTION

PURPOSE

A set of Public Expenditure and Financial Accountability (PEFA) assessments at the subnational level can be done for several reasons. The typical overarching objective is to assess the condition of the PFM system of several SNGs with a view to informing decisions on how to improve PFM performance. In addition, a set of PEFA assessments may be used for (i) preparing a PFM reform action plan for both SNGs and the CG (limited to SNG-related functions); and (ii) promoting SNG benchmarking amongst SNGs in a country.

When responsibilities for PFM functions are shared between subnational and central government, the overall PFM performance of the SNG can be a result of the PFM performance of both SNGs and the CG. Provided that the PEFA assessment captures the effect of both CG and SNG performance on an aspect of PFM at SNG level, the findings of the assessments may help both CG and SNG officials developing action plans to address the identified weaknesses that are within their respective areas of control and responsibility.

The revised guidance on SNG assessments introduces a flexible approach to PEFA assessments, in particular by excluding from the assessment indicators for PFM aspects where the SNG(s) being assessed do not have autonomy but where CG sets rules and or implements. However, if the purpose is to inform reform actions also at CG level, all the dimensions of the PEFA framework will have to be used, meaning that all functions of PFM are assessed no matter whether they are performed by CG or SNG. It also means that, in addition to the evidence for scoring, the report provides additional information on the ways the regulations and tools (e.g., IFMIS, financial report templates) provided by CG have an influence on SNG performance.

Aiming at determining the influence of the central government on the subnational PFM performance, the approach in this guidance provides:

- A methodology to be used for those dimensions that relate to PFM functions performed by CG,
- A set of diagnostic questions mapped to the relevant PEFA framework indicators to collect and analyze information, aiming to assess the influence of CG on the PFM functions that are performed at SNG level. It is advisable to ask the questions to both levels -CG and SNG level and check the answers for consistency to allow a complete overview of the influence of CG on the PFM functions that are performed at SNG level.

This approach, introduced as an add-on to the PEFA Guidance for SNGs, is intended to be conducted on an optional basis concurrently with a PEFA assessment and will be part of the PEFA report. Its findings will be summarized in a consolidated report. It cannot be carried out as a stand-alone activity.

The decision to carry out this approach would require prior agreement between the subnational government(s), the central government, and any development partners involved. A joint planning of PEFA assessments at the different tiers of government would be an essential first step to improve the understanding of linkages amongst tiers from the start of the assessment.

QUALITY REVIEW OF THE APPROACH

PEFA Secretariat will review the compliance with the methodology of all dimensions used in a PEFA assessment, and of HLG-2 in the consolidated report. It will check the consistency of additional information on the influence of CG on SNG performance. Although PEFA Check requirements will not apply to the consolidated reports, the PEFA Secretariat will review, advise and comment on the consolidated report upon request.

REFERENCE

PEFA (Public Expenditure and Financial Accountability) Secretariat. Framework for Assessing Public Financial Management. Washington, DC, February 2016.

PEFA (Public Expenditure and Financial Accountability) Secretariat. Guidance for SNG PEFA assessments. Washington, DC, 2019.

II. ASSESSMENT OF PFM FUNCTIONS PERFORMED BY CENTRAL GOVERNMENT

SAMPLE FOR A SET OF PEFA ASSESSMENTS

When the purpose of a set of PEFA assessments is to prepare a PFM reform action plan for both SNGs and the CG (limited to SNG-related functions), the sample of assessed SNGs could be limited to one tier of SNGs or include SNGs pertaining to different tiers of SNGs. Ideally, this sample would include:

- a. SNGs of which total expenditure accounts for at least 20% of total expenditure of the tier of SNGs being assessed;
- b. The political and when necessary economic capital city of the country
- a. SNGs representative of the diversity of the country – rural, urban, medium, small, and large as well as languages, ethnic groups (minorities), geography (mountainous, flat land, etc...) and other regional specifics.

The sampling criteria are indicative and should be tailored to the country's context, purpose of the assessment, funding and implementation arrangements, etc. They should be clearly stated in the PEFA report narrative and the selection of SNGs should be agreed on with the CG, the SNGs, and the sponsors of the assessment.

METHODOLOGY

In principle, dimensions which cover a PFM function fully performed by CG are not applicable in a subnational PEFA assessment. However, when the set of PEFA assessments is intended to prepare a reform action plan addressing both the activities of the SNGs and the activities of CG related to subnational PFM, it is important that the PEFA report provides an assessment of PFM performance at both SNG and CG levels.

The list of dimensions for which responsibility is either shared by SNG and CG or where CG performs the function for SNGs, is country specific as it depends on the organization of the PFM system. It may cover indicators/dimensions such as PI-13.1, Recording and reporting of debt and guarantees, PI-24.1, Procurement monitoring and/or PI-30- External audit. The guidance in this document provides information on those dimensions that are more commonly performed by CGs. To determine the performance of CG for those dimensions, the steps described below should be followed.

First step

The first step is to apply the dimensions for which CG is fully responsible for all the subnational governments included in the set of assessments. The score is reported in the individual reports, but both the scoring box and the narrative should mention the following sentence: *“The score reflects the performance of CG”*.

Second step

When the set of assessments is not aligned to the conditions listed above (a, b and c), the sample should be enlarged in order to become representative. The selection of additional SNGs should be agreed on with the CG, the SNGs, and the sponsors of the assessment. Only the relevant dimensions should be assessed in these additional SNGs.

Third step

In a consolidated report, a table summarizes the score of all the assessments, including the additional SNGs. The analysis of the performance of the CG is based on the table. It should underline the commonalities and differences between the scores for different SNGs.

SPECIFIC CASE OF INDICATOR HLG-2

Indicator HLG-2 concerns SNG fiscal rules and monitoring of the SNG fiscal position by central government or a higher-level of government. The assessment of HLG-2 is optional and is intended for sets of assessments whose purpose is to prepare a reform action plan addressing both the activities of the SNGs and the activities of CG.

HLG-2, whose dimensions and calibration are specified in the subnational guidance document, is assessed on the basis of the representative sample described above. Score and narrative are included in the consolidated report.

As it is assessed on the basis of a sample of SNGs, including the set of SNGs being assessed, score of HLG-2 can only be provided at the end of the process. It means that the result of the assessment can only be provided either in the last report of the set of assessment, or in the consolidated report.

SPECIFIC CASE OF DIMENSIONS ASSESSING REGULATIONS OR INSTITUTIONS

A certain number of PEFA dimensions assess the characteristics of regulations, institutions, and systems. Often, some of those regulations and institutions are established by central government. Hence their assessment will be similar in all of the individual assessments. In this

case, the assessment might be done for the first SNG of a set of assessments. The score and justification will be replicated for the other assessments.

For instance, PI-30.4 assesses the independence of the Supreme Audit institution; PI-24.4 assesses the characteristics of the body in charge of procurement complaints; PI-13.2 assesses the rules framing the approval of debt and guarantees and PI-7.1 assesses the transparency of allocation of transfers to lower tier of SNGs.

INFLUENCE OF CG ON SNG PERFORMANCE

The set of PEFA indicators assesses the PFM functions or responsibilities against clear requirements, which may fall into one of the following two categories:

1. The PFM function or responsibility being assessed, and the performance are shared between the CG and SNG.
2. The PFM function or responsibility being assessed, and the performance are under SNG responsibility, but are influenced by the CG.

For those situations, part 1 of the SNG Guidance introduces a new element, i.e. the influence of the central government on performance, as a way to provide additional information on the way CG rules, regulations, and tools can have an influence on the SNG performance. A list of questions to assess the influence of CG on SNG performance is provided in Section IV below.

WHEN THE PERFORMANCE IS SHARED BETWEEN CG AND SNG

Some dimensions of the framework might cover several requirements which are related respectively to the CG and the SNG. For example, in PI–17.1, Budget calendar, the CG may set the budget calendar, while the SNG has to respect its deadlines. Responsibilities for performance in this scenario are detailed in table 1.2.2.

Table 1.2.1 Influence of the central government on performance

Score	Central government (CG)	Subnational government (SNG)
A	Budget calendar is clear. Budget calendar allows budget units at least six weeks to complete their estimates.	Budget units generally adhere to the budget calendar. Budget units complete meaningfully their detailed budget estimates on time.
B	Budget calendar is clear. Budget calendar allows budget units at least four weeks to complete their estimates.	Most budget units by far adhere to the budget calendar. Most budget units complete their detailed estimates on time.
C	A budget calendar exists.	Some budget units of the SNG comply with the calendar and respect deadlines.

Note: If the budget calendar is set by the CG, the score of this dimension will reflect the cumulative performance of both the CG and the SNG. In both cases (the budget calendar is set by the CG or the SNG), failure to comply with the budget calendar or insufficient time to complete detailed estimates might occur because the CG delays sending information on transfers, revenue, and expenditure assignment. Such an underlying cause should be explained in the PEFA Assessment report.

WHEN THE PERFORMANCE OF SNG IS INFLUENCED BY THE CG

For other indicators or dimensions for which it is not possible to identify a clear division of roles and responsibilities between the CG or higher-level government and the SNG, a set of diagnostic questions has been prepared to identify the extent to which the CG regulations and systems may influence the performance of SNGs. For example, PI–8.1, Performance plans for service delivery, assesses the plans for service delivery. The set of diagnostic questions presented in table 1.2.4 below aims to identify whether or not the CG has set a regulation for a performance plan (including the definition of key performance indicators) and made available performance plan templates or information systems. Both of these aspects will influence the performance of the SNG.

Table 1.2.4 Questions to identify the influence of the central government on performance

Focus	Question
Regulation	<ul style="list-style-type: none"> ➤ Has the CG set rules on performance- or program-based budgeting and more specifically performance plans? ➤ Has the CG defined the key performance indicators?
National tools and systems provided to SNGs	<ul style="list-style-type: none"> ➤ Has the CG provided templates for performance information? ➤ Is there a national information system for information on performance that SNGs can access?

REPORT

The additional information and analysis should be presented in the narrative part of the individual reports, under the section on possible causes of PFM performance identified during the assessment (recently introduced in volume III of the PEFA handbook). The information should be summarized in the consolidated report for each dimension.

III. ASSESSOR’S CHECKLIST OF QUESTIONS TO ASSESS THE INFLUENCE OF CG ON SNG

Indicator	Questions to be asked in assessing the influence of the CG on the performance of the SNG	
<p>In addition to the PI specific questions, some additional generic question presented below could be helpful to understand the CG influence:</p> <ul style="list-style-type: none"> ➤ In what ways does the central government influence PFM at the SNG level? ➤ Which PIs are affected in what way by CG influence / regulation? ➤ How do SNGs implement CG regulations? ➤ Does the implementation of CG regulations differ among SNGs? ➤ Why does the implementation of CG regulations differ among SNGs, e.g. different understanding of regulations or different compliance with regulations? 		
SUBNATIONAL PILLAR: INTERGOVERNMENTAL FISCAL RELATIONS		
HLG–1 TRANSFERS FROM A HIGHER LEVEL OF GOVERNMENT		
HLG-1.1 Outturn of transfers from higher-level government	CG indicator	
HLG–1.2 Transfers composition outturn		
HLG–1.3 Timeliness of transfers from higher-level government		
HLG–1.4 Predictability of transfers and new revenue assignment		
HLG–2 FISCAL RULES AND MONITORING OF FISCAL POSITION		
HLG–2.1 Fiscal rules for subnational governments	CG indicator	
HLG–2.2 Debt rules for subnational governments		

HLG–2.3 Monitoring of subnational governments	
PILLAR I: BUDGET RELIABILITY	
PI–1 AGGREGATE EXPENDITURE OUTTURN	<ul style="list-style-type: none"> ➤ What kinds of delay from the central government (CG) have caused deviation from the originally approved budget in the last three completed fiscal years? ➤ What are the main reasons for such delays? ➤ What kinds of expenditure (recurrent, capital investment, service delivery) have been affected the most by such delays? <p>Actual expenditure outturns can deviate from the originally approved budget for reasons unrelated to the accuracy of forecasts. For example, failure by a higher-level government to transfer resources to a subnational government (SNG) in accordance with the amounts and time frames stipulated in legislation, statutory or regulatory formulas, bilateral agreements, or other agreed mechanisms between the higher-level government and the SNG may have a negative effect on the SNG’s ability to execute the budget as approved by the legislature. Similarly, delays in the distribution of resources from other financing sources, including budget support and external loans, may also have an impact on subnational budget execution, especially if these funds have to transit through a higher-level treasury system. While delays in the distribution of transfers from higher-level government may affect both recurrent and capital investment expenditures, typically the impact on capital expenditures is greater. When cash flow is affected, SNGs tend to meet nondiscretionary expenditure obligations, such as pensions and salaries, but deviation from the approved budget tends to be higher, as major capital projects are often delayed until resources become available.</p>
PI–2 EXPENDITURE COMPOSITION OUTTURN	
PI–2.1 Expenditure composition outturn by function	<ul style="list-style-type: none"> ➤ What kinds of delay from the CG have caused variance in expenditure composition outturn by function in the last three completed fiscal years? ➤ What are the main reasons for such delays? ➤ What kinds of programs, functions, or sectors have been affected the most by such delays?

	<p>Expenditure composition outturn can be affected by the extent and timing of the release of both general- and specific-purpose grants. In particular, delays in or failure to release specific-purpose (earmarked) grants or loans can have an impact on particular programs, functions, or sectors. In addition, changes in the national policies implemented by SNGs, decided after the budget is approved, can also have an impact on composition outturn.</p>
<p>PI-2.2 Expenditure composition outturn by economic type</p>	<ul style="list-style-type: none"> ➤ What kinds of delay from the CG have caused variance in expenditure composition outturn by economic type in the last three completed fiscal years? ➤ What are the main reasons for such delays? ➤ If any delay has occurred in the distribution of transfers from the CG or higher-level government, what has been the impact on the recurrent and capital investment expenditure? <p>While delays in the distribution of transfers from higher-level government may affect both recurrent and capital investment expenditures, typically the impact on capital expenditures is greater. When cash flow is affected, governments tend to meet nondiscretionary expenditure obligations, such as salaries and pensions, but deviation from the approved budget tends to be higher, as major capital projects are often delayed until resources become available.</p>
<p>PI-2.3 Expenditure from contingency reserves</p>	<ul style="list-style-type: none"> ➤ Have the reliability and timing of transfers from the higher-level government affected the subnational government’s need to charge expenditure to the contingency vote?
<p>PI-3- REVENUE OUTTURN</p>	
<p>PI-3.1 Aggregate revenue outturn</p>	<ul style="list-style-type: none"> ➤ To what extent has the accuracy of revenue forecasting been affected by critical information collected and maintained by the CG or CG agencies? ➤ To what extent does weak revenue collection at the CG level affect deviation from the approved budget for revenues that the CG collects on behalf of the SNG?
<p>PI-3.2 Revenue composition outturn</p>	

	<p>Accurate revenue forecasts are a key input to the preparation of a credible budget. Forecasting of own revenues that are collected by a CG agency could depend on the information provided by the CG. Similarly, even for own revenue collected by the SNG, information on the fiscal base could depend on CG statistics. Deviation from the approved budget for revenues that the CG collects on behalf of the SNG could reflect the CG's poor collection performance due to various reasons (limited capacity and capability, poor risk management approaches) or from the SNG (inaccuracy of the fiscal register, unclear addresses).</p>
PILLAR II: TRANSPARENCY OF PUBLIC FINANCES	
PI-4 BUDGET CLASSIFICATION	<ul style="list-style-type: none"> ➤ To what extent are tools and supports (integrated financial management information system, budget and report templates) provided to SNGs to facilitate implementation of the national framework? <p>When the CG sets the legal and regulatory framework for budget classification, responsibility for compliance with PEFA requirements rests fully with the CG, while responsibility for compliance with its use rests with the SNG.</p>
PI-5 BUDGET DOCUMENTATION	<ul style="list-style-type: none"> ➤ Is there any national legal or regulatory framework for budget documentation, and does this framework comply with PEFA requirements? ➤ Does the CG provide any template to help the SNGs in preparing the budget documentation?
PI-6 SUBNATIONAL GOVERNMENT OPERATIONS OUTSIDE FINANCIAL REPORTS	
PI-6.1 Expenditure outside financial reports	
PI-6.2 Revenue outside financial reports	
PI-6.3 Financial reports of extrabudgetary units	<ul style="list-style-type: none"> ➤ Is there any national legal or regulatory framework on reporting requirements for the extrabudgetary units of the subnational governments?
PI-7 TRANSFERS TO SUBNATIONAL GOVERNMENTS	
PI-7.1 System for allocating transfers	<ul style="list-style-type: none"> ➤ What are the rules governing the transfer arrangement, and how are they applied by each level of government involved? <p>Given the wide diversity of political arrangements covering subnational entities, no standard relationship governs transfers between one subnational level and another.</p>
PI-7.2 Timeliness of information on transfers	

	<p>The fiscal relationship between various tiers of subnational government may be set out in the country's constitution or in specific laws or regulations at various levels of government. These rules determine the layers of subnational governments, their expenditure responsibilities, and revenue-sharing arrangements. The horizontal arrangement for allocations may then be the result of a combination of different levels of rules.</p>
PI-8 PERFORMANCE INFORMATION FOR SERVICE DELIVERY	
PI-8.1 Performance plans for service delivery	<p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Has the CG set rules on performance or program-based budgeting and more specifically on performance plans? ➤ Has the CG defined the key performance indicators? <p><i>National tools and systems provided to SNG</i></p> <ul style="list-style-type: none"> ➤ Has the CG provided templates for performance information? ➤ Is there a national information system for performance information that SNGs can access?
PI-8.2 Performance achieved for service delivery	
PI-8.3 Resources received by service delivery units	
PI-8.4 Performance evaluation for service delivery	<ul style="list-style-type: none"> ➤ Has the CG conducted any performance evaluation within the last three years?
PI-9 PUBLIC ACCESS TO FISCAL INFORMATION	<ul style="list-style-type: none"> ➤ Does the CG consider mandatory the publication of fiscal information? ➤ Does the CG provide any means of communication to support SNG publication of fiscal information?
PI-9bis SNG PUBLIC PARTICIPATION	
PI-9bis.1 Public participation in budget preparation	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations framing public participation during the budget preparation process?
PI-9bis.2 Public participation in the design of service delivery programs	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations framing public participation in the design of public service programs?
PI-9bis.3 Public participation in investment planning	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations framing public participation in investment planning?

	Regarding the major investment projects cofunded by the CG and for which the CG participates in the decision-making process, the PEFA assessment narrative should also make reference to whether the CG requires public participation.
PILLAR III: MANAGEMENT OF ASSETS AND LIABILITIES	
PI-10 FISCAL RISK REPORTING	
PI-10.1 Monitoring of public corporations	<ul style="list-style-type: none"> ➤ Is there any legal or regulatory framework regarding the reporting requirements and the preparation of annual financial statements of public corporations? ➤ For which public corporations co-owned by the CG and SNGs are the annual financial reports submitted to the CG but not forwarded to the SNGs?
PI-10.2 Monitoring of subnational governments	<ul style="list-style-type: none"> ➤ Is there any requirement to submit the annual financial reports of the lower levels of government to the CG without forwarding them to the SNG?
PI-10.3 PI-10.3 Contingent liabilities and other fiscal risks	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations requiring the publication of information about public-private partnerships (PPPs)?
PI-11 PUBLIC INVESTMENT MANAGEMENT	
PI-11.1 Economic analysis of investment proposals	
PI-11.2 Investment project selection	
PI-11.3 Investment project costing	
PI-11.4 Investment project monitoring	<ul style="list-style-type: none"> ➤ Are there any national rules or regulations regarding the reporting requirements for the implementation of investment projects? ➤ Does the CG provide any means (templates, information technology systems) to facilitate the process?
PI-12 PUBLIC ASSET MANAGEMENT	
PI-12.1 Financial asset monitoring	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations regarding the recording of financial assets and publication of information on their performance? ➤ Does the CG provide any support to the SNG for recording financial assets and reporting on their performance?
PI-12.2 Nonfinancial asset monitoring	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations regarding the recording of nonfinancial assets and publication of information on their use? ➤ Does the CG provide any support to the SNG for keeping records of nonfinancial assets and reporting on their use?

PI-12.3 Transparency of asset disposal	<ul style="list-style-type: none"> ➤ If the CG establishes the rules and procedures, the dimension is scored on the basis of concurrent performance at both the CG and the SNG levels regarding the inclusion of information on transfers in budget documents (or other reports).
PI-13 DEBT MANAGEMENT	
PI-13.1 Recording and reporting of debt and guarantees	<ul style="list-style-type: none"> ➤ Are there any national laws or regulations regarding the recording and reporting of debt and guarantees? ➤ If yes, does the CG provide any support to SNGs in this regard?
PI-13.2 Approval of debt and guarantees	<p>If the SNG is permitted to borrow (with or without restrictions) and to issue guarantees, it may have its own legislation or regulations, providing some level of autonomy. The SNG may also carry out borrowing activities (and issue guarantees) in conformity with an existing legislative framework applicable to all levels of government (central and subnational) and controlled by the central government, leaving limited autonomy for the subnational entity.</p> <p>It is therefore important for assessors to address how existing legislative and regulatory frameworks assign responsibility to both the central and subnational governments.</p>
PI-13.3 Debt management strategy	<ul style="list-style-type: none"> ➤ Is there any central government debt management strategy that incorporates subnational debt or guarantees? <p>If subnational borrowing is subject to the approval of, or limits set by, a higher-level government (including central government), strategies to manage debt should be aligned across government levels. For the purpose of this dimension, only the debt strategy prepared by the SNG is assessed.</p>
PILLAR IV: POLICY-BASED FISCAL STRATEGY AND BUDGETING	
PI-14. MEDIUM-TERM BUDGET STRATEGY	
SNG Budget-1 Underlying forecasts for medium-term budget	<p>This dimension assesses the performance of the SNG, independent of the action of the CG or higher level of government. When the CG does not provide information on transfers, expenditure, and revenue assignments, this requirement is considered satisfied.</p>

SNG Budget–2 Fiscal impact of policy proposals													
SNG Budget–3 Medium-term expenditure and revenue estimates	<ul style="list-style-type: none"> ➤ Is the medium-term expenditure framework framed by CG regulations? ➤ Does the CG provide the SNG with tools (templates, information technology systems) or other support? 												
SNG Budget–4 Consistency of budget with previous year’s estimates		<p>This dimension assesses the performance of the SNG, independent of the CG or higher level of government.</p>											
PI–17 BUDGET PREPARATION PROCESS													
PI–17.1 Budget calendar	<p>If the CG sets the budget calendar, the score of this dimension reflects the cumulative performance of both the CG and SNG. Responsibilities for performance are detailed in the table below. In both cases (budget calendar set by the CG or SNG), noncompliance with the budget calendar or lack of time for completing detailed estimates might come from the CG’s delay in sending information on transfers, revenue, and expenditure assignment. Such an underlying cause should be explained in the report.</p> <table border="1" data-bbox="764 857 1848 1328" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Score</th> <th style="width: 50%;">CG</th> <th style="width: 40%;">SNG</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">A</td> <td>Budget calendar is clear. Budget calendar allows budget units at least six weeks to complete their estimates.</td> <td>Budget units <i>generally</i> adhere to the budget calendar. Budget units complete meaningfully detailed budget estimates on time.</td> </tr> <tr> <td style="text-align: center;">B</td> <td>Budget calendar is clear. Budget calendar allows budget units at least four weeks to complete their estimates.</td> <td>Budget units <i>largely</i> adhere to the budget calendar. <i>Most</i> budget units complete their detailed estimates on time</td> </tr> <tr> <td style="text-align: center;">C</td> <td>A budget calendar exists.</td> <td><i>Some</i> SNG budget units comply with the budget calendar and respect deadlines.</td> </tr> </tbody> </table>	Score	CG	SNG	A	Budget calendar is clear. Budget calendar allows budget units at least six weeks to complete their estimates.	Budget units <i>generally</i> adhere to the budget calendar. Budget units complete meaningfully detailed budget estimates on time.	B	Budget calendar is clear. Budget calendar allows budget units at least four weeks to complete their estimates.	Budget units <i>largely</i> adhere to the budget calendar. <i>Most</i> budget units complete their detailed estimates on time	C	A budget calendar exists.	<i>Some</i> SNG budget units comply with the budget calendar and respect deadlines.
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PI–17.2 Guidance on budget preparation	<p>Although performance of the SNG will be assessed for this dimension, in some cases, the ceilings will need to be approved by the higher-level government (either</p>												

	<p>the cabinet or ministry of finance). This may result in delays in the approval process, which may determine the score. Similarly, the information on transfers from the higher level of government, which is useful to determine the budget ceilings, may be delayed.</p>												
<p>PI-17.3 Budget submission to the legislature</p>	<ul style="list-style-type: none"> ➤ Did the CG delay the approval of transfers to the SNG? ➤ To what extent was the timing of budget approval delayed due to the approval of transfers to the SNG? 												
<p>PI-18 LEGISLATIVE SCRUTINY OF BUDGETS</p>													
<p>PI-18.1 Scope of budget scrutiny</p>													
<p>PI-18.2 Legislative procedure for budget scrutiny</p>	<p>If the CG sets the legislature’s procedures, the score of this dimension will reflect the cumulative performance of both the CG and SNG. Responsibilities for performance are detailed in the table below:</p> <table border="1" data-bbox="764 703 1843 1330"> <thead> <tr> <th data-bbox="764 703 869 743">Score</th> <th data-bbox="869 703 1438 743">CG</th> <th data-bbox="1438 703 1843 743">SNG</th> </tr> </thead> <tbody> <tr> <td data-bbox="764 743 869 1016" style="background-color: #002060; color: white; text-align: center;">A</td> <td data-bbox="869 743 1438 1016"> <p>The legislature has procedures to review the budget in advance of subnational budget hearings. Procedures include internal organizational arrangements. Procedures include arrangements for public consultation.</p> </td> <td data-bbox="1438 743 1843 1016"> <p>Adherence to the procedures</p> </td> </tr> <tr> <td data-bbox="764 1016 869 1211" style="background-color: #0056B3; color: white; text-align: center;">B</td> <td data-bbox="869 1016 1438 1211"> <p>The legislature has procedures to review the budget in advance of subnational budget hearings. Procedures include internal organizational arrangements.</p> </td> <td data-bbox="1438 1016 1843 1211"> <p>Adherence to the procedures</p> </td> </tr> <tr> <td data-bbox="764 1211 869 1330" style="background-color: #00A0E0; color: white; text-align: center;">C</td> <td data-bbox="869 1211 1438 1330"> <p>The legislature has procedures to review the budget in advance of subnational budget hearings.</p> </td> <td data-bbox="1438 1211 1843 1330"> <p>Adherence to the procedures</p> </td> </tr> </tbody> </table>	Score	CG	SNG	A	<p>The legislature has procedures to review the budget in advance of subnational budget hearings. Procedures include internal organizational arrangements. Procedures include arrangements for public consultation.</p>	<p>Adherence to the procedures</p>	B	<p>The legislature has procedures to review the budget in advance of subnational budget hearings. Procedures include internal organizational arrangements.</p>	<p>Adherence to the procedures</p>	C	<p>The legislature has procedures to review the budget in advance of subnational budget hearings.</p>	<p>Adherence to the procedures</p>
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<p>PI–18.3 Timing of budget approval</p>	<ul style="list-style-type: none"> ➤ Did the CG or higher-level government delay approval of the amount of transfers to the SNG? ➤ To what extent was the timing of budget approval delayed due to approval of transfers to SNG? ➤ Does the SNG budget need to be approved formally by the higher-level government prior to its approval by the elected council? <p>The process of budget approval and entities involved should be clearly analyzed and these specificities (if any) pointed out. Such delays, outside the control of the subnational government, should be discussed in the report.</p>												
<p>PI–18.4 Rules for budget adjustment by the executive</p>	<p>If the CG sets the rules for budget adjustments by the executive, the score of this dimension will reflect the cumulative performance of both the CG and SNG. Responsibilities for performance are detailed in the table below:</p> <table border="1" data-bbox="764 816 1848 1406"> <thead> <tr> <th data-bbox="764 816 873 857">Score</th> <th data-bbox="873 816 1341 857">CG</th> <th data-bbox="1341 816 1848 857">SNG</th> </tr> </thead> <tbody> <tr> <td data-bbox="764 857 873 1052">A</td> <td data-bbox="873 857 1341 1052">The rules for budget adjustments by the executive are clear. The rules set strict limits on the extent and nature of amendments.</td> <td data-bbox="1341 857 1848 1052">Adherence to the rules in <i>all</i> instances</td> </tr> <tr> <td data-bbox="764 1052 873 1208">B</td> <td data-bbox="873 1052 1341 1208">The rules for budget adjustments by the executive are clear. They may allow extensive reallocation.</td> <td data-bbox="1341 1052 1848 1208">Adherence to the rules in <i>most</i> instances</td> </tr> <tr> <td data-bbox="764 1208 873 1406">C</td> <td data-bbox="873 1208 1341 1406">Rules for budget adjustments by the executive are clear. They may allow extensive reallocation as well as expansion of total expenditures.</td> <td data-bbox="1341 1208 1848 1406">Adherence to the rules in <i>some</i> instances</td> </tr> </tbody> </table>	Score	CG	SNG	A	The rules for budget adjustments by the executive are clear. The rules set strict limits on the extent and nature of amendments.	Adherence to the rules in <i>all</i> instances	B	The rules for budget adjustments by the executive are clear. They may allow extensive reallocation.	Adherence to the rules in <i>most</i> instances	C	Rules for budget adjustments by the executive are clear. They may allow extensive reallocation as well as expansion of total expenditures.	Adherence to the rules in <i>some</i> instances
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	The SNG is responsible for performance when it sets the legislature's procedures to review budget.
PILLAR V: PREDICTABILITY AND CONTROL IN BUDGET EXECUTION	
SNG PI-19 Tax ADMINISTRATION	
PI-19.1 Rights and obligations for tax measures	The CG could decide to change the rights and obligations of the SNG. For example, the CG could decide to change the taxing power of the SNG (for example, to change core local taxes into national ones), or it could decide to change the rules and procedures for administering taxes, which could have an impact on the way core local taxes are administered and collected.
PI-19.2 Property tax cadaster and value assessment	<ul style="list-style-type: none"> ➤ Are there any national laws, rules, or regulations for the administration and maintenance of the property tax cadaster? ➤ If yes, to what extent does the SNG comply with them? ➤ Can the SNG decide on the frequency of reassessing properties? ➤ Can the SNG decide on the reassessment technique to be applied in its jurisdiction?
PI-19.3 Tax risk management and audit and investigations	See PI-19.1
PI-19.4 Tax arrears monitoring	See PI-19.1
SNG PI-20 ACCOUNTING FOR REVENUE	
PI-20.1 Information on revenue collection	See PI-19
PI-20.2 Transfer of revenue collection	
PI-20.3 Tax accounts reconciliation	
PI-21 PREDICTABILITY OF IN-YEAR RESOURCE ALLOCATION	
PI-21.1 Consolidation of cash balances	<ul style="list-style-type: none"> ➤ To what extent is the consolidation process autonomous for the SNG or linked to the CG? ➤ Does the Treasury Single Account cover the SNGs? ➤ Does the SNG have its own treasury or share use of the national one with the entire public sector?
PI-21.2 Cash forecasting and monitoring	<ul style="list-style-type: none"> ➤ To what extent is the SNG autonomous in the process of cash-flow forecasting and monitoring?

	<ul style="list-style-type: none"> ➤ To what extent has the dependency on transfers from the higher-level government affected the cash-flow forecasting and monitoring? 						
PI-21.3 Information on commitment ceilings	<ul style="list-style-type: none"> ➤ To what extent has the dependency on transfers from the higher-level government affected the ability of budgetary units to plan and commit expenditures? 						
PI-21.4 Significance of in-year budget adjustments							
PI-22 EXPENDITURE ARREARS							
PI-22.1 Stock of expenditure arrears	<p>In some countries, authorization and payment are segregated, thus the payment officer (public accountant) might belong to the CG. Therefore, the score for this dimension could reflect the cumulative performance of both the CG and SNG. Expenditure arrears might occur when the authorized officer delays submission of the claim to the public accountant or when the accountant delays payment. To the extent possible, assessors should describe the sharing of responsibilities between the CG and the SNG. As a result, for a sample of arrears, assessors could compare the processing time in both the SNG and the CG public accountant office to the national regulation or good practice.</p>						
PI-22.2 Monitoring of expenditure arrears	Same as PI-22.1						
PI-23 PAYROLL CONTROLS							
PI-23.1 Integration of payroll and personnel records	<p>If the CG is responsible for the payroll, while the SNG manages personnel records, the score for this dimension will reflect the cumulative performance of both the CG and SNG. Responsibilities for performance are detailed in the table below. An A score means that the CG has put in a place a comprehensive information system to administer the payroll, and the SNG can access the database for a list of staff and personnel.</p> <table border="1" data-bbox="764 1214 1776 1369"> <thead> <tr> <th>Score</th> <th>CG</th> <th>SNG</th> </tr> </thead> <tbody> <tr> <td>A</td> <td colspan="2">Approved staff list, personnel database, and payroll are linked directly to ensure budget control, data consistency, and monthly reconciliation.</td> </tr> </tbody> </table>	Score	CG	SNG	A	Approved staff list, personnel database, and payroll are linked directly to ensure budget control, data consistency, and monthly reconciliation.	
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	B	Payroll is supported by full documentation of all changes made to personnel records each month and checked against the previous month's payroll data.	Staff hiring and promotion are controlled by a list of approved staff positions.
	C	Payroll is reconciled with personnel records at least every six months.	Staff hiring and promotion are checked against the approved budget prior to authorization.
PI-23.2 Management of payroll changes	If the CG is responsible for payroll and the SNG manages personnel records, scoring the dimension will reflect the cumulative performance of both the CG and SNG. Both governments have to update their records at least quarterly for C and B scores and monthly for A scores. Retroactive adjustments might be the result of the lack of update of one or both of these elements, which should be explained in the narrative.		
PI-23.3 Internal control of payroll	If the CG is responsible for payroll and the SNG manages personnel records, scoring the dimension reflects the cumulative performance of both the CG and SNG. Both governments have to update their records at least quarterly. Controls for the integrity of payroll and personnel records should be in place in both entities.		
PI-23.4 Payroll audit	If the CG is responsible for payroll and the SNG manages personnel records, a payroll audit should cover the activity of both governments: the CG for control of payroll and the SNG for control of personnel data.		
PI-24 PROCUREMENT			
PI-24.1 Procurement monitoring	<p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Has the CG set rules and procedures for recording procurement contracts? <p><i>National tools and systems provided to SNGs</i></p> <ul style="list-style-type: none"> ➤ Has the CG provided a database for procurement? 		
PI-24.2 Procurement methods	<p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Does the CG set the regulations on procurement—in particular, the thresholds for open competition and cases of exemptions? 		

	<p><i>National tools and systems provided to SNGs</i></p> <ul style="list-style-type: none"> ➤ Is there a national agency that supports the procurement operations of SNGs or performs them on their behalf?
PI-24.3 Public access to procurement information	<p>When the SNG and CG share responsibility for publishing procurement information, both levels will affect performance.</p> <p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Are there any national regulations requiring the publication of procurement information? <p><i>National tools and systems provided to SNGs</i></p> <ul style="list-style-type: none"> ➤ Are there any national websites or other communication tools where the procurement information is published?
PI-24.4 Procurement complaints management	
PI-25 INTERNAL CONTROL ON NONSALARY EXPENDITURES	
PI-25.1 Segregation of duties	<ul style="list-style-type: none"> ➤ Which level of government has established the rules applicable to the segregation of duties? ➤ Which level of government performs duties to be segregated?
PI-25.2 Effectiveness of expenditure commitment controls	<ul style="list-style-type: none"> ➤ Which level of government has established the rules applicable to expenditure commitment controls? ➤ Which level of government performs expenditure commitment controls?
PI-25.3 Compliance with payment rules and procedures	<ul style="list-style-type: none"> ➤ Which level of government has established the rules applicable to payment and exceptions? ➤ If the CG, to what extent have the national regulations been adapted to the local context?
PI-26 INTERNAL AUDIT	
PI-26.1 Coverage of internal audit	<ul style="list-style-type: none"> ➤ Is the CG or a higher-level government responsible for the internal audit of the SNG?

PI-26.2 Nature of audits and standards applied	<ul style="list-style-type: none"> ➤ Which level of government—the CG or a higher-level government or a combination of central and subnational auditors—conducts the internal audit of the SNG?
PI-26.3 Implementation of internal audits and reporting	
PI-26.4 Response to internal audits	
PILLAR VI: ACCOUNTING AND REPORTING	
PI-27 FINANCIAL DATA INTEGRITY	
PI-27.1 Bank account reconciliation	
PI-27.2 Suspended accounts	
PI-27.3 Advance accounts	
PI-27.4 Financial data integrity processes	<ul style="list-style-type: none"> ➤ Is the financial system held and managed by the CG and provided to SNGs? ➤ To which modules do the SNGs have access? ➤ Are financial staff of the SNG trained to use the integrated financial management information system?
PI-28 IN-YEAR BUDGET REPORTS	
PI-28.1 Coverage and comparability of reports	<p>When in-year budget reports are prepared by a CG unit, the dimension is scored and the score is flagged as being under the responsibility of the CG.</p>
PI-28.2 Timing of in-year budget reports	<p>When an SNG does not receive in-year budget reports, the dimension is scored D.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> ➤ Is there a regulation framing the production, frequency, and content of in-year budget reports? ➤ Does the CG provide templates of in-year budget reports to SNGs?
PI-28.3 Accuracy of in-year budget reports	<p>When a CG unit prepares in-year budget reports, the dimension is scored and the score is flagged as being under the responsibility of the CG.</p> <p>When an SNG does not receive in-year budget reports, the dimension is scored D.</p>

	When SNGs prepare in-year budget reports but do not include information on payment stage because the CG does not submit payment information, this dimension is scored D, and the score is flagged as being under mixed responsibility of the CG and SNG.
PI-29 ANNUAL FINANCIAL REPORTS	
PI-29.1 Completeness of annual financial reports	<p>When financial statements are composed of the financial reports of the SNG and accounts produced by the CG, the performance is flagged as being mixed.</p> <p><i>Additional questions</i></p> <ul style="list-style-type: none"> ➤ Is there a regulation framing the production, timeliness, and content of annual financial reports? ➤ Does the CG provide templates of in-year budget reports to SNGs?
PI-29.2 Submission of reports for external audit	<p>When financial statements are composed of the financial report of the SNG and the accounts produced by the CG, performance is mixed. However, the score corresponds to the delay in sending the full financial statements to external audit.</p> <p>Any mandatory transmission to the CG before submission to the external auditor may delay the submission. This delay should be explained in the narrative, but the dimension should still be scored by calculating the time between the end of the fiscal year and the submission for external audit.</p>
PI-29.3 Accounting standards	
PILLAR VII: EXTERNAL SCRUTINY AND AUDIT	
PI-30 EXTERNAL AUDIT	
PI-30.1 Audit coverage	<p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Is there any national regulation framing the external audit of the SNGs? ➤ If there is a national regulation, what does it stipulate with respect to the following? <ul style="list-style-type: none"> ○ Minimum frequency for the external audits to be conducted ○ Type of audits ○ Audit standards to be respected.

	<ul style="list-style-type: none"> ➤ Does the supreme audit institution (SAI) have a specific institutional setup for auditing the subnational governments (specific auditors)?
PI-30.2 Submission of audit reports to the subnational council	<p><i>Regulation</i></p> <ul style="list-style-type: none"> ➤ Does the national regulation stipulate that SNG audit reports must be submitted to the SNG legislature? ➤ Is there a mandatory timeframe for submission?
PI-30.3 External audit follow-up	<ul style="list-style-type: none"> ➤ Has the SAI issued recommendations to the CG on the SNG audits? ➤ What are the main issues?
PI-30.4 Independence of the public audit institution in charge of subnational governments	
PI-31 LEGISLATIVE SCRUTINY OF AUDIT REPORTS	
PI-31.1 Timing of audit report scrutiny	<ul style="list-style-type: none"> ➤ Is there a regulation framing the scrutiny of audit reports by the local legislature—in particular, regarding the timeliness of scrutiny?
PI-31.2 Hearings on audit findings	
PI-31.3 Recommendations on audit by the legislature	
PI-31.4 Transparency of legislative scrutiny of audit reports	