



NIUE

**PUBLIC EXPENDITURE AND FINANCIAL
ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT
REPORT**

Final Report

December 2021

Country's currency and indicative exchange rates:

New Zealand dollar

USD 1 = NZD 1.39 (as at 1 February 2021)

Fiscal year:

1 July to 30 June

Table of Contents

ABBREVIATIONS AND ACRONYMS	6
EXECUTIVE SUMMARY.....	7
1. INTRODUCTION	11
1.1 Rationale and purpose.....	11
1.2 Assessment management and quality assurance	11
1.3 Assessment methodology	11
2. COUNTRY BACKGROUND INFORMATION	13
2.1 Country economic situation	13
2.2 Fiscal and budgetary trends	14
2.3 Legal and regulatory arrangements for PFM	15
2.4 Institutional arrangements for PFM	17
3. ASSESSMENT OF PFM PERFORMANCE	19
PILLAR ONE: Budget reliability	19
PI-1. Aggregate expenditure outturn.....	19
PI-2. Expenditure composition outturn	20
PI-3. Revenue outturn	22
PILLAR TWO: Transparency of public finances	25
PI-4. Budget classification	25
PI-5. Budget documentation	25
PI-6. Central government operations outside financial reports.....	27
PI-7. Transfers to subnational governments	28
PI-8. Performance information for service delivery	29
PI-9. Public access to fiscal information.....	31
PILLAR THREE: Management of assets and liabilities	34
PI-10. Fiscal risk reporting	34
PI-11. Public investment management.....	36
PI-12. Public asset management.....	38
PI-13. Debt management	39
PILLAR FOUR: Policy based fiscal strategy and budgeting	41

PI-14. Macroeconomic and fiscal forecasting	41
PI-15. Fiscal strategy	42
PI-16. Medium-term perspective in expenditure budgeting	43
PI-17. Budget preparation process	44
PI-18. Legislative scrutiny of budgets	46
PILLAR FIVE: Predictability and control in budget execution.....	48
PI-19. Revenue administration	48
PI-20. Accounting for revenue	50
PI-21. Predictability of in-year resource allocation	51
PI-22. Expenditure arrears	52
PI-23. Payroll controls	53
PI-24. Procurement	55
PI-25. Internal controls on nonsalary expenditure.....	57
PI-26. Internal audit	58
PILLAR SIX: Accounting and reporting.....	61
PI-27. Financial data integrity	61
PI-28. In-year budget reports.....	62
PI-29. Annual financial reports	63
PILLAR SEVEN: External scrutiny and audit	65
PI-30. External audit.....	65
PI-31. Legislative scrutiny of audit reports	66
4. CONCLUSIONS OF THE ANALYSIS OF PFM SYSTEMS	69
4.1 Integrated assessment of PFM performance.....	69
4.2 Effectiveness of the internal control framework	70
4.3 PFM strengths and weaknesses	70
4.4 Performance changes since a previous assessment	75
5. GOVERNMENT PFM REFORM PROCESS	76
5.1 Approach to PFM reforms.....	76
5.2 Recent and on-going reform actions	77
5.3 Institutional considerations	77
ANNEX 1: PERFORMANCE INDICATOR SUMMARY	79
ANNEX 2: SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK.....	85

ANNEX 3: SOURCES OF INFORMATION	87
Annex 3A: Related surveys and analytical work.....	87
Annex 3B: List of people consulted	89
Annex 3C: Sources of information used to extract evidence for scoring each indicator	91
ANNEX 4: TRACKING CHANGE IN PERFORMANCE BASED ON PREVIOUS VERSIONS OF PEFA.....	94
ANNEX 5: CALCULATIONS FOR PI-1, PI-2 AND PI-3	110
ANNEX 6: TERMS OF REFERENCE FOR NIUE PEFA ASSESSMENT	118

Abbreviations and acronyms

ADB	Asian Development Bank
AMP	Asset Management Plan
BCN	Broadcasting Corporation of Niue
CPI	Consumer Price Index
GDP	Gross Domestic Product
GoN	Government of Niue
FMIS	Financial Management Information System
HIES	Household Income and Expenditure Survey
NDB	Niue Development Bank
NPNC	Niue Philatelic and Numismatic Corporation
PAC	Public Accounts Committee
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre
PMCU	Project Management and Coordination Unit
POST	Project Oversight Steering Team
PSC	Public Service Commission
PRIF	Pacific Region Infrastructure Facility
SOE	State-owned Enterprise
UNDP	United Nations Development Programme

Executive summary

- **Purpose and management**

The 2020 PEFA assessment for Niue aims to benchmark PFM systems in Niue against international good practice, and to identify any weaknesses in systems which require attention. This follows an earlier PEFA assessment undertaken in 2011. The Government of Niue sought assistance from the Asian Development Bank (ADB) in conducting a PEFA self-assessment using the 2016 PEFA framework. The Government self-assessment team was led by the Financial Secretary, Poitogia Kapaga and Doreen Siataga, Treasury Accountant, supported by a PFM Specialist contracted by ADB. Peer review of the assessment report was undertaken by Iulai Lavea of the Pacific Financial Technical Assistance Centre (PFTAC). The PEFA Secretariat reviewed the assessment report and provided comments.

- **Scope, coverage, and timing**

The assessment covers the central government, and includes public corporations. All 31 indicators covered in the 2016 PEFA Framework were covered in the assessment, though one indicator (PI-7: Transfers to subnational governments) was not scored as it was deemed to be not applicable. Field work related to the assessment was carried out in Niue over the period 27 January to 7 February 2020. A second period of field work was scheduled for 20 to 27 March 2020, designed to review the assessment results together with the associated update of the PFM Reform Plan. This had to be deferred due to travel restrictions resulting from the COVID-19 pandemic, and reliance was then placed on remote communications. The last three completed financial years forming the review period were 2016/17, 2017/18 and 2018/19. The fiscal year of the Government of Niue runs from 1 July to 30 June.

- **Impact of PFM on budgetary and fiscal outcomes**

The key strength of Niue's PFM system in relation to achieving important fiscal and budgetary outcomes (aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery) is that the system is centralised in the Treasury Department, and it is compact and manageable. These are important advantages given the limited number of staff available to operate the system. The Greentree FMIS is well established, well supported, and staff in Treasury and elsewhere are familiar with its operation.

Weaknesses of the PFM system which detract from the ability to achieve these fiscal and budgetary outcomes, focusing on those weaknesses which can be addressed given the limited staff numbers, include:

- The inability to keep annual financial statements (a vital element of the PFM system) up to date.
- Policy shortfalls, particularly in relation to State Owned Enterprises and procurement.
- Missing elements in the budget preparation process, notably a Fiscal Strategy to give overall direction to the budget and a system for setting expenditure ceilings to guide spending agencies in preparing budget submissions.
- Gaps in the internal control framework, such as the absence of an internal audit capacity.
- Lack of transparency in the PFM system, with very little public disclosure of key elements of the system such as budget documents, annual financial statements, audit reports, and annual reports.

The key strengths and weaknesses of PFM as identified by the performance indicators in Section 3, are discussed in terms of the overall implications for the seven pillars of PFM performance.

Budget reliability

The budget is reasonably reliable in terms of aggregate fiscal discipline, though building project expenditures financed externally by donors into the budget has led to some increase in variances.

Transparency of public finances

The chart of accounts upon which the budget is built is considered adequate. Public access to fiscal information continues to lag, as reflected in the results for indicator PI-9.

Management of assets and liabilities

Fiscal risk reporting suffers from a weak regime for the monitoring of state-owned enterprises, as reflected in the results for indicator PI-10 (particularly in relation to the supervision of SOEs). Dissemination of information on the Niue International Trust Fund is limited. Capacity to manage public investments, particularly at the project appraisal and prioritization stages, is low as reflected in indicator PI-11.

Policy-based fiscal strategy and budgeting

The budget currently lacks a Fiscal Strategy and a system of expenditure ceilings to guide budget preparation, and the budget calendar needs further amendment to ensure that the budget is approved before the start of the new financial year, as reflected in indicators PI-15 and PI-17.

Predictability and control in budget execution

Budget execution operates reasonably effectively, drawing on informal guidance from Treasury rather than strong formal controls. Updating of revenue legislation is underway, and should be pursued. A more formal cashflow plan could be developed for the budget as a whole at the beginning of the year (drawing on the expenditure plans being produced by spending agencies) to provide stronger guidance on spending. A formal procurement policy would strengthen this important aspect of PFM (a draft policy has been prepared, but is yet to be adopted). The internal audit function has been inoperative for a number of years, and this could be resurrected to strengthen the internal control process. These issues are reflected in the results for indicators PI-19, PI-21, PI-24 and PI-26.

Accounting and reporting

The Government's annual financial statements are well behind; further behind than they were at the time of the 2011 PEFA assessment. This is a critical area, as reflected in indicator PI-29. Work is underway to bring the financial statements up to date (through the fielding of a team from Deloitte New Zealand), but the challenge is to develop a plan to sustain this catch-up.

External scrutiny and audit

No issues have been identified in relation to the process of external scrutiny and audit, though these processes have been largely in abeyance for some time due to delays in finalizing annual financial statements for Government.

- **PFM reform agenda**

Following the conduct of the 2011 PEFA assessment for Niue, technical assistance was provided by PFTAC to assist the Treasury Department with the preparation of a PFM reform plan. The resulting plan, Public Financial Management Roadmap: Fiscal Year 2012-2014, ranked the indicators covered in the PEFA assessment and the results achieved by strategic importance. Indicators were grouped into first, second and third order priorities, and further ranked within these groupings. Reasons were advanced for the strategic importance of the indicators, and timelines identified for implementation of reform measures.

Further technical assistance was provided by PFTAC to assist the Treasury Department in preparing a Public Financial Management Roadmap Implementation Plan Phase 1 in 2014. The Phase 1 implementation plan was less comprehensive than the original roadmap, and focused on strengthening the budget preparation process.

Progress with the implementation of the PFM roadmap and Phase 1 implementation plan has been modest, though some gains have been made. Recent and ongoing reform actions implemented since the 2011 PEFA assessment have included:

- A draft Fiscal Policy Statement was prepared to accompany the 2019/20 Budget, but in the event was not used.
- The start of the budget calendar has been brought back progressively to 8 February (in 2019/20). Most of the extra time is given to budget preparation by spending agencies (now more than 10 weeks), but the final approval date is still after the start of the new financial year (10 July in the calendar, 31 July achieved).
- New budget templates were trialled in 2019/20, and it is planned to use these in the 2020/21 budget.
- Difficulties have been experienced in the review of the FMIS framework, as the Greentree system does not accommodate commitment controls.
- In relation to oversight of aggregate fiscal risks, additional trading activities have been moved from the Budget to NPNC so the need for improved oversight has increased.
- A draft Government of Niue Procurement Policy has been prepared, but not adopted as yet.
- New legislation is under preparation to modernize revenue administration (Niue Customs Bill and Tax Administration Bill).

Accompanying the 2020 PEFA assessment, and drawing on its findings together with lessons learned from previous PFM reform initiatives, is an exercise to update the Government's PFM Reform Plan.

Table 1: Overview of the scores of the PEFA indicators

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn		C				C
PI-2	Expenditure composition outturn	M1	D	D*	A		D+
PI-3	Revenue outturn	M2	B	D			C
II. Transparency of public finances							
PI-4	Budget classification		D				D
PI-5	Budget documentation		C				C
PI-6	Central government operations outside financial reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	NA	NA			NA
PI-8	Performance information for service delivery	M2	D	C	B	D	D+
PI-9	Public access to fiscal information		D				D
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	D	NA	D		D
PI-11	Public investment management	M2	D	C	D	C	D+
PI-12	Public asset management	M2	C	C	D		D+
PI-13	Debt management	M2	NA	D	D		D
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	D	D	D		D
PI-15	Fiscal strategy	M2	C	D	C		D+
PI-16	Medium-term perspective in expenditure budgeting	M2	D	D	C	D	D
PI-17	Budget preparation process	M2	C	D	D		D+
PI-18	Legislative scrutiny of budgets	M1	C	B	C	C	C+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	C	C	D	D*	D+
PI-20	Accounting for revenue	M1	C	A	D		D+
PI-21	Predictability of in-year resource allocation	M2	D	D	D	B	D+
PI-22	Expenditure arrears	M1	D*	D			D
PI-23	Payroll controls	M1	B	A	B	D	D+
PI-24	Procurement management	M2	D	D*	D	D	D
PI-25	Internal controls on non-salary expenditure	M2	C	C	B		C+
PI-26	Internal audit	M1	D	NA	NA	NA	D
VI. Accounting and reporting							
PI-27	Financial data integrity	M2	B	A	NA	C	B
PI-28	In-year budget reports	M1	A	A	C		C+
PI-29	Annual financial reports	M1	D	D	C		D+
VII. External scrutiny and audit							
PI-30	External audit	M1	D	D	D	B	D+
PI-31	Legislative scrutiny of audit reports	M2	D	D	D	D	D

1. Introduction

1.1 Rationale and purpose

The 2020 PEFA assessment for Niue aims to benchmark PFM systems in Niue against international good practice, and to identify any weaknesses in systems which require attention. This follows an earlier PEFA assessment undertaken in 2011, which resulted in the adoption of a PFM Roadmap 2012-14 and a subsequent PFM Roadmap Implementation Plan Phase 1 2014 focusing on reforms to the budget process. Progress with the implementation of the reforms identified in the PFM Roadmap has been slow, and this prompted a desire by the Government of Niue for an updated PEFA assessment and PFM Roadmap.

1.2 Assessment management and quality assurance

The Government of Niue sought assistance from the Asian Development Bank (ADB) to conduct a PEFA self-assessment using the 2016 PEFA framework. Niue is ADB's newest member country. ADB accepted this request for assistance and recruited a PFM Specialist to facilitate the work of the Government's self-assessment team. The earlier 2011 PEFA assessment for Niue had been facilitated by PFTAC, as was the preparation of the existing PFM Roadmap and Implementation Plan. The Government self-assessment management team was led by the Financial Secretary, Poitogia Kapaga supported by Doreen Siataga, Treasury Accountant. The self-assessment team comprised Doreen Siataga (Treasury Accountant), supported by David Hamilton (PFM Specialist contracted by ADB).

BOX 1.1: Assessment management and quality assurance arrangements

PEFA assessment management organization

- Assessment team leader Poitogia Kapaga (Financial Secretary), and team member Doreen Siataga (Treasury Accountant)

PEFA assessment team

- Doreen Siataga (Treasury Accountant), supported by David Hamilton (PFM Specialist contracted by ADB)

Terms of reference

- The terms of reference were developed by ADB, in close consultation with the Government of Niue (the TOR are included in Annex 6)

Review of the assessment report

- Date of reviewed draft report: Draft Report as at 31 May 2020
- Invited reviewers: Pacific Financial Technical Assistance Centre (PFTAC) and PEFA Secretariat
- Reviewers who provided comments: Rommel Rabanal, ADB (comments on initial draft report provided on 21 February 2020); Iulai Lavea, PFTAC (peer review comments provided 31 January 2021), PEFA Secretariat (comments provided 25 March 2021)

1.3 Assessment methodology

1. Scope and coverage of the assessment

The assessment covers the central government, and includes public corporations. Niue has a system of village councils which receive support from the central government, but these are not considered

subnational governments for the purposes of this assessment. The assessment follows the 2016 PEFA framework.

2. When performance was assessed

Field work related to the assessment was carried out over the period 27 January to 7 February 2020. A second period of field work was scheduled for 20 to 27 March 2020, designed to review the assessment results together with the associated update of the PFM Reform Plan. This had to be deferred due to travel restrictions resulting from the COVID-19 pandemic, and ultimately this work was done remotely. The last three completed financial years forming the review period were 2016/17, 2017/18 and 2018/19, while the cut-off date for data for consideration in the assessment was 31 January 2020.

3. Sources of information

Annex 3 provides a list of related surveys and analytical work, a list of people consulted in the course of the assessment, and a list of sources of information used in assessing each performance indicator and dimension. The self-assessment team accessed the relevant legislation governing public financial management in Niue, budget estimates and supporting guidelines and calendars, financial statements, audit reports and reports from the Public Accounts Committee (PAC), and a range of background documents on Niue. Reference materials published by the PEFA Secretariat on the PEFA website guided the self-assessment team. In order to triangulate the evidence collected within the government administration for the assessment, consultations were held with the Niue Chamber of Commerce, the New Zealand High Commission, and the Public Accounts Committee of the Legislative Assembly.

2. Country background information

2.1 Country economic situation

- **Country context**

Niue is a single raised coral island in the South Pacific Ocean, with a land area of 259 square kilometres and a population at the time of the 2011 Census of 1,611. Niue has an exclusive economic zone of 390,000 square kilometres, boosted by the existence of offshore reefs. Niue is located at a latitude of 19° south and a longitude of 169° west, with Tonga situated 480 kilometres to the west, Samoa 560 kilometres to the north, and Cook Islands 980 kilometres to the east. The economy is based on agriculture, fishing and tourism.

Niue is a self-governing state in free association with New Zealand, in accordance with the Niue Constitutional Act 1974. Niueans hold New Zealand passports, and use New Zealand currency. Current development cooperation arrangements between New Zealand and Niue are governed by the *New Zealand – Niue Statement of Partnership 2019 – 2023*.

The 2015/16 Niue Household Income and Expenditure Survey (HIES) gives insights into the living conditions of households in Niue. Nationally, 98 percent of households were connected to the public electricity grid and the main source of cooking energy was gas (66 percent) followed by electricity (26 percent). Almost all households were connected to the public water grid (97 percent) and 87 percent of them used it as the main source of drinking water. At that time, 75 percent of households had an operational landline telephone and 24 percent were connected to the internet through the landline, while 20 percent of households had cable/satellite television connections. Many households were involved in primary production: agriculture (59 percent), fishing (17 percent), livestock (6 percent) and handcrafts (12 percent).

- **The government's main economic challenges and government-wide reforms**

Economic challenges facing Niue include aid dependence, vulnerability to natural disasters such as cyclones, and a high cost structure as a result of remoteness and small scale (though remoteness and small scale offer opportunities as well).

- **Key selected economic indicators**

It is difficult to obtain up to date time series of economic statistics for Niue. Economic indicators include:

Gross Domestic Product (NZD million, 2017/18) *	43.5
GDP per capita (NZD, 2017/18) *	25,847
GDP growth (% in constant prices)	
2015/16	3.9
2016/17 *	4.1
2017/18 *	6.5
Visitor arrivals (number, 2017)	11,556
Imports (NZD million, 2018)	25.8
Exports (NZD million, 2018)	2.6
Inflation (% annual average change in CPI, 2016)	2.2

* provisional

2.2 Fiscal and budgetary trends

- **Fiscal performance**

Table 2.1: Aggregate fiscal data

Government Budget (estimated actuals NZD'000)			
	2016/17	2017/18	2018/19
Recurrent revenue	24,632	27,053	27,549
Recurrent expenditure	22,459	25,216	23,956
Capital expenditure	0	0	0
<i>Budget surplus/deficit</i>	<i>2,173</i>	<i>1,837</i>	<i>3,593</i>
Donor project revenue	8,350	9,078	21,840
Donor project expenditure	5,908	10,575	15,459
Total revenue	32,982	36,131	49,389
Total expenditure	28,367	35,791	39,415
<i>Overall surplus/deficit</i>	<i>4,615</i>	<i>340</i>	<i>9,974</i>

Data for this table was sourced from the Greentree financial management information system, and is unaudited. Total expenditure in 2016/17 was equivalent to 80 percent of estimated GDP in 2016, while recurrent expenditure in the same year was equivalent to 63 percent of estimated GDP in 2016.

- **Allocation of resources**

Budget allocations are linked to the Niue National Strategic Plan 2016-2026 which has seven national development pillars:

Finance and Economic Development

Sufficient financial resources are secured, and responsible fiscal management is prudent, sustainable and in support of development strategies.

Governance

Good governance is practiced at all levels of society.

Infrastructure

Sustainable use and management of key infrastructure that is climate proof and resilient.

Social Services

Harmonious and healthy lifestyle in a thriving, educated and safe community that has access to a wide range of quality social services.

Environment and Climate Change

Sustainable use and management of Niue's natural resources and environment for present and future generations.

Tāoga Niue

Promote, strengthen and integrate Tāoga Niue cultural heritage, language, values and identity.

Private Sector

A prosperous and skilled island nation, underpinned by a thriving and entrepreneurial private sector.

The NNSP pillar is identified for recurrent revenue and expenditure in the budget summary tables, and the pillar and strategy for project expenditures.

Table 2.2: Budget allocations by function

Actual budgetary allocations by administrative unit (as a percentage of total expenditures)			
	2016/17	2017/18	2018/19
Premiers Department (incl. Cabinet and Parliamentary Services)	8.4%	6.6%	5.4%
Project Management Coordination Unit	0.8%	0.7%	0.7%
Crown Law	1.5%	1.1%	1.3%
Niue PSC and Secretariat	4.1%	3.1%	2.7%
Finance and Planning	6.2%	4.5%	3.1%
Police	1.7%	1.6%	1.5%
Education Department	9.4%	7.3%	7.0%
Health Department	7.9%	6.7%	6.2%
Justice Department (incl. Com Affairs)	13.8%	11.1%	10.3%
Taoga Niue	0.8%	0.6%	0.7%
DAFF	3.2%	2.1%	1.9%
Environment Department	1.1%	0.9%	0.9%
Met Office	0.6%	0.6%	0.5%
Utilities	2.6%	7.3%	1.8%
Transport	4.7%	3.3%	3.2%
Niue Tourism Authority	1.5%	1.1%	0.9%
Bulk Fuel	11.0%	11.7%	12.7%
Capital expenditure (excluding projects)	0.0%	0.0%	0.0%
Project expenditure	20.8%	29.5%	39.2%

Raw data for this table was sourced from the Greentree financial management information system, and is unaudited. It is noted that project expenditure is not allocated by administrative unit, but includes some ongoing programs such as support for the education and health sectors. These programs are integral components of sectoral financing.

Table 2.3: Budget allocations by economic classification

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	2016/17	2017/18	2018/19
Compensation of employees	39.1%	42.7%	41.2%
Use of goods and services	26.3%	30.4%	33.6%
Consumption of fixed capital	6.1%	0.0%	0.0%
Interest	0.0%	0.0%	0.0%
Subsidies	0.0%	0.0%	0.0%
Grants	3.0%	6.8%	1.9%
Social benefits	12.7%	10.7%	10.0%
Other expenses	12.8%	9.4%	13.4%

Raw data for this table was sourced from the Greentree financial management information system, and is unaudited.

2.3 Legal and regulatory arrangements for PFM

Overall guidance for the management of public finances is set out in Part IV of the Constitution (1974), which covers:

- legislative control of public revenue and expenditure in Section 56:

- the establishment of a Niue Government Account in Section 57;
- annual estimates and appropriations in Section 58;
- Cabinet to supervise expenditure in Section 59; and
- audit in Section 60.

Further detailed guidance is set out in the Public Revenues Act (1959) and the Treasury Regulations (2002). Rules and regulations for tax administration are found in the Income Tax Act (1961) as amended, the Customs Act (1966) and the Niue Consumption Tax Act (2009).

The Public Revenues Act includes coverage of the following PFM matters:

Part 1 The Treasury

- 3 Administration of Act
- 4 Appointment of Financial Secretary
- 5 Financial Secretary may delegate
- 6 Accounting officers
- 7 Financial Secretary to be member of boards

Part 2 Niue Government Account

- 8 Public money to be kept in Government Account
- 9 Government Account
- 10 Power of investment
- 11 Money collected for private persons
- 12 Deposits and trust money
- 13 Unclaimed deposits and trust money

Part 3 Appropriation of Public Money

- 19 Over-expenditure of items
- 21 Payments for which no specific appropriation

Part 4 The Payment of Public Money

- 22 Authority for payment
- 23 Imprests
- 24A Rounding off transactions

Part 5 Annual Accounts

- 25 Financial Secretary to furnish

Niue's internal control system has been developed giving due recognition to the small scale of PFM operations and the limited number of people engaged in running PFM systems. The general objectives of a sound internal control system are recognised, namely (i) executing orderly, ethical, economical, efficient, and effective operations; (ii) fulfilling accountability obligations; (iii) complying with applicable laws and regulations; and (iv) safeguarding resources against loss, misuse and damage. The Constitution, the Public Revenues Act and the Treasury Regulations provide a framework for internal control, though PFM legislation is dated and not fully cognisant of the components needed in an effective internal control system, namely: a control environment, risk assessment, control activities, information and communication, and monitoring.

2.4 Institutional arrangements for PFM

The Government is structured as follows:

Central Agencies

Cabinet and Parliamentary Services
Premiers Department
Project Management Coordination Unit
Crown Law
Niue Public Service Commission and Secretariat
Finance and Planning
Police

Ministry of Social Services

Education Department
Health Department
Justice department (incl. Community Affairs)
Taoga Niue

Ministry of Natural Resources

Department of Agriculture, Fisheries and Forestry
Environment Department
Met Office

Ministry of Infrastructure

Utilities
Transport

Commercial and Trading

Niue Tourism Authority
Bulk Fuel

Niue has four public corporations:

- Niue Philatelic and Numismatic Corporation (NPNC)
- Broadcasting Corporation of Niue (BCN)
- Telecom Niue
- Niue Development Bank (NDB)

The NPNC has been used as a vehicle in relation to the transfer of commercial functions from the Government budget, and also as a vehicle to engage in other areas of commercial activity. NPNC was established pursuant to the Niue Philatelic and Numismatic Act of 1996, with functions to administer philatelic, numismatic and other revenue earning options and services. Commercial activities operating under the umbrella of NPNC include Niue Power, the Bond Store, Civil and Quarry, Noni juice sales, and a coffee shop. These commercial activities generally have not been corporatized as separate business entities.

Niue has 14 village councils which receive small annual grants from the Government. The grants are distributed on a quarterly basis, subject to quarterly reporting to the Ministry of Social Services, and amount to \$10,000 per

council per annum. The grants are used for village events. Councillors are elected for three year terms, and receive an honorarium of \$2,500 per councillor per annum. The system of village councils is not considered sufficiently material to be treated as a system of subnational government for the purposes of this assessment.

The Niue International Trust Fund is established under the Niue Trust Fund Act of 2004, and can potentially provide funding to support the budget drawing on earnings from fund investments. Under the Deed establishing the fund, Australia and New Zealand are trustees, while Niue is both a trustee and the beneficiary. The Act provides that the Fund is not a public fund of Niue and the capital and revenue of the Fund is not public money. Money received by the Government from the Fund does become public money and is required to be paid into the Niue Government Account. The Fund was built up through funding from development partners, and the budget documents include a statement of balances. Annual reports are not published.

The PFM system is managed centrally in the Treasury Department of Finance and Planning, utilizing the Greentree financial management information system. Public Corporations operate their own PFM systems. There are no extrabudgetary units or social security funds. Other key institutions in relation to public financial management are the Cabinet, the Legislative Assembly (including the Public Accounts Committee), and the Supreme Audit Institution (the New Zealand Office of the Auditor-General).

3. Assessment of PFM performance

The objective of this section is to provide an assessment of the key elements of the PFM system, as captured by the indicators.

The structure of the section is based on the seven pillars as follows, namely:

- Pillar 1: Budget reliability
- Pillar 2: Transparency of public finances
- Pillar 3: Management of assets and liabilities
- Pillar 4: Policy-based fiscal strategy and budgeting
- Pillar 5: Predictability and control in budget execution
- Pillar 6: Accounting and reporting
- Pillar 7: External scrutiny and audit

Each indicator is reported separately and discusses the assessment of the present situation.

PILLAR ONE: Budget reliability

PI-1. Aggregate expenditure outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	C	
1.1. Aggregate expenditure outturn	C	Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator – Dimension 1.1. Aggregate expenditure outturn.

1.1 Aggregate expenditure outturn

Performance level and evidence for scoring of the dimension

	2016/17	2017/18	2018/19
Budget (NZD)	33,114,000	38,947,000	44,337,000
Actual (NZD)	28,367,157	35,791,416	39,415,135
% Outturn	85.7%	91.9%	88.9%

Data on budgeted expenditure for this indicator have been taken from the Annual Appropriation Acts for the last three completed financial years. Data on actual expenditure have been taken from annual reports for these years generated by the Greentree financial management information system. Appropriations are prepared on a cash basis. The accounting system operates on a modified accrual basis, but is also able to generate reports on a cash basis comparable with the annual appropriations.

The most recent audited financial statements are for the 2013/14 financial year. The most recent financial statements are for the 2014/15 financial year, and these are still being audited. Thus, the data used for actual expenditure for this indicator should be considered preliminary.

The data are presented by administrative unit, mirroring the appropriations. Capital expenditure and project expenditure funded directly by development partners are included, though these are presented for the Government as a whole, as the budget and the accounting system do not allocate them by administrative unit.

Based on the analysis and supporting evidence, the score for the present dimension is C, as the aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years. Detailed calculations in relation to this indicator are provided in Annex 5. Performance under this indicator was significantly affected by underspending of budgeted project expenditure in two of the three financial years.

The variance between budget and actual expenditure is due mainly to shortfalls in project expenditure (that funded by development partners), with difficulties experienced in accurately reflecting planned and actual expenditure related to this source.

PI-2. Expenditure composition outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-2. Expenditure composition outturn	D+	
2.1 Expenditure composition outturn by function	D	The variance in expenditure composition by administrative classification was more than 15% in at least two of the last three years
2.2 Expenditure composition outturn by economic type	D*	Based on available information, the variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. However, the information available was insufficient to accurately assess the level of performance
2.3 Expenditure from contingency reserves	A	There was no allocation for contingencies in the annual appropriation for any of the last three completed financial years

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores.

2.1. Expenditure composition outturn by function

Performance level and evidence for scoring of the dimension

The appropriation and the accounting system do not provide a functional breakdown of expenditure. The detailed calculations provided in Annex 5 are based on the composition of expenditure outturn by administrative unit. It is noted that capital and project expenditures in the appropriation and the accounting system are presented as a block, and not allocated by administrative unit.

As indicated in the discussion relating to indicator PI-1 above, the financial statements for the period under review are neither complete nor audited, and the actual expenditure data used for this dimension should be considered preliminary.

Table 3.2: Expenditure composition variance by administrative unit			
	2016/17	2017/18	2018/19
Variance	19.8%	22.0%	8.8%

Based on the analysis and supporting evidence, the score for the present dimension is D, as the variance in expenditure composition by administrative classification was more than 15% in at least two of the last three years.

2.2. Expenditure composition outturn by economic type

Performance level and evidence for scoring of the dimension

The annual budget document provides a classification of expenditure by economic type at the level of the administrative unit, but provides no aggregate data on this basis. Financial reporting covers reporting by economic type as per the chart of accounts, but on a modified accrual basis. Reports are not provided on a cash basis, directly comparable with the appropriation, in the same way that they are provided by administrative unit. The classification by economic type used in the chart of accounts is not directly comparable to the GFS classification (see below), but could be mapped across with a fair degree of accuracy (drawing on the relevant sub-classifications). At this point, no conversion matrix has been prepared.

Table 3.3: Classification of expenditure by economic type	
GFS classification (2 digit)	Classification used in the chart of accounts
21 Compensation of employees	V1 Cost of sales
22 Use of goods and services	V2 Personnel expenses
23 Consumption of fixed capital	V3 Subsidies and welfare payments
24 Interest	V4 Depreciation and amortization
25 Subsidies	V5 Maintenance and materials
26 Grants	V6 Travel and transport
27 Social benefits	V7 Other expenses
28 Other expense	

With the above caveats, and as the financial statements for the period under review are neither complete nor audited, the data used for this dimension should be considered approximate and preliminary.

Table 3.4: Expenditure composition variance by economic type			
	2016/17	2017/18	2018/19
Variance	22.2%	13.5%	6.4%

While the results in Table 3.4 suggest a score of C for the present dimension, as the variance in expenditure composition by economic classification was less than 15% in at least two of the last three years, the shortcomings in the data in relation to the classification of expenditure by economic type are such that a score of D* is more appropriate (this score indicates that there is insufficient information to establish the actual level of performance). Calculations in relation to this indicator are provided in Annex 5.

2.3. Expenditure from contingency reserves

Performance level and evidence for scoring of the dimension

There is no allocation for contingencies in the annual appropriation for any of the last three completed financial years. Hence the score for the present dimension is A.

It should be noted that Section 54(4)(b) of the Constitution provides Cabinet with the authority to approve the expenditure of such sums as it considers necessary in excess of or without the appropriation of the Niue Assembly, provided that these sums do not exceed 1.5 percent of the amount appropriated for the financial year. This provision has a similar effect to an appropriation for contingencies.

PI-3. Revenue outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	C	
3.1 Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years

Indicator/Dimension	Score	Brief justification for score
3.2 Revenue composition outturn	D	Variance in revenue composition was more than 15% in at least two of the last three years

General description of the characteristics of the indicator within the scope covered

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores.

3.1. Aggregate revenue outturn

Performance level and evidence for scoring the dimension

The appropriation details total revenue by administrative unit, as does the annual budget document. Revenue is recorded by type and item in the chart of accounts, but the resulting reports are on a modified accrual basis rather than the cash basis used in the appropriation.

With the above caveats, and as the financial statements for the period under review are neither complete nor audited, the data used for this dimension should be considered approximate and preliminary. Detailed calculations are provided in Annex 5.

Table 3.5: Total budget and actual revenue			
	2016/17	2017/18	2018/19
Budget (NZD)	33,163,000	37,827,000	44,388,000
Actual (NZD)	32,981,861	36,130,962	49,389,015
% Deviation	99.5%	95.5%	111.3%

Based on the analysis and supporting evidence, the score for the present dimension is B, as actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years.

3.2. Revenue composition outturn

Performance level and evidence for scoring the dimension

The chart of accounts breaks revenue down into the following categories:

- U1 Taxes, duties and fines
- U2 Trading revenue
- U3 Donors (recurrent)
- U4 Other revenue
- U5 External project funding
- U6 Interest revenue
- U7 Dividends received

The sub-classifications used for the major category of revenues (U1) are as follows:

Account Category: U1 - Taxes, Duties & Fines			
U11	Taxes	3011	Individual Income Tax
		3012	Corporate Income Tax
		3013	NCT
		3014	Departure Tax
U12	Duties, Licences & Fines	3111	Import Duties
		3112	Import Licences
		3113	Trading Licences
		3114	Excise Taxes
		3115	Landing Rights
		3116	Motor Vehicle Licenses
		3117	Fishing Rights
		3118	Port Charges
		3119	Other Registration Fees
		3120	Immigration Fees
		3121	Surtaxes
		3122	Fines

Most of these sub-classifications map across to the GFS based classification of revenues used in the calculations in Annex 5.

Table 3.6: Variance in revenue composition outturn			
	2016/17	2017/18	2018/19
Variance	21.5%	23.7%	6.5%

Based on the analysis and supporting evidence, the score for the present dimension is D, as the variance in revenue composition was more than 15% in at least two of the last three years.

PILLAR TWO: Transparency of public finances

PI-4. Budget classification

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	D	
4.1 Budget classification	D	The requirement for budget formulation, execution and reporting to be based on administrative and economic classification comparable to GFS level 2 is not fully met

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator.

4.1. Budget classification

Performance level and evidence for scoring the dimension

Budget formulation, execution, and reporting are based on administrative and economic classifications, based on standards with some but not direct comparability to GFS level 2 for expenditure and level 3 for revenue. The Niue National Strategic Plan (NNSP) pillar is identified in the appropriation for recurrent revenue and expenditure, while the pillar and strategy are identified for project revenue and expenditure. However, it is considered that the requirements for a C score are not fully met because:

- summary tables at an aggregate level in the budget document contain only an administrative classification of expenditure, and do not provide information on expenditure by economic classification or revenue by type of revenue;
- project expenditure funded externally by donors has been brought into the budget, but is not allocated by administrative unit (these expenditures are split using the economic classification of expenditure in reports prepared by the financial management information system Greentree,); and
- the ability to map the classifications used for expenditure by economic classification and revenue by type across to the relevant GFS classifications is untested (the Greentree system is not set up to produce reports using GFS classifications, and no conversion matrix has been prepared).

Based on the analysis and supporting evidence, the score for the present dimension is D.

PI-5. Budget documentation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	C	

Indicator/Dimension	Score	Brief justification for score
5.1 Budget documentation	C	The requirements are met for 3 basic elements out of 4 and no additional elements out of 8

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator.

5.1. Budget documentation

Performance level and evidence for scoring the dimension

The performance requirements for this dimension are set out in the following checklist, based on the budget for the 2019/20 financial year:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	Government policy is to achieve a balanced budget
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	The budget includes estimates of expenditure and revenue for the previous financial year
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	The current year's budget is disaggregated in accordance with the format of the budget proposal
4. Aggregated budget data for both revenue and expenditure	N	Aggregated budget data is presented by administrative unit, but does not cover the economic classification of expenditure or revenue by type
Additional elements		
5. Deficit financing, describing its anticipated composition	N	Though no financing is required if policy is to balance the budget
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	N	No fiscal framework is prepared to accompany the budget
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	N	There is currently no significant debt, but also no format for including this where relevant
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	N	A brief statement is included in relation to the Niue International Trust Fund, but not other financial assets
9. Summary information of fiscal risks	N	Fiscal risks, including those relating to SOEs, are not covered

Element/ Requirements	Met (Y/N)	Evidence used/Comments
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or changes to expenditure programs	N	New policy initiatives and major new public investments are not documented and explained in the budget document
11. Documentation on the medium-term fiscal forecasts	N	The budget does not look beyond the budget year
12. Quantification of tax expenditures	N	Tax expenditures are not quantified in the budget

The requirements are met for 3 basic elements out of 4 and no additional elements out of 8. Hence, the score for the present dimension is C.

PI-6. Central government operations outside financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6. Central government operations outside financial reports	A	
6.1 Expenditure outside financial reports	A	No government expenditures outside financial reports have been identified
6.2 Revenue outside financial reports	A	No government revenues outside financial reports have been identified
6.3 Financial reports of extrabudgetary units	NA	

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

6.1. Expenditure outside financial reports

Performance level and evidence for scoring the dimension

No government expenditures outside financial reports have been identified.

Financial statements for the last completed financial year have yet to be prepared and audited. These may contain additional information unavailable to the assessors at this point in time.

It is noted that the Niue Bank Act of 1994 provided for a bank to be established to, among other things, act as a central bank. This is in abeyance.

Third-party sources of confirmation of the non-existence of extrabudgetary funds exist through the periodic PEFA assessments, with the previous assessment in 2011 supported by the Pacific Financial Technical Assistance Centre.

Hence, the score for the present dimension is A.

6.2. Revenue outside financial reports

Performance level and evidence for scoring the dimension

No government revenues outside financial reports have been identified.

Financial statements for the last completed financial year have yet to be prepared and audited. These may contain additional information unavailable to the assessors at this point in time.

The Niue International Trust Fund is established under the Niue Trust Fund Act of 2004, and can potentially provide funding to support the budget drawing on earnings from fund investments. Under the Deed establishing the fund, Australia and New Zealand are trustees, while Niue is both a trustee and the beneficiary. The Act provides that the Fund is not a public fund of Niue and the capital and revenue of the Fund is not public money. Money received by the Government from the Fund does become public money and is required to be paid into the Niue Government Account. The Fund was built up through funding from development partners, and the budget documents include a statement of balances. Annual reports are not published.

Hence, the score for the present dimension is A.

6.3. Financial reports of extrabudgetary units

Performance level and evidence for scoring the dimension

As no extrabudgetary units have been identified, there will obviously be no financial reporting to assess.

Hence, the score for the present dimension is NA.

PI-7. Transfers to subnational governments

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	NA	For the purposes of this indicator, Niue has no system of subnational government
7.1 System for allocating transfers	NA	
7.2 Timeliness of information on transfers	NA	

General description of the characteristics of the indicator within the scope covered

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from central government and whether subnational governments receive information on their allocations in time to facilitate budget planning. It contains two dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

7.1. System for allocating transfers

Performance level and evidence for scoring the dimension

Niue has 14 village councils which receive small annual grants from the Government. The grants are distributed on a quarterly basis, subject to quarterly reporting to the Ministry of Social Services, and amount to \$10,000 per council per annum. The grants are used for village events. Councillors are elected for three year terms, and receive an honorarium of \$2,500 per councillor per annum.

These transfers are not considered sufficiently material for assessment under this dimension.

Hence, the score for the present dimension is NA.

7.2. Timeliness of information on transfers

Performance level and evidence for scoring the dimension

For the reasons set out in dimension 7.1 above, the score for the present dimension is also assessed as NA.

PI-8. Performance information for service delivery

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8. Performance information for service delivery	D+	
8.1 Performance plans for service delivery	D	Performance plans for service delivery are not published annually
8.2 Performance achieved for service delivery	C	Information is published annually on the activities performed for the majority of ministries
8.3 Resources received by service delivery units	B	Information on resources received by frontline service delivery units is collected and recorded for at least one large ministry (education). A report compiling the information is prepared at least annually
8.4 Performance evaluation for service delivery	D	Performance evaluations of the efficiency or effectiveness of service delivery are not carried out

General description of the characteristics of the indicator within the scope covered

This indicator examines the service delivery information in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

8.1. Performance plans for service delivery

Performance level and evidence for scoring the dimension

The annual budget documentation does not provide specific information on performance planning for service delivery, and there are no separate plans prepared by Ministries which are directly linked to the use of budget allocations. Ministries do produce corporate plans, but these are not closely linked to the budgetary process.

Hence, the score for the present dimension is D.

8.2. Performance achieved for service delivery

Performance level and evidence for scoring the dimension

The majority of Ministries prepare annual reports. The key ministry involved in service delivery, the Ministry of Social Services, has a corporate plan and produces a summary annual report and more detailed annual reports for departments such as Education and Health. These documents report on the delivery of the Ministry corporate plan, resources deployed and achievements, but without a specific focus on service delivery units or the budget process. Similar processes are followed by the Ministries of Infrastructure and Natural Resources, and the Central Agencies. Taken together, these ministries account for the majority of government expenditure.

Hence, the score for the present dimension is C.

8.3. Resources received by service delivery units

Performance level and evidence for scoring the dimension

The recurrent budget made available for health is managed under administrative units rather than service delivery units. The primary school and the high school have separate budgets under education, and expenditure is reported against these budgets. Service delivery in education and health is assisted by ongoing sector support programs funded by New Zealand, but without a specific focus on service delivery units. In this case the focus is more on the achievement of education and health objectives, which can be pursued by a range of service delivery units.

Hence, the score for the present dimension is B.

8.4. Performance evaluation for service delivery

Performance level and evidence for scoring the dimension

There is no systematic program of performance evaluation undertaken in relation to service delivery. Ministries identify achievements in annual reports, and identify priority actions for the future.

Hence, the score for the present dimension is D.

PI-9. Public access to fiscal information

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	D	
9.1 Public access to fiscal information	D	The requirements are not met for any of the five basic elements, nor any of the four additional elements

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. There is one dimension.

The main transparency mechanism in relation to PFM processes in Niue is the tabling and debate of relevant documentation in the Assembly (which is broadcast), and reporting of debate in the Hansard (which is published). The limited use made of the Government website to publish material is due more to technical constraints than a lack of transparency.

Legislation, including the Annual Appropriation Act and legislation passed in relation to taxation and other revenue measures, is published on the Government website. Other information in relation to the budget process, including the elements listed the following checklist, are not published.

9.1. Public access to fiscal information

Performance level and evidence for scoring the dimension

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive’s submission of them to the legislature.	N	Perusal of the Government website, and interviews with Treasury officials

Element/ Requirements	Met (Y/N)	Evidence used/Comments
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	N	Perusal of the Government website, and interviews with Treasury officials
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance, as assessed in PI-27.	N	Perusal of the Government website, and interviews with Treasury officials
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	N	Perusal of the Government website, and interviews with Treasury officials
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	N	Perusal of the Government website, and interviews with Treasury officials
Additional elements		
6. Prebudget statement. The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	There is no prebudget statement
7. Other external audit reports. All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	N	Perusal of the Government website, and interviews with Treasury officials
8. Summary of the budget proposal. A "citizens' budget", and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's	N	No "citizens' budget" is prepared

Element/ Requirements	Met (Y/N)	Evidence used/Comments
submission to the legislature and within one month of the budget's approval.		
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	No macroeconomic forecasts are prepared

The requirements are not met for any of the five basic elements, nor any of the four additional elements.

Hence, the score for the present dimension is D.

PILLAR THREE: Management of assets and liabilities

PI-10. Fiscal risk reporting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10. Fiscal risk reporting	D	
10.1 Monitoring of public corporations	D	Government is not receiving financial reports from most public corporations within nine months of the end of the fiscal year
10.2 Monitoring of subnational governments	NA	There is no material system of subnational government
10.3 Contingent liabilities and other fiscal risks	D	The backlog in the preparation of Government financial statements creates uncertainty in relation to contingent liabilities and other fiscal risks

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government’s own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

10.1. Monitoring of public corporations

Performance level and evidence for scoring the dimension

Niue has four public corporations:

- Niue Philatelic and Numismatic Corporation (NPNC)
- Broadcasting Corporation of Niue (BCN)
- Telecom Niue
- Niue Development Bank (NDB)

The Financial Secretary is an ex officio member of the boards of all of these corporations. There is no unit or official within the central agencies of Government with responsibility to monitor and report on the performance of public corporations. The corporations report individually to Government.

The financial statements of NDB are up to date and audited, while the remaining corporations are well behind in reporting to Government. A team from Deloitte New Zealand has been commissioned to bring the financial statements of public corporations up to date, together with the Government financial statements.

The NPNC has been used as a vehicle in relation to the transfer of commercial functions from the Government budget, and also as a vehicle to engage in other areas of commercial activity. NPNC was established pursuant to the Niue Philatelic and Numismatic Act of 1996, with functions to administer philatelic, numismatic and other revenue earning options and services. Commercial activities operating under the umbrella of NPNC include Niue Power, the Bond Store, Civil and Quarry, Noni juice sales, and a coffee shop. These commercial activities generally have not been corporatized as separate business entities.

Based on the analysis and supporting evidence, the score for the present dimension is D, as Government is not receiving financial reports from most public corporations within nine months of the end of the fiscal year.

10.2. Monitoring of subnational governments

Performance level and evidence for scoring the dimension

Niue has 14 village councils which receive small annual grants from the Government. The grants are distributed on a quarterly basis, subject to quarterly reporting to the Ministry of Social Services. The system of village councils is not considered sufficiently material for assessment under this dimension (refer to PI-7 above).

Hence, the score for the present dimension is NA.

10.3. Contingent liabilities and other fiscal risks

Performance change since the previous assessment, where applicable

The process of preparing and auditing Government financial statements is well behind (the last audited financial statements were for the 2013/14 financial year). It is therefore difficult to gain an accurate picture of the contingent liabilities of Government. Contingent liabilities are thought to be relatively few, and may include liability for potential losses on air services to Niue pursuant to an agreement with Air New Zealand (identified in the 2013/14 audited financial statements) and liability to reimburse student loans in New Zealand for students returning to Niue after study programs. No guarantees have been issued in relation to borrowing by public corporations. There has been some Government lending to the Niue Development Bank financed by drawing down from the Niue International Trust Fund, and this involves an element of fiscal risk for Government.

Based on the analysis and supporting evidence, the score for the present dimension is D, as the backlog in the preparation of Government financial statements creates uncertainty in relation to contingent liabilities and other fiscal risks.

PI-11. Public investment management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-11. Public investment management	D+	
11.1 Economic analysis of investment projects	D	Due to the absence of internal capacity for economic analysis, and the lack of process in place to monitor and manage economic analyses undertaken by development partners
11.2 Investment project selection	C	There is a fixed term plan prioritizing major public investment projects using standard criteria, and a central entity responsible for project selection, but limited internal capacity to review and update the fixed term plan
11.3 Investment project costing	D	Projections of the total capital cost of major investment projects are not shown in the budget documents
11.4 Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by Government, and reported on in annual reports by the implementing ministry

General description of the characteristics of the indicator within the scope covered

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

11.1. Economic analysis of investment projects

Performance level and evidence for scoring the dimension

The Government has very little internal capacity for the economic appraisal of projects, either in central agencies or in line ministries. Virtually all large projects are financed by development partners on a grant basis, and reliance is placed on the development partners to undertake the necessary economic analysis of these projects.

Government has a Project Oversight Steering Team (POST) comprising senior officials, and supported by a technical secretariat. All projects go through the POST for approval. A Project Management and Coordination Unit (PMCU) has been established. The PMCU focuses on the delivery of committed projects which are referred to it, rather than the identification, appraisal and prioritization of potential projects. There are no national guidelines for economic analysis. PMCU aims to optimise the ability of the government to manage projects within its work plan and to specified requirements, ensuring delivery to meet scope, schedule, budget and quality, while at the same time ensuring that Niue’s interests are met in terms of strategic alignment and outcomes.

Hence, the score for the present dimension is D, given the absence of internal capacity for economic analysis and the lack of process in place to monitor and manage economic analyses undertaken by development partners.

11.2. Investment project selection

Performance level and evidence for scoring the dimension

The Government of Niue Infrastructure Plan 2016-2025 (also referred to as the Asset Management Plan or AMP) was commissioned in 2016. This identifies requirements for asset operation and maintenance, renewal/replacement and new capital investment, and establishes a planning process for infrastructure asset management led by the Ministry of Infrastructure. Specific criteria are applied to the identification and scheduling of investment requirements. The Government has also prepared a National Transport Strategy and Short Term Action Plan 2017 to 2026, with technical assistance from the Pacific Region Infrastructure Facility (PRIF). This supplements the AMP in the transport sector, and includes more specific criteria for the prioritization of transport sector investments.

Decisions on investment project selection are made by the POST and projects are included in the budget when they are funded by development partners. The prioritization function is the responsibility of the POST, as well as ensuring there is alignment with national priorities. POST establishes a strategic framework for determining priorities that support Niue strategic priorities and better coordination with all partners. Budget preparation does not involve a project selection process as projects are approved elsewhere. Investment projects are listed in the budget documentation, though the appropriation for project expenditure is not itemized by project.

The internal capacity of the Government to implement the asset management and investment planning processes set out in the AMP, and to review and update the plan on a regular basis, is limited. There is therefore a risk that the fixed term AMP will become outdated, compromising the project selection process.

Hence, the score for the present dimension is C. There is a fixed term plan prioritizing major public investment projects using standard criteria (the AMP), and a central entity responsible for project selection (the POST), but limited internal capacity to review and update the AMP.

11.3. Investment project costing

Performance level and evidence for scoring the dimension

The budget documents include an investment and development budget, which itemizes projects including major investment projects, but only indicates the allocations to the project for the current year and the budget year.

Hence, the score for the present dimension is D, as projections of the total capital cost of major investment projects are not shown in the budget documents.

11.4. Investment project monitoring

Performance level and evidence for scoring the dimension

Project monitoring capacity is more developed than the capacity required under the other dimensions of this indicator. The combination of the work of the Project Oversight Steering Team and the Project Management and

Coordination Unit provides for the monitoring of the delivery of major investment projects, in addition to the work of the implementing ministry. Standard procedures and rules for project implementation are not in place.

Hence, the score for the present dimension is C, as the total cost and physical progress of major investment projects are monitored by Government, and reported on in annual reports by the implementing ministry.

PI-12. Public asset management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12. Public asset management	D+	
12.1 Financial asset monitoring	C	There are records of holdings in major categories of financial assets, but no annual publication of information on performance
12.2 Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects partial information on their usage and age
12.3 Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are established, but information on transfers and disposals is not included in budget documents or reports

General description of the characteristics of the indicator within the scope covered

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

12.1. Financial asset monitoring

Performance level and evidence for scoring the dimension

The government accounting system maintains a record of holdings in major categories of financial assets. However, there is no annual publication of information on the performance of the major categories of financial assets.

Hence, the score for the present dimension is C.

12.2. Nonfinancial asset monitoring

Performance level and evidence for scoring the dimension

A fixed asset register is maintained centrally in the Greentree financial management information system, which collects partial information on the usage and age of nonfinancial assets. Categories of nonfinancial asset used in the system include land, infrastructure assets. Buildings and site improvements, machinery, vehicles, ICT and other electronic equipment, furniture and fittings, and work in progress. Ministries are also required to maintain asset registers to assist with asset management and maintenance.

Hence, the score for the present dimension is C, as the government maintains a register of its holdings of fixed assets and collects partial information on their usage and age.

12.3. Transparency of asset disposal

Performance level and evidence for scoring the dimension

While some procedures and rules for the transfer or disposal of nonfinancial assets are established, information on transfers and disposals is not included in budget documents, financial reports, or other reports.

Hence, the score for the present dimension is D.

PI-13. Debt management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	D	
13.1 Recording and reporting of debt and guarantees	NA	There is no domestic and foreign debt and guaranteed debt at the time of assessment
13.2 Approval of debt and guarantees	D	There is no primary legislation and no documented policies and procedures with respect to debt-related transactions
13.3 Debt management strategy	D	The Government does not have a publicly available medium-term debt management strategy.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the M2 (AV) method for aggregating scores.

13.1. Recording and reporting of debt and guarantees

Performance level and evidence for scoring the dimension

Government has a policy position not to borrow, given the limited opportunities for economic activities capable of supporting the servicing of debt.

As there is no domestic and foreign debt and guaranteed debt at the time of assessment, the score for the present dimension is NA.

13.2. Approval of debt and guarantees

Performance level and evidence for scoring the dimension

There is no primary legislation governing Government borrowing and lending, and the provision of guarantees. There are no documented policies and procedures governing borrowing and lending, and the provision of guarantees, and no entity responsible for monitoring and reporting of debt-related transactions.

Hence, the score for the present dimension is D.

13.3. Debt management strategy

Performance level and evidence for scoring the dimension

The Government does not have a prepared medium-term debt management strategy (DMS), but does have a policy not to borrow. This policy is a decision of Cabinet, but not publicly documented.

As there is no publicly available medium-term debt management strategy, the score for the present dimension is D.

PILLAR FOUR: Policy based fiscal strategy and budgeting

PI-14. Macroeconomic and fiscal forecasting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14. Macroeconomic and fiscal forecasting	D	
14.1 Macroeconomic forecasts	D	No macroeconomic forecasts are prepared
14.2 Fiscal forecasts	D	Fiscal forecasts were discontinued after the 2015/16 budget
14.3 Macrofiscal sensitivity analysis	D	No macroeconomic forecasts are prepared

General description of the characteristics of the indicator within the scope covered

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses **M2 (AV)** for aggregating dimension scores.

14.1. Macroeconomic forecasts

Performance level and evidence for scoring the dimension

No forecasts of key macroeconomic indicators are prepared in the lead in to the budget process.

Hence, the score for the present dimension is D.

14.2. Fiscal forecast

Performance level and evidence for scoring the dimension

No forecasts of revenue and expenditure have been prepared for the budget year and the two following fiscal years for the last three completed fiscal years. Forward projections of revenue, expenditure and budget balance were included in earlier budgets, commencing in 2011/12 but being discontinued in 2015/16.

Hence, the score for the present dimension is D.

14.3. Macrofiscal sensitivity analysis

Performance level and evidence for scoring the dimension

As there are no macroeconomic forecasts prepared during the budget process, the score for the present dimension is D.

PI-15. Fiscal strategy

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	D+	
15.1 Fiscal impact of policy proposals	C	Government examines the impact on the budget of all new revenue and expenditure measures, but only for the budget year
15.2 Fiscal strategy adoption	D	No formal fiscal strategy is submitted to the legislature in the course of budget preparation
15.3 Reporting on fiscal outcomes	C	Monthly and quarterly variance reports are used to report to Cabinet on fiscal outcomes

General description of the characteristics of the indicator within the scope covered

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government’s fiscal goals. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

15.1. Fiscal impact of policy proposals

Performance level and evidence for scoring the dimension

Government examines the impact on the budget of all new revenue and expenditure measures, but only for the budget year. This has been the case over the last three completed financial years, since forward projections of the fiscal impact of new measures were discontinued in 2015/16. The budget guideline issued to ministries requires ministries to gain Cabinet approval of significant new revenue and expenditure measures before including these in their budget submissions.

Hence, the score for the present dimension is C.

15.2. Fiscal strategy adoption

Performance level and evidence for scoring the dimension

No formal fiscal strategy is submitted to the legislature in the course of budget preparation. The budget guidelines to ministries include direction to restrain expenditure to help achieve the fiscal goal of a balanced budget, but this does not amount to a fiscal strategy.

Hence, the score for the present dimension is D.

15.3. Reporting on fiscal outcomes

Performance level and evidence for scoring the dimension

No formal report on fiscal outcomes is presented to the legislature. Monthly and quarterly variance reports generated by the Greentree financial management information system are used to report to Cabinet on fiscal performance during the year and on fiscal outcomes at the end of the financial year. The variance reports are used to advise Cabinet whether the fiscal aim of a balanced budget is being met.

Hence, the score for the present dimension is C.

PI-16. Medium-term perspective in expenditure budgeting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	D	
16.1. Medium-term expenditure estimates	D	The annual budget contains estimates of expenditure for the budget year only
16.2 Medium-term expenditure ceilings	D	Medium-term expenditure ceilings are not set
16.3 Alignment of strategic plans and medium-term budgets	C	Ministries prepare corporate plans which provide strategic guidance to their annual budget submissions
16.4 Consistency of budgets with previous year's estimates	D	No medium-term expenditure estimates are prepared

General description of the characteristics of the indicator within the scope covered

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

16.1. Medium-term expenditure estimates

Performance level and evidence for scoring the dimension

The annual budget presents estimates of expenditure for the budget year, but not for the following two years. Forward estimates were included in the annual budget from 2011/12 to 2015/16, but these were discontinued due to capacity constraints.

Hence, the score for the present dimension is D.

16.2. Medium-term expenditure ceilings

Performance level and evidence for scoring the dimension

The setting of medium-term expenditure ceilings does not form part of the budget process.

Hence, the score for the present dimension is D.

16.3. Alignment of strategic plans and medium-term budgets

Performance level and evidence for scoring the dimension

Ministries prepare corporate plans which provide strategic guidance to their annual budget submissions. Some expenditure policy proposals in the annual budget estimates align with the ministry corporate plans.

Hence, the score for the present dimension is C.

16.4. Consistency of budgets with previous year's estimates

Performance level and evidence for scoring the dimension

No medium-term expenditure estimates are prepared.

Hence, the score for the present dimension is D.

PI-17. Budget preparation process

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	D+	
17.1 Budget calendar	C	An annual budget calendar exists, and some budgetary units are able to comply with it
17.2 Guidance on budget preparation	D	Budget guidelines are issued, but do not contain expenditure ceilings
17.3 Budget submission to the legislature	D	The budget is submitted to the Assembly less than one month before the start of the new financial year

General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

17.1. Budget calendar

Performance level and evidence for scoring the dimension

The calendar issued on 8 February 2019 for the preparation of the 2019/20 budget was as follows:

2019/2020 BUDGET PRODUCTION TIMETABLE		
Timing	Things to be done	Staff Involved/ Group
8th February	Forms and Letters Distributed to Dept's	Fin. Sec
25th April	Deadline for Depts to return all submissions to Treasury	Budget Manager
25th April - 17th May	Initial Spreadsheets & Checking by Treasury Review of budget by Treasury	Fin Sec, Budget Manager Selected HODs
23rd May	Budget Draft 1 submission to Minister/Cabinet	SOG & Fin. Sec.
	Update Cabinet comments on budget Format, Update & Finalise All Estimates	Fin Sec/SOG/Eco Advisor/ Budget Manager with HODs
6th June	Final Draft 1 Budget submitted to Cabinet for approval Cabinet meeting for approval of budget	SOG & Fin. Sec.
	Print Appropriation Bill & Budget Draft Deliver Budget Draft to Assembly Members	Budget Manager Clerk to Assembly
19th June (TBC)	Table Budget in Assembly First Reading & Refer to PAC	Hon Minister of Finance
	PAC Meetings with HODs	
10th July (TBC)	Table Budget in Assembly PAC Report presented to Assembly	PEC Chairperson

In the event the 2019/20 budget was passed by the Niue Assembly on 31 July 2019. Previous budget calendars had been criticized for giving ministries only around two weeks to complete their budget submissions. The 2019/20 budget calendar allowed more than two months for this step. A shortcoming of the 2019/20 budget calendar was that it continued the situation in which the budget was not finally approved by the Assembly until after the start of the new financial year. Compliance with the budget calendar is at a reasonable level.

Hence, the score for the present dimension is C, as some budgetary units are able to comply with the budget calendar and meet the deadlines for completing estimates.

17.2. Guidance on budget preparation

Performance level and evidence for scoring the dimension

A letter including budget guidelines and the budget calendar was issued on 8 February 2019 for the last budget to be presented to the Assembly (the 2019/20 budget). The guidelines do not contain expenditure ceilings, other than an instruction to keep expenditure at the level of the previous year other than in exceptional circumstances. It is noted that issuing ceilings would provide an opportunity to redirect expenditure from areas of lower to areas of higher priority in accordance with the national strategic plan.

Hence, the score for the present dimension is D.

17.3. Budget submission to the legislature

Performance level and evidence for scoring the dimension

For the last three completed financial years, the budget has been submitted to the Assembly less than one month before the start of the new financial year.

Hence, the score for the present dimension is D.

PI-18. Legislative scrutiny of budgets

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18. Legislative scrutiny of budgets	C+	
18.1 Scope of budget scrutiny	C	The legislature’s review covers details of expenditure and revenue
18.2 Legislative procedures for budget scrutiny	B	The legislature’s procedures to review budget proposals include a Public Accounts Committee
18.3 Timing of budget approval	C	The legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years
18.4 Rules for budget adjustments by the executive	C	Clear rules exist for budget adjustments by the executive, but there remains evidence of some overspending

General description of the characteristics of the indicator within the scope covered

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature’s procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

18.1. Scope of budget scrutiny

Performance level and evidence for scoring the dimension

The annual budget as submitted to the Assembly with the annual Appropriation Act contains estimates of revenue and expenditure for the budget year, and comparisons with the two previous years. It does not include a fiscal strategy or medium-term projections.

Hence, the score for the present dimension is C.

18.2. Legislative procedures for budget scrutiny

Performance level and evidence for scoring the dimension

The Assembly has a Public Accounts Committee (PAC), which is formally constituted. The PAC scrutinizes the budget, has hearings with spending agencies (though not public hearings), and submits a report to the Assembly. PAC hearings, and reporting to the Assembly, are built in to the budget calendar (refer dimension PI 17.1 above).

Hence, the score for the present dimension is B.

18.3. Timing of budget approval

Performance level and evidence for scoring the dimension

Approval of the budget by the Assembly is not generally achieved before the start of the new financial year, as detailed in the table below. However, the Assembly has approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.

Table 3.7: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Date budget approved by Assembly
2016/17	18 July 2016
2017/18	7 August 2017
2018/19	25 July 2018

Hence, the score for the present dimension is C.

18.4. Rules for budget adjustments by the executive

Performance level and evidence for scoring the dimension

Section 54(4)(b) of the Constitution provides Cabinet with the authority to approve the expenditure of such sums as it considers necessary in excess of or without the appropriation of the Niue Assembly, provided that these sums do not exceed 1.5 percent of the amount appropriated for the financial year. Audit reports (2013/14 is the most recent) identify some overspending beyond the constitutional provision. Efforts have been made to address this, and providing spending agencies with read-only access to the Greentree financial management information system is a step forward. There have been no supplementary budgets in recent years.

Hence, the score for the present dimension is C.

PILLAR FIVE: Predictability and control in budget execution

PI-19. Revenue administration

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	D+	
19.1 Rights and obligations for revenue measures	C	Tax authorities provide some information to taxpayers on rights and obligations under the tax legislation
19.2 Revenue risk management	C	Some risk management approaches are in place, though these are not fully effective
19.3 Revenue audit and investigation	D	Some desk audits are undertaken, but there is no thorough audit and investigation process in relation to the tax system
19.4 Revenue arrears monitoring	D*	Greentree provides some capacity to monitor tax arrears, but there is no comprehensive data on the stock and age profile of tax arrears

General description of the characteristics of the indicator within the scope covered

This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions and uses **M2 (AV)** method for aggregating dimension scores.

19.1. Rights and obligations for revenue measures

Performance level and evidence for scoring the dimension

Niue's main revenue sources are taxation (income tax governed by the Income Tax Act of 1961, duties on international trade governed by the Customs Act of 1966, and a value added tax governed by the Niue Consumption Tax Act 2009), recurrent budget support from the New Zealand Government, project related funding from development partners, departure tax, revenue from the licensing of foreign fishing vessels, port charges, and civil aviation landing fees. Of the \$49.4 million in revenue (including project funding) recorded for 2018/19, just under one quarter came from taxation, and just under three fifths came from development partners in the form of recurrent budget support and project funding. The Niue Tax Office and the Niue Customs Office, both part of the Ministry of Finance, are the major tax collection agencies.

The Niue Consumption Tax Act is considered to be clear and comprehensive. Largely due to their age, neither the Customs Act nor the Income Tax Act are particularly user friendly and administrative procedures are burdensome. There are appeals processes set out in each of these Acts, though they are complex. A numbering system has been introduced to give taxpayers a discrete tax number, applicable across the range of taxes.

The tax legislation is available on the Government website. Information sessions for the private sector in relation to the legislation are run periodically, in conjunction with the Chamber of Commerce. Pamphlets are also prepared for distribution to the public, summarising the rights and responsibilities of taxpayers.

A Niue Customs Bill and a Tax Administration Bill have been drafted to address shortcomings in the present legislation.

Hence, the score for the present dimension is C.

19.2. Revenue risk management

Performance level and evidence for scoring the dimension

Compliance is reasonable in relation to taxes on international trade and customs with, for example, a pay before release policy in place for Customs. There are more significant compliance issues in relation to income tax. Filing issues including delays in producing audited accounts affect compliance, though default assessments can be issued. Some risk management approaches are in place, though these are not fully effective. Risk management processes tend to be informal, rather than structured, partly as a result of the small scale of operations.

Hence, the score for the present dimension is C.

19.3. Revenue audit and investigation

Performance level and evidence for scoring the dimension

Some desk audits are undertaken, but there is no thorough audit and investigation process in relation to the tax system. Capacity constraints in terms of staff numbers are one explanation for this.

Hence, the score for the present dimension is D.

19.4. Revenue arrears monitoring

Performance level and evidence for scoring the dimension

There is capacity in the Greentree system for updating and reconciliation of assessments, collections, arrears records and receipts. However, there is not a comprehensive and systematic process of monitoring the stock and age profile of tax arrears.

Hence, the score for the present dimension is D*, given the lack of comprehensive data on the stock and age profile of tax arrears.

PI-20. Accounting for revenue

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	D+	
20.1 Information on revenue collections	C	There is no formal revenue reporting in a consolidated form by a central agency, but monthly reports produced by the Greentree system include comprehensive and up to date information on revenue collections
20.2 Transfer of revenue collections	A	Customs and Income Tax collections have next day transfer to Treasury, and other revenues are paid directly into the Government Account managed by Treasury
20.3 Revenue accounts reconciliation	D	For tax revenues, there is a continuous reconciliation process of collections and transfers to Treasury maintained on the Greentree system. This is not the case for other revenues. Tax revenues account for less than 75 percent of central government revenues.

General description of the characteristics of the indicator within the scope covered

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. It contains three dimensions and uses **M1 (WL)** for aggregating dimension scores.

20.1. Information on revenue collections

Performance level and evidence for scoring the dimension

There is no formal revenue reporting in a consolidated form by a central agency. The monthly reports produced by the Greentree financial management information system include comprehensive and up to date information on revenue collections, and these reports are available to all government agencies on demand on a read-only basis.

Hence, the score for the present dimension is C.

20.2. Transfer of revenue collections

Performance level and evidence for scoring the dimension

Separate bank accounts are maintained for Customs and Income Tax collections, with next day transfer to Treasury including a breakdown of receipts. Other government revenues are paid directly into the Government Account managed by Treasury.

Hence, the score for the present dimension is A.

20.3. Revenue accounts reconciliation

Performance level and evidence for scoring the dimension

In relation to tax revenues, there is a continuous reconciliation process of collections and transfers to Treasury maintained on the Greentree system. There are no formal reconciliation processes for other revenues collected by ministries. Tax revenues account for less than 75 percent of central government revenues.

Hence, the score for the present dimension is D.

PI-21. Predictability of in-year resource allocation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	D+	
21.1. Consolidation of cash balances	D	Bank accounts are not consolidated on a regular basis
21.2 Cash forecasting and monitoring	D	No formal cash flow is prepared, but Treasury undertakes monthly reviews of the cash situation
21.3 Information on commitment ceilings	D	There is no formal process of issuing commitment ceilings, and an informal system of dialogue between Treasury and spending agencies is relied upon
21.4 Significance of in-year budget adjustments	B	In-year budget adjustments imposed by Treasury are rare, though tight cash positions are dealt with by slowing payments

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

21.1. Consolidation of cash balances

Performance level and evidence for scoring the dimension

The Government has a total of nine bank accounts held with two banks (Westpac and Kiwi Bank). All of these accounts are controlled by Treasury. No Treasury Single Account (TSA) has been established, and there is no “sweeping” function to consolidate balances on a systematic and regular basis.

Hence, the score for the present dimension is D.

21.2. Cash forecasting and monitoring

Performance level and evidence for scoring the dimension

Spending agencies are required to prepare annual expenditure plans to support their budgets. Treasury carries out a monthly review of the cash situation, but there is no formal cash flow prepared for the year and updated systematically.

Hence, the score for the present dimension is D.

21.3. Information on commitment ceilings

Performance level and evidence for scoring the dimension

Annual expenditure plans prepared by spending agencies are utilized in the monthly cash flow reviews carried out by Treasury. There is no formal process of issuing commitment ceilings, and an informal system of dialogue between Treasury and spending agencies is relied upon.

Hence, the score for the present dimension is D.

21.4. Significance of in-year budget adjustments

Performance level and evidence for scoring the dimension

In-year budget adjustments imposed by Treasury are rare, and if made are handled transparently. There have been no supplementary budgets in recent years. There does exist the constitutional provision allowing Cabinet to approve the expenditure of such sums as it considers necessary in excess of or without the appropriation of the Niue Assembly, provided that these sums do not exceed 1.5 percent of the amount appropriated for the financial year. If this provision is exercised, changes to the budget are disclosed. In sum, in-year budget adjustments are not at a significant level.

There is evidence that agency budgets are sometimes over-spent, even though there is a tendency to under-spend at the aggregate level, indicating that the budget constraint is not as “hard” as it could be. Tight cash positions are more likely to be dealt with by restricting payments informally rather than amending budgets.

Hence, the score for the present dimension is B.

PI-22. Expenditure arrears

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	D	
22.1. Stock of expenditure arrears	D*	There is no formal system for measuring and monitoring expenditure arrears, and reliance is placed on informal systems

Indicator/Dimension	Score	Brief justification for score
22.2 Expenditure arrears monitoring	D	No data is generated on the stock and composition of expenditure arrears

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores.

22.1. Stock of expenditure arrears

Performance level and evidence for scoring the dimension

There is no formal system for measuring and monitoring expenditure arrears. Trade and other creditors are quantified in the balance sheets produced by the financial management information system, but these liabilities are not “aged” to identify what proportion is in arrears. Reliance is placed on informal systems involving communications among Treasury, spending agencies and creditors.

Hence, the score for the present dimension is D*, as there is insufficient information available on the stock of expenditure arrears.

22.2. Expenditure arrears monitoring

Performance level and evidence for scoring the dimension

No data is generated on the stock and composition of expenditure arrears.

Hence, the score for the present dimension is D.

PI-23. Payroll controls

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	D+	
23.1 Integration of payroll and personnel records	B	The payroll is checked against the establishment register fortnightly, and there are clear processes in place for payroll changes
23.2 Management of payroll changes	A	Changes to the payroll are processed fortnightly, and retroactive adjustments are rare
23.3 Internal control of payroll	B	The authority and basis for changes to personnel records and the payroll are clear, and a high level of data integrity is achieved
23.4 Payroll audit	D	There are no formal payroll audits undertaken

General description of the characteristics of the indicator within the scope covered

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

23.1. Integration of payroll and personnel records

Performance level and evidence for scoring the dimension

The Government payroll is run fortnightly under the Greentree financial management information system, and is controlled by the Public Service Commission (PSC) and Secretariat. The payroll includes approximately 400 public servants, together with statutory positions including members of the Cabinet and Assembly. Pension payments and child allowances are also run using the same system. A separate establishment register and system of personnel records is also maintained by the PSC. Ministries/department maintain their own personnel records, and are responsible for informing PSC of changes such as retirements. The establishment register includes a PSC approval number for each position. Checks are made every fortnight to make sure that the payroll matches the PSC personnel records.

Hence, the score for the present dimension is B.

23.2. Management of payroll changes

Performance level and evidence for scoring the dimension

Changes to the payroll are processed fortnightly in the off-payweek (on advice from the relevant ministry), with input to the system by the payroll officer and checks by a manager. Checks are made every fortnight to make sure that the payroll matches the PSC personnel records. Retroactive adjustments are rare, and while there is no reliable data on the magnitude of any such adjustments, corrections are believed to be less than the threshold of 3 percent of salary payments.

Hence, the score for the present dimension is A.

23.3. Internal control of payroll

Performance level and evidence for scoring the dimension

A payroll procedures file guides the overall process of payroll preparation, and the PSC also defines broader responsibilities with respect to personnel procedures. Under this system the authority and basis for changes to personnel records and payroll are clear. Segregation of duties is established in the payroll system, with data entry and checking handled by separate officers, and clear responsibilities allocated to the relevant ministry and PSC. The system results in a high level of data integrity.

Hence, the score for the present dimension is B.

23.4. Payroll audit

Performance level and evidence for scoring the dimension

Formal audits of the payroll are not undertaken, though the small scale of the system and the internal controls in place provide a high level of confidence in the system.

Hence, the score for the present dimension is D, given the absence of formal payroll audits.

PI-24. Procurement

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	D	
24.1 Procurement monitoring	D	There is no procurement legislation, and no data available on contracts awarded
24.2 Procurement methods	D*	Insufficient data on the proportion of procurement handled through competitive processes
24.3 Public access to procurement information	D	Only bidding opportunities are published
24.4 Procurement complaints management	D	There is no formal mechanism for dealing with complaints

General description of the characteristics of the indicator within the scope covered

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

24.1. Procurement monitoring

Performance level and evidence for scoring the dimension

There is no separate procurement legislation. Current regulations require that all capital expenditure is to be approved by Cabinet, while authorization for recurrent expenditure is delegated to Heads of Departments. There is no data available on the methods used for awarding contracts.

A draft Government of Niue Procurement Policy has been prepared, and finalization and adoption of this policy would assist in regularizing procurement arrangements.

Hence, the score for the present dimension is D.

24.2 Procurement methods

Performance level and evidence for scoring the dimension

Procurement methods are not specified in any legislation. A Tenders Board is in operation, with the Chamber of Commerce as secretariat. Established practice is that purchases of \$10,000 and above are put to competitive tender, while three quotes need to be obtained for purchases below this amount. There is some uncertainty as to whether projects funded by development partners are processed through the Tenders Board. As there is no database established for procurement, information is not available on the proportion of contracts awarded through competitive methods.

Hence, the score for the present dimension is D*, that is, the D score is awarded due to insufficient information.

24.3. Public access to procurement information

Performance level and evidence for scoring the dimension

Key procurement information which should be made available to the public is set out in the following table:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	N	There is no regulatory framework in place
(2) government procurement plans	N	Not published
(3) bidding opportunities	Y	Bidding opportunities are broadcast on local radio
(4) contract awards (purpose, contractor and value)	N	Not published
(5) data on resolution of procurement complaints	N	Not published
(6) annual procurement statistics	N	No statistics are produced

The requirements are met for 1 element out of 6.

Hence, the score for the present dimension is D.

24.4. Procurement complaints management

Performance level and evidence for scoring the dimension

There is no formal complaints review process. Any complaints would have to be put to the Treasury, and the Financial Secretary is a member of the Tenders Board. The key requirements in relation to a procurement complaints review body are:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	N	If complaints were directed to Treasury, then this would involve the Financial Secretary who is also a member of the Tenders Board
(2) does not charge fees that prohibit access by concerned parties	Y	No fees charged

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	N	Processes are not clearly defined
(4) exercises the authority to suspend the procurement process	N	Processes are not clearly defined
(5) issues decisions within the timeframe specified in the rules/ regulations	N	Processes are not clearly defined
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	N	Processes are not clearly defined

The requirements are not met for element (1), and are met for 1 additional element out of 5.

Hence, the score for the present dimension is D.

PI-25. Internal controls on nonsalary expenditure

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on nonsalary expenditure	C+	
25.1 Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process, though Treasury regulations are in need of review
25.2 Effectiveness of expenditure commitment controls	C	Controls in place through the purchase order system are reasonably effective, though the FMIS has no commitments module
25.3 Compliance with payment rules and procedures	B	Treasury estimates compliance with transaction procedures to be at 80 percent

General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores.

25.1. Segregation of duties

Performance level and evidence for scoring the dimension

The Constitution, the Public Revenues Act of 1959 and the Treasury Regulations of 2002 set out the basic rules and internal control procedures. Procedures are comprehensive but there is a recognised need to review the Treasury regulations as changes in business processes have made some of the current internal controls obsolete. Segregation of duties is established in the purchase order process which requires departments to obtain approval from Treasury before committing government to any expenditure. Before issuing a purchase order number,

remaining budget allocations and cash availability are monitored. All capital expenditure with a value greater than \$500 requires Cabinet approval.

Recording is a function centralised in Treasury, individual departments are responsible for assets with Treasury responsible for a central asset register, while reconciliations are undertaken by departments in liaison with Treasury. There is no dedicated internal audit function, though Treasury assumes this responsibility in the course of other duties.

Hence, the score for the present dimension is C.

25.2 Effectiveness of expenditure commitment controls

Performance level and evidence for scoring the dimension

The Greentree financial management information system does not have a commitments module. However, the controls in place through the purchase order system are reasonably effective. Departments are required to obtain Treasury approval before committing expenditure, and remaining budget allocations and cash availability are monitored before a purchase order number is issued.

Departments are required to download the purchase order (PO) report from the system via webview and reconcile to ensure that these commitments have been paid. If they have been paid and the PO is still open, advise Treasury to cancel the PO so that it can be dropped from the system. If they are not paid then they add these commitments to their vote expenditure to date so they know the budget balance.
 YTD actual expenditure + commitments against YTD budget = budget balance

Hence, the score for the present dimension is C.

25.3. Compliance with payment rules and procedures

Performance level and evidence for scoring the dimension

The level of compliance with transaction procedures is relatively good. Compliance is estimated by Treasury to be 80 percent, indicating that most payments are compliant with regular payment procedures, and the majority of exceptions are properly authorized and justified. Audit reports although dated have generally highlighted only minor issues with respect to central government operations. There is no internal audit function to draw on.

Hence, the score for the present dimension is B.

PI-26. Internal audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	D	
26.1 Coverage of internal audit	D	There is no internal audit function

Indicator/Dimension	Score	Brief justification for score
26.2 Nature of audits and standards applied	NA	
26.3 Implementation of internal audits and reporting	NA	
26.4 Response to internal audits	NA	

General description of the characteristics of the indicator within the scope covered

This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension score.

26.1. Coverage of internal audit

Performance level and evidence for scoring the dimension

There was an internal audit function up until 2011 when the incumbent resigned and was not replaced.

Hence, the score for the present dimension is D.

26.2. Nature of audits and standards applied

Performance level and evidence for scoring the dimension

There is no internal audit function.

Hence, the score for the present dimension is NA.

26.3. Implementation of internal audits and reporting

Performance level and evidence for scoring the dimension

There is no internal audit function.

Hence, the score for the present dimension is NA.

26.4. Response to internal audits

Performance level and evidence for scoring the dimension

There is no internal audit function.

Hence, the score for the present dimension is NA.

PILLAR SIX: Accounting and reporting

PI-27. Financial data integrity

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	B	
27.1 Bank account reconciliation	B	Bank reconciliations done monthly for all accounts, with little delay
27.2 Suspense accounts	A	Suspense accounts are reconciled monthly, and cleared no later than the end of the financial year unless duly justified
27.3 Advance accounts	NA	Advance accounts are rare, as travel is almost always externally funded
27.4 Financial data integrity processes	C	Data entry is centralized in the Treasury. No formal process for verifying data integrity and establishing an audit trail

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

27.1. Bank account reconciliation

Performance level and evidence for scoring the dimension

Bank account receipting is handled daily for all bank accounts, and bank account reconciliations are carried out monthly with little delay (within four weeks from the end of each month).

Hence, the score for the present dimension is B.

27.2 Suspense accounts

Performance level and evidence for scoring the dimension

Reconciliation of suspense accounts is carried out on a monthly basis. Suspense accounts are cleared monthly where possible, and no later than the end of the financial year unless duly justified. In the absence of an internal audit function to verify this, Treasury assumes responsibility for verification.

Hence, the score for the present dimension is A.

27.3. Advance accounts

Performance level and evidence for scoring the dimension

Advance accounts are rare. Most travel is externally funded.

Hence, the score for the present dimension is NA.

27.4. Financial data integrity processes

Performance level and evidence for scoring the dimension

Data entry in the Greentree financial management information system is centralized in the Treasury. Spending agencies have access to the data and relevant reports on a read-only basis. There is no formal process for verifying data integrity and establishing an audit trail. Monthly reconciliation processes are in place.

Hence, the score for the present dimension is C.

PI-28. In-year budget reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget report	C+	
28.1 Coverage and comparability of reports	A	In-year budget reports have full coverage of and comparability with the approved budget
28.2 Timing of in-year budget reports	A	In-year budget reports are accessible to spending agencies monthly, and are used by them on a regular basis
28.3 Accuracy of in-year budget reports	C	Expenditure data is captured only at payment stage, but data is useful for spending agencies and others to analyze budget execution

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

28.1. Coverage and comparability of reports

Performance level and evidence for scoring the dimension

In-year budget reports are not distributed, but spending agencies have read-only access to monthly reports on the Greentree financial management information system. These monthly reports provide full comparability with and

coverage of the original budget, and are accessed on a regular basis by spending agencies. Reports (which can be generated on a modified accrual and on an appropriation basis) are generated within the Greentree system and the budget is entered into the system.

Hence, the score for the present dimension is A.

28.2. Timing of in-year budget reports

Performance level and evidence for scoring the dimension

In-year budget reports are generated monthly on the Greentree financial management information system, and are accessed in real time by spending agencies on a read-only basis. Officials responsible for budget execution themselves access the system and routinely generate in-year budget reports, which are used to prepare monthly variance reports for decision-makers.

Hence, the score for the present dimension is A.

28.3. Accuracy of in-year budget reports

Performance level and evidence for scoring the dimension

Expenditure data is captured only at payment stage, as there is no capacity to record commitments in the accounting system. Data is useful for spending agencies and others to analyze budget execution.

Hence, the score for the present dimension is C.

PI-29. Annual financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	D+	
29.1 Completeness of annual financial reports	D	No financial statement has been prepared for the last completed financial year
29.2 Submission of reports for external audit	D	The last completed financial statement submitted for audit were for the 2013/14 financial year, which was authorized for issue on 11 November 2016
29.3 Accounting standards	C	Financial statements are prepared in accordance with NGAAP, and this is disclosed in the statements

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system. It contains three dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

29.1. Completeness of annual financial reports

Performance level and evidence for scoring the dimension

Annual financial statements are comprehensive and prepared on a consolidated basis, including the Government of Niue (the Parent) and public corporations. The financial statements are prepared on a modified accrual basis, including an income statement, a balance sheet, and a statement of cash flows. They also include a statement of appropriation prepared on a cash basis and comparable with the annual budget.

Financial statements have not been prepared for the last completed financial year (2018/19), with the last audited financial statement being for the 2013/14 financial year. Work is underway to bring the financial statements of the Government and the public corporations up to date. A team from Deloitte New Zealand is currently working with the Treasury staff on this task.

Hence, the score for the present dimension is D, due to the absence of financial statements for the last completed financial year.

29.2. Submission of reports for external audit

Performance level and evidence for scoring the dimension

The last completed financial statement submitted for audit was for the 2013/14 financial year. This was authorized for issue on 11 November 2016.

Hence, the score for the present dimension is D.

29.3. Accounting standards

Performance level and evidence for scoring the dimension

Financial statements are prepared in accordance with the Niue Generally Accepted Accounting Principles (NGAAP), and this is disclosed in the statements. The accounts are prepared on a modified accruals basis, with NGAAP being a set of standards agreed and documented between the Supreme Audit Institution and the Government, and applied consistently over time. NGAAP is not fully in accordance with international financial reporting standards with respect to presentation and consolidation, and is not publicly available.

Hence, the score for the present dimension is C.

PILLAR SEVEN: External scrutiny and audit

PI-30. External audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	D+	
30.1 Audit coverage and standards	D	Coverage and standards represent good practice, but there are significant delays in submitting accounts for audit
30.2 Submission of audit reports to the legislature	D	Audit reports are submitted to the Assembly and considered by the PAC, but there have been no reports for at least the last three years
30.3 External audit follow-up	D	No audit reports recently due to delays in finalizing accounts. No evidence of a formal response to earlier reports
30.4 Supreme Audit Institution independence	B	The SAI is independent. Audit reports are tabled in the Assembly, but not published elsewhere by the Government

General description of the characteristics of the indicator within the scope covered

This indicator examines the characteristics of external audit. It contains four dimensions and uses the **M1 (WL)** method for aggregating dimension scores.

30.1. Audit coverage and standards

Performance level and evidence for scoring the dimension

Section 60(1) of the Constitution provides that “The Audit Office of New Zealand shall be the auditor of the Niue Government Account and of all other public funds or accounts, and of the accounts of all Departments and Offices of executive government, and of such other public or statutory authorities or bodies as may be provided by law.”

The last audit of the Government accounts was for the 2013/14 financial year, which was completed on 19 December 2016. The audit was carried out with the Auditor-General’s Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Preparatory audit work is continuing on the 2014/15 accounts, which remain in draft form and have yet to be formally submitted for audit.

Hence, the score for the present dimension is D. While the coverage and standards of the external audit process reflect good practice, the absence of audited accounts for the last three completed financial years (and beyond) determines the score for the dimension.

30.2. Submission of audit reports to the legislature

Performance level and evidence for scoring the dimension

If available, audit reports are submitted to the Assembly in a timely fashion. Audit reports are first considered by the Public Accounts Committee, which submits a report to the Assembly together with the audit report. No audit reports have been submitted to the Assembly for the any of the last three completed financial years, due largely to the delays in finalizing and submitting Government accounts for audit.

Hence, the score for the present dimension is D.

30.3. External audit follow-up

Performance level and evidence for scoring the dimension

Experience in relation to the audit reports submitted to the Assembly up until the most recent report for the 2013/14 financial year was that no formal response was made by the executive to the audit report.

Hence, the score for the present dimension is D, given that there have been no audit reports submitted to the Assembly covering the last three completed financial years and hence no responses from the executive.

30.4. Supreme Audit Institution independence

Performance level and evidence for scoring the dimension

The SAI, the New Zealand Office of the Auditor-General, operates independently from Government with respect to appointments, audit arrangements and budget. The most recent audit report gave a qualified opinion due to lack of appropriate systems in some public corporations, but there was no reference to any information being withheld or otherwise unavailable. Audit reports are tabled in the Assembly, but not published by the Government on, for example, the Government website.

Hence, the score for the present dimension is B.

PI-31. Legislative scrutiny of audit reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	D	
31.1 Timing of audit report scrutiny	D	PAC would normally consider audit reports and report to the Assembly, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years
31.2 Hearings on audit findings	D	Formal hearings not normally held, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years

Indicator/Dimension	Score	Brief justification for score
31.3 Recommendations on audit by legislature	D	PAC would normally make recommendations, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years
31.4 Transparency of legislative scrutiny of audit reports	D	Public hearings or publication of PAC reports not generally undertaken, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years

General description of the characteristics of the indicator within the scope covered

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. It contains four dimensions and uses the **M2 (AV)** method for aggregating dimension scores.

31.1. Timing of audit report scrutiny

Performance level and evidence for scoring the dimension

If available, audit reports are submitted to the Assembly and first considered by the Public Accounts Committee. The PAC a report to the Assembly together with the audit report. However, no audit reports have been submitted to the Assembly for the any of the last three completed financial years, due largely to the delays in finalizing and submitting Government accounts for audit.

Hence, the score for the present dimension is D.

31.2 Hearings on audit findings

Performance level and evidence for scoring the dimension

There do not appear to have been in-depth hearings on audit reports when these were available in earlier years. However, no audit reports have been submitted to the Assembly for the any of the last three completed financial years, due largely to the delays in finalizing and submitting Government accounts for audit.

Hence, the score for the present dimension is D.

31.3. Recommendations on audit by legislature

Performance level and evidence for scoring the dimension

PAC reports on the audit reports submitted to the Assembly normally contain recommended actions, and PAC is in a position to follow up on these recommendations. However, this process has been in abeyance for the last three completed financial years (and beyond), due largely to delays in finalizing and submitting Government accounts for audit.

Hence, the score for the present dimension is D.

31.4. Transparency of legislative scrutiny of audit reports

Performance level and evidence for scoring the dimension

The practice in earlier years in relation to legislative scrutiny of audit reports did not involve public hearings, nor publication of PAC reports on the Government website. However, this process has been in abeyance for the last three completed financial years (and beyond), due largely to delays in finalizing and submitting Government accounts for audit.

Hence, the score for the present dimension is D.

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

The key strengths and weaknesses of PFM as identified by the performance indicators in Section 3, are discussed in terms of the overall implications for the seven pillars of PFM performance.

Budget reliability

The budget is reasonably reliable in terms of aggregate fiscal discipline, though building project expenditures financed externally by donors into the budget has led to some increase in variances.

Transparency of public finances

The chart of accounts upon which the budget is built is considered adequate. Public access to fiscal information continues to lag, as reflected in the results for PI-9.

Management of assets and liabilities

Fiscal risk reporting suffers from a weak regime for the monitoring of state-owned enterprises, as reflected in the results for PI-10 (particularly in relation to the supervision of SOEs). Dissemination of information on the Niue International Trust Fund is limited. Capacity to manage public investments, particularly at the project appraisal and prioritization stages, is low as reflected in the results for PI-11.

Policy-based fiscal strategy and budgeting

The budget currently lacks a Fiscal Strategy and a system of expenditure ceilings to guide budget preparation, and the budget calendar needs further amendment to ensure that the budget is approved before the start of the new financial year, as reflected in the results for PI-15 and PI-17.

Predictability and control in budget execution

Budget execution operates reasonably effectively, drawing on informal guidance from Treasury rather than strong formal controls. Updating of revenue legislation is underway, and should be pursued. A more formal cashflow plan could be developed for the budget as a whole at the beginning of the year (drawing on the expenditure plans being produced by spending agencies) to provide stronger guidance on spending. A formal procurement policy would strengthen this important aspect of PFM (a draft policy has been prepared, but is yet to be adopted). The internal audit function has been inoperative for a number of years, and this could be resurrected to strengthen the internal control process. These issues are reflected in the results for indicators PI-19, PI-21, PI-24 and PI-26.

Accounting and reporting

The Government's annual financial statements are well behind; further behind than they were at the time of the 2011 PEFA assessment. This is a critical area, as reflected in the results for PI-29. Work is underway to bring the financial statements up to date (through the fielding of a team from Deloitte New Zealand), but the challenge is to develop a plan to sustain this catch-up.

External scrutiny and audit

No issues have been identified in relation to the process of external scrutiny and audit, though these processes have been largely in abeyance for some time due to delays in finalizing annual financial statements for Government.

4.2 Effectiveness of the internal control framework

An effective internal control system plays a vital role across every pillar in addressing risks and providing reasonable assurance that operations meet the four control objectives:

- (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner;
- (ii) accountability obligations are fulfilled;
- (iii) applicable laws and regulations are complied with; and
- (iv) resources are safeguarded against loss, misuse and damage.

Annex 2 provides observations on the current performance of the internal control framework, structured around the following five internal control components identified by international standards:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

Key observations in relation to internal control include:

- That the internal control framework has suffered from delays in the production and external auditing of annual financial statements, and also from the continuing absence of an internal audit capacity.
- Low staff numbers are a constraint in relation to achieving international good practice in the internal control framework.
- Segregation of duties is built in to the FMIS, though the small number of staff managing the system is a constraint on the effective segregation of duties.
- Efforts have been made to give spending agencies better access to information through read-only access to the Greentree FMIS.
- Risk assessment is undertaken on an informal rather than systematic basis, and is left to the initiative of senior staff.
- Reviews of operations, processes and activities tend to be ad hoc rather than systematic, relying on the initiative of senior staff.

The internal control framework approach to designing and operating internal control systems is a useful tool to build an integrated assessment and to highlight areas insufficiently addressed or where irregularities or errors might be more significant. It also helps to identify whether the control system goes beyond the traditional approach focused on isolated control activities.

The effectiveness of internal control also offers a perspective on the reliability of data obtained from government systems and therefore contributes to explaining the degree of confidence with which conclusions may be drawn on the basis of indicator assessments which rely on such data.

4.3 PFM strengths and weaknesses

This subsection analyzes the extent to which the performance of the PFM system is supporting or affecting the overall achievement of three important fiscal and budgetary outcomes: aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

Aggregate fiscal discipline

Fiscal discipline pertains to effective control of the budget totals, by setting ceilings on expenditure that are binding both at the aggregate level and on individual spending entities. An effective budget system is one that has disciplined (in contrast to accommodating) totals. Control of the totals is the first purpose of every budget system. There would be no need for budgeting if the totals were permitted to float upward to satisfy all demands.

Strategic allocation of resources

Allocative efficiency is the capacity to establish priorities within the budget, to distribute resources on the basis of the government's priorities and to shift resources from old priorities to new ones, or from less to more productive activities, in accordance with the government's objectives.

Efficient service delivery

Technical or operational efficiency in the use of budgeted resources refers to the capacity to implement programs and deliver services at the lowest cost (e.g. by minimising costs per unit of output).

The key strength of the PFM system in relation to achieving these important fiscal and budgetary outcomes is that it is centralised in the Treasury Department, and it is compact and manageable. These are important advantages given the limited number of staff available to operate the system. The Greentree FMIS is well established, well supported, and staff in Treasury and elsewhere are familiar with its operation.

Weaknesses of the PFM system which detract from the ability to achieve these fiscal and budgetary outcomes, focusing on those weaknesses which can be addressed given the limited staff numbers, include:

- The inability to keep annual financial statements (a vital element of the PFM system) up to date.
- Policy shortfalls, particularly in relation to State Owned Enterprises and procurement.
- Missing elements in the budget preparation process, notably a Fiscal Strategy to give overall direction to the budget and a system for setting expenditure ceilings to guide spending agencies in preparing budget submissions.
- Gaps in the internal control framework, such as the absence of an internal audit capacity.
- Lack of transparency in the PFM system, with very little public disclosure of key elements of the system such as budget documents, annual financial statements, audit reports, and annual reports.

Table 4.3.1 provides a more general description of the linkages between the seven pillars of the PFM system and these three important fiscal and budgetary outcomes.

Table 4.1: PEFA performance indicators and the three budgetary outcomes

Indicator/dimension	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
Pillar one: Budget reliability			
The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.			
PI-1. Aggregate expenditure outturn	X	Aggregate expenditure and revenue outturns and composition that deviates significantly from the approved budget undermines fiscal discipline and the ability of governments to control the total budget.	Reliable revenue forecasts and expenditure allocations are essential for the government to effectively and predictably allocate resources to strategic policy priorities.
PI-2. Expenditure composition outturn	X		
PI-3. Revenue outturn	X		
Service delivery may be affected where large deviations from planned expenditure result in the contraction or suspension of services.			
Pillar two: Transparency of public finances.			
Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.			
PI-4. Budget classification		A robust classification system and comprehensive and publicly available annual budget documentation enables budget decisions, transactions and the performance of service delivery programs to be monitored throughout the budget's formulation, execution, and reporting cycle which is essential for providing the executive and legislature a complete picture of central government public finances.	Transparent and comprehensive budget management information, including the performance of service delivery programs, strengthens accountability of government for budget allocation decisions, including transfers to lower levels of government, that are consistent with the country's social and economic priorities.
PI-5. Budget documentation			
PI-6. Central government operations outside financial reports	X		
PI-7. Transfers to subnational governments			
PI-8. Performance information for service delivery			
PI-9. Public access to fiscal information			
Transparent Information on the structure of the budget, the resources available to, and the performance of service delivery units enables government and communities to monitor the efficiency of service delivery.			
Pillar three: Management of assets and liabilities.			
Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.			
PI-10. Fiscal risk reporting	X	Failure to adequately monitor, report, and manage fiscal risks can undermine fiscal discipline.	The effectiveness and efficiency of public investment is a key determinant in maximizing its impact and helping to support government's social and economic development
PI-11. Public investment management	X		
PI-12. Public asset management	X		
PI-13. Debt management	X		
Sound public investment management promotes operational efficiency by supporting projects and programs that deliver outputs and outcomes in a cost-efficient			

Indicator/dimension	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
	<p>to prioritize investment expenditure (and their future recurrent costs) within sustainable fiscal limits.</p> <p>The size and management of government assets and liabilities (in particular debt and guarantee obligations) can have a substantial impact on a country's capacity to maintain fiscal discipline.</p> <p>The size and management of debt and guarantee obligations can have a substantial impact on a country's capacity to maintain fiscal discipline.</p>	<p>objectives.</p> <p>Failure to monitor and manage financial liabilities may create unnecessarily high debt service costs diverting resources from the government's social and economic priorities.</p>	<p>manner.</p> <p>Information on assets not used or needed, allows government timely decisions on whether it is more efficient to transfer them to other users or exchange for different assets of greater value for more efficient service delivery.</p>
Pillar four: Policy-based fiscal strategy and budgeting.			
The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.			
PI-14. Macroeconomic and fiscal forecasting	X		
PI-15. Fiscal strategy	X	X	
PI-16. Medium-term perspective in expenditure budgeting	X	X	X
PI-17. Budget preparation process		X	
PI-18. Legislative scrutiny of budgets		X	
	<p>Robust and verifiable macroeconomic and fiscal projections are essential to support the development of a predictable and sustainable fiscal strategy that supports aggregate fiscal discipline.</p> <p>Adherence to a clear fiscal strategy ensures that budget policy decisions align with fiscal targets.</p> <p>Medium term budgeting supports aggregate fiscal discipline by establishing forward year estimates that provide the baseline for future budget ceilings and allocations.</p>	<p>Robust macroeconomic and fiscal forecasts, a fiscal strategy that sets clear fiscal policy objectives, and a medium-term perspective in budgeting enable governments to more effectively plan budget allocations in accordance with priorities.</p> <p>An orderly budget process is necessary to provide government the information and time necessary to prioritize budget allocations among competing demands.</p> <p>Legislative scrutiny enables the government to be held accountable for its budget policy decisions.</p>	<p>Medium term budgeting provides greater predictability in budget allocations that supports budget units to plan resource use more efficiently.</p> <p>Legislative scrutiny can highlight potential inefficiencies in resources allocated for service delivery.</p>
Pillar five: Predictability and control in budget execution.			
The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.			
PI-19. Revenue administration		X	X
PI-20. Accounting for revenues		X	X
PI-21. Predictability of in-year resource allocation	X		X
	<p>Efficient administration and accurate recording and reporting of tax and nontax revenue collections is important to ensure</p>	<p>A predictable revenue base and flow of resources to budget units helps ensure those priorities are</p>	<p>Frequent and unpredictable in-year adjustments can undermine the efficient delivery of services.</p>

Indicator/dimension	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
PI-22. Expenditure arrears	X	implemented.	X
PI-23. Payroll controls		Weak payroll controls can also undermine allocative efficiency if they result in unintended expansion of expenditures on other priorities) or unmet obligations to employees.	X
PI-24. Procurement		Internal audit provides assurance that systems are operating to achieve government objectives efficiently and effectively.	X
PI-25. Internal controls on non-salary expenditure	X		X
PI-26. Internal audit			X
<p>Pillar six: Accounting and reporting. Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.</p>			
PI-27. Financial data integrity			X
PI-28. In-year budget reports	X	X	X
PI-29. Annual financial reports			X
PI-30. External audit			X
PI-31. Legislative scrutiny of audit reports			X

4.4 Performance changes since a previous assessment

This is the first PEFA assessment undertaken for Niue using the 2016 PEFA framework.

A PEFA assessment was undertaken in 2011, using the 2011 PEFA framework. Annex 4 tracks the change in performance between the 2011 PEFA assessment for Niue (which applied the 2011 PEFA framework) and the current 2020 PEFA assessment (which applies the 2016 PEFA framework). To allow a comparison, the current assessment was recast using the 2011 PEFA framework, using the guidelines provided by the PEFA Secretariat in *PEFA 2016: Guidance on Tracking PFM Performance for Successive Assessments*. Some comparability issues remain, but an explanation is provided at the performance indicator and dimension levels of the direction and extent of change in performance, and reasons are identified for the change in performance.

5. Government PFM reform process

5.1 Approach to PFM reforms

PFM reforms sit directly within the first two of the seven development pillars set out in the *Niue National Strategic Plan 2016 – 2026*, namely:

Finance and Economic Development

Sufficient financial resources are secured, and responsible fiscal management is prudent, sustainable and in support of development strategies.

Governance

Good governance is practised at all levels of society.

PFM reforms also have an important indirect impact on the remaining five development pillars (infrastructure, social services, environment and climate change, Taoga Niue, and the private sector), by ensuring that resources are allocated strategically to these competing demands and then used efficiently once allocated.

Following the conduct of the 2011 PEFA assessment for Niue, technical assistance was provided by PFTAC to assist the Treasury Department with the preparation of a PFM reform plan. The resulting plan, *Public Financial Management Roadmap: Fiscal Year 2012-2014*, ranked the indicators covered in the PEFA assessment and the resulting scores by strategic importance. Indicators were grouped into first, second and third order priorities, and further ranked within these groupings. Reasons were advanced for the strategic importance of the indicators, and timelines identified for implementation of reform measures.

The PEFA performance indicators (under the 2011 PEFA framework) identified in the PFM roadmap as of the first order of priority for reform actions were:

- Increase comprehensiveness of information included in the budget documentation (PI-6).
- Increase orderliness and participation in the annual budget process (PI-11).
- Increase transparency of tax payer obligations and liabilities (PI-13).
- Improve effectiveness of internal controls for non-salary expenditures (PI-20).
- Increase public access to key fiscal information (PI-10).
- Improve effectiveness of tax payer registration and tax assessment (PI-14).
- Improve effectiveness of internal audit (PI-21).
- Improve recording and management of cash balances, debt and guarantee (PI-17).

Further technical assistance was provided by PFTAC to assist the Treasury Department in preparing a *Public Financial Management Roadmap Implementation Plan Phase 1* in 2014. The Phase 1 implementation plan was less comprehensive than the original roadmap, and focused on strengthening the budget preparation process through measures such as:

- Preparation of a Fiscal Policy Statement to accompany the budget documentation.
- Amending the budget calendar to ensure approval of the budget before the start of the new financial year.
- Introduction of an aggregate expenditure ceiling to guide budget preparation.
- Formalising and rolling-out new budget templates.
- Introduction of a system to improve revenue projections.

Other priority measures identified in the Phase 1 implementation plan were a review of the FMIS Framework, including commitment controls and payroll management; improved processes for acting on recommendations of the Audit Office; and improved oversight of aggregate fiscal risks.

5.2 Recent and on-going reform actions

Progress with the implementation of the PFM roadmap and Phase 1 implementation plan has been modest. Recent and ongoing reform actions have included:

- A draft Fiscal Policy Statement was prepared to accompany the 2019/20 Budget, but in the event was not used.
- The start of the budget calendar has been brought back progressively to 8 February (in 2019/20). Most of the extra time is given to budget preparation by spending agencies (now more than 10 weeks), but the final approval date is still after the start of the new financial year (10 July in the calendar, 31 July achieved).
- New budget templates were trialled in 2019/20, and it is planned to use these in the 2020/21 budget.
- Difficulties have been experienced in the review of the FMIS framework, as the Greentree system does not accommodate commitment controls.
- In relation to oversight of aggregate fiscal risks, additional trading activities have been moved from the Budget to NPNC so the need for improved oversight has increased.
- A draft Government of Niue Procurement Policy has been prepared, but not adopted as yet.
- New legislation is under preparation to modernize revenue administration (Niue Customs Bill and Tax Administration Bill).

Accompanying the 2020 PEFA assessment, and drawing on its findings together with lessons learned from previous PFM reform initiatives, is an exercise to update the Government's PFM Reform Plan.

5.3 Institutional considerations

A range of institutional factors influence Niue's ability to successfully implement PFM reforms.

- **Government leadership and ownership**
Government has been supportive of the PFM reform process, though challenges such as the lengthening delays in finalising and auditing annual financial statements have proven difficult to resolve. Strong Government ownership is likely to contribute to a more effective PFM reform process by setting the objectives, direction, and pace of reforms, clarifying organizational responsibilities for the reform process, and addressing, in a timely manner, any resistance to change.
- **Coordination across government**
To date the PFM reform process has largely been the domain of the Treasury Department in Finance and Planning, with few processes in place to engage with other central agencies, ministries and departments. Improved coordination could contribute to a more prioritized and sequenced reform agenda, as existing capacities of different entities are taken into account in planning and implementing reforms.

- **A sustainable reform process**

The sustainability of the PFM reform program is impacted by the capacity constraints facing Treasury and other government agencies. Staff numbers are low, and many positions involve multiple responsibilities across a range of PFM functions. Technical assistance appears to be readily available, from PFTAC and ADB and other development partners, though there is a challenge in absorbing the results of this assistance in a sustainable manner.

- **Transparency of the PFM program**

The existing PFM roadmap and implementation plan is not publicly available (e.g. it is not published on the Government website), nor does it appear to be in wide circulation within government. Efforts could be made to increase the transparency of the PFM reform program in any updates.

Annex 1: Performance indicator summary

COUNTRY NAME: Niue			2020 assessment	
Pillar	Indicator/Dimension		Score	Description of requirements met
Budget Reliability	PI-1	Aggregate expenditure out-turn	C	Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in at least two of the last three years
	PI-2	Expenditure composition outturn	D+	
		(i) Expenditure composition outturn by function	D	The variance in expenditure composition by administrative classification was more than 15% in at least two of the last three years.
		(ii) Expenditure composition outturn by economic type	D*	Based on available information, the variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. However, the information available was insufficient to accurately assess the level of performance.
		(iii) Expenditure from contingency reserves	A	There was no allocation for contingencies in the annual appropriation for any of the last three completed financial years
	PI-3	Revenue outturn	C	
		(i) Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years
		(ii) Revenue composition outturn	D	Variance in revenue composition was more than 15% in at least two of the last three years
Transparency of Public Finances	PI-4	Budget Classification	D	The requirement for budget formulation, execution and reporting to be based on administrative and economic classification comparable to GFS level 2 is not fully met.
	PI-5	Budget Documentation	C	The requirements are met for 3 basic elements out of 4 and no additional elements out of 8
	PI-6	Central government operations outside financial reports	A	
		(i) Expenditure outside financial reports	A	No government expenditures outside financial reports have been identified
		(ii) Revenue outside financial reports	A	No government revenues outside financial reports have been identified
		(iii) Financial reports of extra-budgetary units	NA	
	PI-7	Transfers to subnational governments	NA	For the purposes of this indicator, Niue has no system of subnational government
		(i) System for allocating transfers	NA	
		(ii) Timeliness of information on transfers	NA	
	PI-8	Performance information for service delivery	D+	
	(i) Performance plans for service delivery	D	Performance plans for service delivery are not published annually	
	(ii) Performance achieved for service delivery	C	Information is published annually on the activities performed for the majority of ministries	

COUNTRY NAME: Niue		2020 assessment	
Pillar	Indicator/Dimension	Score	Description of requirements met
	(iii) Resources received by service delivery units	B	Information on resources received by frontline service delivery units is collected and recorded for at least one large ministry (education). A report compiling the information is prepared at least annually
	(iv) Performance evaluation for service delivery	D	Performance evaluations of the efficiency or effectiveness of service delivery are not carried out
	PI-9 Public access to information	D	The requirements are not met for any of the five basic elements, nor any of the four additional elements
Management of assets and liabilities	PI-10 Fiscal risk reporting	D	
	(i) Monitoring of public corporations	D	Government is not receiving financial reports from most public corporations within nine months of the end of the fiscal year
	(ii) Monitoring of sub-national government (SNG)	NA	There is no material system of subnational government
	(iii) Contingent liabilities and other fiscal risks	D	The backlog in the preparation of Government financial statements creates uncertainty in relation to contingent liabilities and other fiscal risks.
	PI-11 Public investment management	D+	
	(i) Economic analysis of investment proposals	D	Due to the absence of internal capacity for economic analysis, and the lack of process in place to monitor and manage economic analyses undertaken by development partners
	(ii) Investment project selection	C	There is a fixed term plan prioritizing major public investment projects using standard criteria, and a central entity responsible for project selection, but limited internal capacity to review and update the fixed term plan
	(iii) Investment project costing	D	Projections of the total capital cost of major investment projects are not shown in the budget documents
	(iv) Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by Government, and reported on in annual reports by the implementing ministry
	PI-12 Public asset management	D+	
	(i) Financial asset monitoring	C	There are records of holdings in major categories of financial assets, but no annual publication of information on performance
	(ii) Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed assets and collects partial information on their usage and age
	(iii) Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are established, but information on transfers and disposals is not included in budget documents or reports
	PI-13 Debt management	D	
	(i) Recording and reporting of debt and guarantees	NA	There is no domestic and foreign debt and guaranteed debt at the time of assessment
(ii) Approval of debt and guarantees	D	There is no primary legislation and no documented policies and procedures with respect to debt-related transactions	

COUNTRY NAME: Niue			2020 assessment	
Pillar	Indicator/Dimension		Score	Description of requirements met
		(iii) Debt management strategy	D	The Government does not have a publicly available medium-term debt management strategy.
Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	D	
		(i) Macroeconomic forecasts	D	No macroeconomic forecasts are prepared
		(ii) Fiscal forecasts	D	Fiscal forecasts were discontinued after the 2015/16 budget
		(iii) Macro-fiscal sensitivity analysis	D	No macroeconomic forecasts are prepared
	PI-15	Fiscal strategy	D+	
		(i) Fiscal impact of policy proposals	C	Government examines the impact on the budget of all new revenue and expenditure measures, but only for the budget year
		(ii) Fiscal strategy adoption	D	No formal fiscal strategy is submitted to the legislature in the course of budget preparation
		(iii) Reporting on fiscal outcomes	C	Monthly and quarterly variance reports are used to report to Cabinet on fiscal outcomes
	PI-16	Medium term perspective in expenditure budgeting	D	
		(i) Medium-term expenditure estimates	D	The annual budget contains estimates of expenditure for the budget year only.
		(ii) Medium-term expenditure ceilings	D	Medium-term expenditure ceilings are not set
		(iii) Alignment of strategic plans and medium-term budgets	C	Ministries prepare corporate plans which provide strategic guidance to their annual budget submissions
		(iv) Consistency of budgets with previous year estimates	D	No medium-term expenditure estimates are prepared
	PI-17	Budget preparation process	D+	
		(i) Budget calendar	C	An annual budget calendar exists, and some budgetary units are able to comply with it
		(ii) Guidance on budget preparation	D	Budget guidelines are issued, but do not contain expenditure ceilings
		(iii) Budget submission to the legislature	D	The budget is submitted to the Assembly less than one month before the start of the new financial year.
	PI-18	Legislative scrutiny of budgets	C+	
(i) Scope of budget scrutiny		C	The legislature's review covers details of expenditure and revenue.	
(ii) Legislative procedures for budget scrutiny		B	The legislature's procedures to review budget proposals include a Public Accounts Committee	
(iii) Timing of budget approval		C	The legislature has approved the annual budget within one month of the start of the year in two of the last three fiscal years	
	(iv) Rules for budget adjustments by the executive	C	Clear rules exist for budget adjustments by the executive, but there remains evidence of some overspending	
Predictability and control in budget	PI-19	Revenue administration	D+	
		(i) Rights and obligations for revenue measures	C	Tax authorities provide some information to taxpayers on rights and obligations under the tax legislation
		(ii) Revenue risk management	C	Some risk management approaches are in place, though these are not fully effective

COUNTRY NAME: Niue		2020 assessment	
Pillar	Indicator/Dimension	Score	Description of requirements met
	(iii) Revenue audit and investigation	D	Some desk audits are undertaken, but there is no thorough audit and investigation process in relation to the tax system.
	(iv) Revenue arrears monitoring	D*	Greentree provides some capacity to monitor tax arrears, but there is no comprehensive data on the stock and age profile of tax arrears.
PI-20	Accounting for revenues	D+	
	(i) Information on revenue collections	C	There is no formal revenue reporting in a consolidated form by a central agency, but monthly reports produced by the Greentree system include comprehensive and up to date information on revenue collections
	(ii) Transfer of revenue collections	A	Customs and Income Tax collections have next day transfer to Treasury, and other revenues are paid directly into the Government Account managed by Treasury
	(iii) Revenue accounts reconciliation	D	For tax revenues, there is a continuous reconciliation process of collections and transfers to Treasury maintained on the Greentree system. This is not the case for other revenues. Tax revenues account for less than 75 percent of central government revenues.
PI-21	Predictability of in-year resource allocation	D+	
	(i) Consolidation of cash balances	D	Bank accounts are not consolidated on a regular basis.
	(ii) Cash forecasting and monitoring	D	No formal cash flow is prepared, but Treasury undertakes monthly reviews of the cash situation
	(iii) Information on commitment ceilings	D	There is no formal process of issuing commitment ceilings, and an informal system of dialogue between Treasury and spending agencies is relied upon
	(iv) Significance of in-year budget adjustments	B	In-year budget adjustments imposed by Treasury are rare, though tight cash positions are dealt with by slowing payments
PI-22	Expenditure arrears	D	
	(i) Stock of expenditure arrears	D*	There is no formal system for measuring and monitoring expenditure arrears, and reliance is placed on informal systems
	(ii) Expenditure arrears monitoring	D	No data is generated on the stock and composition of expenditure arrears
PI-23	Payroll controls	D+	
	(i) Integration of payroll and personnel records	B	The payroll is checked against the establishment register fortnightly, and there are clear processes in place for payroll changes
	(ii) Management of payroll changes	A	Changes to the payroll are processed fortnightly, and retroactive adjustments are rare.
	(iii) Internal control of payroll	B	The authority and basis for changes to personnel records and the payroll are clear, and a high level of data integrity is achieved
	(iv) Payroll audit	D	There are no formal payroll audits undertaken
PI-24	Procurement	D	
	(i) Procurement monitoring	D	There is no procurement legislation, and no data available on contracts awarded

COUNTRY NAME: Niue		2020 assessment	
Pillar	Indicator/Dimension	Score	Description of requirements met
Accounting and Reporting	(ii) Procurement methods	D*	Insufficient data on the proportion of procurement handled through competitive processes
	(iii) Public access to procurement information	D	Only bidding opportunities are published
	(iv) Procurement complaints management	D	There is no formal mechanism for dealing with complaints
	PI-25 Internal controls on nonsalary expenditure	C+	
	(i) Segregation of duties	C	Segregation of duties is prescribed throughout the expenditure process, though Treasury regulations are in need of review
	(ii) Effectiveness of expenditure commitment controls	C	Controls in place through the purchase order system are reasonably effective, though the FMIS has no commitments module
	(iii) Compliance with payment rules and procedures	B	Treasury estimates compliance with transaction procedures to be at 80 percent.
	PI-26 Internal audit effectiveness	D	
	(i) Coverage of internal audit	D	There is no internal audit function
	(ii) Nature of audits and standards applied	NA	
	(iii) Implementation of internal audits and reporting	NA	
	(iv) Response to internal audits	NA	
	PI-27 Financial data integrity	B	
	(i) Bank account reconciliation	B	Bank reconciliations done monthly for all accounts, with little delay.
(ii) Suspense accounts	A	Suspense accounts are reconciled monthly, and cleared no later than the end of the financial year unless duly justified	
(iii) Advance accounts	NA	Advance accounts are rare, as travel is almost always externally funded	
(iv) Financial data integrity processes	C	Data entry is centralized in the Treasury. No formal process for verifying data integrity and establishing an audit trail	
PI-28 In-year budget reports	C+		
(i) Coverage and comparability of reports	A	In-year budget reports have full coverage of and comparability with the approved budget	
(ii) Timing of in-year budget reports	A	In-year budget reports are accessible to spending agencies monthly, and are used by them on a regular basis	
(iii) Accuracy of in-year budget reports	C	Expenditure data is captured only at payment stage, but data is useful for spending agencies and others to analyze budget execution	
PI-29 Annual financial reports	D+		
(i) Completeness of annual financial reports	D	No financial statement has been prepared for the last completed financial year	
(ii) Submission of reports for external audit	D	The last completed financial statement submitted for audit were for the 2013/14 financial year, which was authorized for issue on 11 November 2016	
(iii) Accounting standards	C	Financial statements are prepared in accordance with NGAAP, and this is disclosed in the statements	

COUNTRY NAME: Niue		2020 assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
External scrutiny and audit	PI-30	External audit	D+	
		(i) Audit coverage and standards	D	Coverage and standards represent good practice, but there are significant delays in submitting accounts for audit
		(ii) Submission of audit reports to the legislature	D	Audit reports are submitted to the Assembly and considered by the PAC, but there have been no reports for at least the last three years.
		(iii) External audit follow-up	D	No audit reports recently due to delays in finalizing accounts. No evidence of a formal response to earlier reports
		(iv) Supreme Audit Institution (SAI) independence	B	The SAI is independent. Audit reports are tabled in the Assembly, but not published elsewhere by the Government
	PI-31	Legislative scrutiny of audit reports	D	
		(i) Timing of audit report scrutiny	D	PAC would normally consider audit reports and report to the Assembly, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years
		(ii) Hearings on audit findings	D	Formal hearings not normally held, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years
		(iii) Recommendations on audit by the legislature	D	PAC would normally make recommendations, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years
		(iv) Transparency of legislative scrutiny of audit reports	D	Public hearings or publication of PAC reports not generally undertaken, but no audit reports have been submitted to the Assembly for the any of the last three completed financial years

Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	There exists within Finance and Planning a commitment to integrity and ethics.
1.2 Commitment to competence	The management and staff of Finance and Planning are actively involved in reforms and improving the processes. A number of staff are undertaking higher studies.
1.3 The “tone at the top” (i.e. management’s philosophy and operating style)	Management of Finance and Planning support the control environment and have enabled some reforms to occur.
1.4 Organisational structure	The organizational structure of Finance and Planning is supportive of the internal control framework. Efforts have been made to give spending agencies better access to information through read-only access to the Greentree FMIS.
1.5 Human resource policies and practices	Staff numbers are a constraint in relation to achieving international good practice in the internal control framework. The internal audit function has not been re-established after a resignation many years ago.
2. Risk assessment	
2.1 Risk identification	Risk assessment is undertaken on an informal basis, and is left to the initiative of senior staff. The continuing absence of an internal audit function, and the delay in finalising and auditing annual financial statements, undermines the capacity to manage risk.
2.2 Risk assessment (significance and likelihood)	
2.3 Risk evaluation	
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment or termination)	
3. Control activities	
3.1 Authorization and approval procedure	The authorization and approval procedure is governed by the Treasury Regulations, but these are in need of updating and disseminating in a more user-friendly format.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is built in to the FMIS, though the small number of staff managing the system is a constraint on the effective segregation of duties.
3.3 Controls over access to resources and records	The FMIS is controlled centrally, with spending agencies having read-only access.
3.4 Verifications	Verifications are performed by Treasury, though there is not a second line of defence via an internal audit capacity.
3.5 Reconciliations	Reconciliations of records are undertaken by Treasury, in consultation with spending agencies. Bank accounts are reconciled at least monthly and most suspense and advance accounts are cleared

Internal control components and elements	Summary of observations
	at year end.
3.6 Reviews of operating performance	Ministry annual reports provide an opportunity to review operating performance.
3.7 Reviews of operations, processes and activities	Reviews of operations, processes and activities tend to be ad hoc rather than systematic, relying on the initiative of senior staff.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	Supervisor responsibilities establish the systems for assignment, reviewing and approving employee performance. Training is provided through multiple avenues, including in-house and external programs.
4. Information and communication	There has been limited attention to documenting systems and procedures in a user-friendly form, and disseminating to users.
5. Monitoring	
5.1 Ongoing monitoring	The lack of internal audit capacity impacts on the ability to monitor the effectiveness of internal controls.
5.2 Evaluations	Reliance is placed on the external audit system for evaluations, but audit reports are not current due to the delays in finalising financial statements.
5.3 Management responses	Reliance is placed on the initiative of individual managers, due to the absence of internal audit reports and the lack of currency in relation to external audit reports.

Annex 3: Sources of information

Annex 3A: Related surveys and analytical work

No	Institution	Document title	Date	Link
1	Government of Niue	Niue National Strategic Plan 2016 – 2026.	2016	www.gov.nu
2	Government of Niue	2019/2020 Budget Statement	2019	www.gov.nu
3	Government of Niue	Niue Census of Population and Households 2011	2012	www.sps.int
4	Government of Niue / PRIF	Niue National Transport Strategy and short term Action Plan 2017-2026	2018	www.theprif.org
5	Government of Niue	Government of Niue (2018), Niue 2015/16 Household Income and Expenditure Survey full report	2018	www.spc.int
6	Ministry of Social Services	Annual Report July 2018 – June 2019	2019	
7	Government of Niue	Niue: Public Financial Management – Performance Report	2011	www.pefa.org
8	Government of Niue	Public Financial Management Roadmap Fiscal Year 2012-2014	2012	
9	Government of Niue	PFM Roadmap Implementation Plan Phase 1 (Draft)	2014	
10	Government of Niue	Government of Niue Infrastructure Plan 2016-2025	2016	
11	Government of Niue	Niue's Economic Response to COVID-19: Briefing Paper	2020	
12	Pacific Community	2018 Pocket Statistical Summary	2018	www.spc.int
13	Statistics Niue	Economic Statistics – (various, latest 2011)	2011	www.prism.spc.int
14	ADB	Pacific Economic Monitor, July 2019	2019	www.adb.org/pacmonitor
15	UNDP	HACT Micro-Assessment Project Management and Coordination Unit	2018	
16	Governments of New Zealand and Niue	New Zealand – Niue Statement of Partnership 2019 – 2023	2019	www.mfat.govt.nz
17	Australian Government	Niue country/economic fact sheet	2019	www.dfat.gov.au
18	Australian Government	Niue: development cooperation fact sheet,	2019	www.dfat.gov.au
19	South Pacific Tourism Organisation	Annual Review of Visitor Arrivals in Pacific Island Countries 2017.	2019	www.corporate.southpacificislands.travel

No	Institution	Document title	Date	Link
20	Niue Chamber of Commerce	Annual Report 2018/19	2019	www.niuechamber.com
21	Government of Niue	Niue legislation		www.gov.nu
22	PACLII	Niue legislation held on the Pacific Islands Legal Information Institute website		www.paclii.org

Annex 3B: List of people consulted

No	Institution	Department	Person	Position
1	Legislative Assembly	Public Accounts Committee	Hon. Dalton Tagelagi	Minister for Ministry of Natural Resources
2	Legislative Assembly	Public Accounts Committee	Esa Mona Ainu'u	Deputy Chair, Member Assisting the Minister
3	Finance and Planning		Poitogia Kapaga	Financial Secretary
4	Finance and Planning	Finance	Doreen Siataga	Accountant
5	Finance and Planning	Statistics/Immigration	Kimray Vaha	Government Statistician / Chief Immigration Officer
6	Finance and Planning	Customs/Tax	Sione Pokau Sionetama	Collector
7	Finance and Planning	Economic Planning	Frank Sioneholo	Head, Economic Planning and Trade
8	Finance and Planning	Finance	Gabriel Varea	Assistant Accountant
9	Finance and Planning	Finance	Lydia Sioneloto	Assistant Accountant
10	Finance and Planning	Treasury	Etaena Poihega	Assistant Accountant
11	Finance and Planning	Treasury	Beva Kaukasi Talagi	Assistant Accountant
12	Niue Public Service Commission and Secretariat	Payroll	Alisha Talafasi	Payroll Manager
13	Niue Public Service Commission and Secretariat	Strategic Human Resource Management	Rubeth Seumanu	Manager
14	Premiers Department		Apii Fiso	Strategic Adviser
15	Premiers Department	Project Management and Coordination Unit	Felicia Pihigia Talagi	Director
16	Ministry of Social Services		Gaylene Tasmania	Director-General
17	Chamber of Commerce		Esther Paivihi	Acting Business Development Manager
18	Chamber of Commerce		Catherine Papani	Business Support and Education Manager
19	Chamber of Commerce		Fiafia Rex	Board Member
20	New Zealand High Commission		Kirk Yates	High Commissioner
21	New Zealand High Commission		Nigel Ewels	Deputy High Commissioner
22	Niue Development Bank		Wayne McCaughan	General Manager
23	Deloitte New Zealand		Claire Trent	Associate Director
24	Asian Development Bank		Rommel Rabanal	Public Sector Economist

No	Institution	Department	Person	Position
25	Asian Development Bank		Pauline Muscat	Consultant

Annex 3C: Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn 1.1. Aggregate expenditure outturn	Interview with Treasury staff, scrutiny of reports from Greentree FMIS, Appropriation Acts (various), Budgets (various)
PI-2. Expenditure composition outturn 2.1. Expenditure composition outturn by function 2.2. Expenditure composition outturn by economic type 2.3. Expenditure from contingency reserves	Interview with Treasury staff, scrutiny of reports from Greentree FMIS, Appropriation Acts (various), Budgets (various)
PI-3. Revenue outturn 3.1. Aggregate revenue outturn 3.2. Revenue composition outturn	Interview with Treasury staff, scrutiny of reports from Greentree FMIS, Appropriation Acts (various), Budgets (various)
Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	Interview with Treasury staff, GoN chart of accounts, Appropriation Acts (various), Budgets (various)
PI-5. Budget documentation 5.1 Budget documentation	Interview with Treasury staff, 2019/20 Budget
PI-6. Central government operations outside financial reports 6.1. Expenditure outside financial reports 6.2. Revenue outside financial reports 6.3. Financial reports of extra-budgetary units	Interview with Treasury staff, cross-check with 2011 PEFA assessment
PI-7. Transfers to subnational governments 7.1. System for allocating transfers 7.2. Timeliness of information on transfers	Not applicable
PI-8. Performance information for service delivery 8.1. Performance plans for service delivery 8.2. Performance achieved for service delivery 8.3. Resources received by service delivery units 8.4. Performance evaluation for service delivery	Interview with Treasury staff, interview with Director-General of Ministry of Social Services, Ministry of Social Services Annual Report for 2018/19, scrutiny of reports from Greentree FMIS
PI-9. Public access to fiscal information 9.1. Public access to fiscal information	Interview with Treasury staff, Government website (www.gov.nu), interview with representatives of the PAC, interview with Chamber of Commerce
Management of assets and liabilities	
PI-10. Fiscal risk reporting 10.1. Monitoring of public corporations 10.2. Monitoring of sub-national government 10.3. Contingent liabilities and other fiscal risks	Interview with Treasury staff, meeting with Niue Development Bank, interview with Chamber of Commerce
PI-11. Public investment management 11.1. Economic analysis of investment proposals 11.2. Investment project selection 11.3. Investment project costing 11.4. Investment project monitoring	Interview with Treasury staff, interview with Chamber of Commerce, interview with New Zealand High Commission, GoN Infrastructure Plan 2016-2025 (AMP), GoN / PRIF Niue National Transport Strategy and short term Action Plan 2017-2026
PI-12. Public asset management 12.1. Financial asset monitoring 12.2. Nonfinancial asset monitoring	Interview with Treasury staff, interview with Director-General of Social Services, scrutiny of reports from Greentree system, annual financial

Indicator/dimension	Data Sources
12.3. Transparency of asset disposal.	statements
PI-13. Debt management	Interview with Treasury staff, GoN financial statements for 2013/14
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	
Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	Interview with Treasury staff, Budget Guidelines, Budget document, interview with Public Accounts Committee, interview with Chamber of Commerce
14.1. Macroeconomic forecasts	
14.2. Fiscal forecasts	
14.3. Macro-fiscal sensitivity analysis	
PI-15. Fiscal strategy	Interview with Treasury staff, Budget Guidelines, Budget document, interview with Public Accounts Committee, interview with Chamber of Commerce
15.1. Fiscal impact of policy proposals	
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	
PI-16. Medium-term perspective in expenditure budgeting	Interview with Treasury staff, Budget Guidelines, Budget document, interview with Public Accounts Committee, interview with Chamber of Commerce
16.1. Medium-term expenditure estimates	
16.2. Medium-term expenditure ceilings	
16.3. Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
PI-17. Budget preparation process	Interview with Treasury staff, Budget calendar, Budget Guidelines, Budget document
17.1. Budget calendar	
17.2. Guidance on budget preparation	
17.3. Budget submission to the legislature	
PI-18. Legislative scrutiny of budgets	Interview with representatives of the Public Accounts Committee, interview with Treasury staff, Appropriation Acts (various), interview with Chamber of Commerce
18.1. Scope of budget scrutiny	
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	
Predictability and control in budget execution	
PI-19. Revenue administration	Interview with Treasury staff, including Collector of Tax, Income Tax Act, Customs Act, Niue Consumption Tax Act, interview with Chamber of Commerce
19.1. Rights and obligations for revenue measures	
19.2. Revenue risk management	
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	
PI-20. Accounting for revenues	Interview with Treasury staff, including Collector of Tax
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	
20.3. Revenue accounts reconciliation	
PI-21. Predictability of in-year resource allocation	Interview with Treasury staff, Public Revenues Act, Treasury Regulations, interview with Director-General of Ministry of Social Services, interview with PAC
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22. Expenditure arrears	Interview with Treasury staff, Public Revenues Act, Treasury Regulations
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	
PI-23. Payroll controls	Interview with Treasury staff, interview with

Indicator/dimension	Data Sources	
23.1. Integration of payroll and personnel records	Payroll Officer in PSC Secretariat, interview with Director-General of Ministry of Social Services	
23.2. Management of payroll changes		
23.3. Internal control of payroll		
23.4. Payroll audit		
PI-24. Procurement	Interview with Treasury staff, interview with Chamber of Commerce, reference to draft Government of Niue Procurement Policy	
24.1. Procurement monitoring		
24.2. Procurement methods		
24.3. Public access to procurement information		
24.4. Procurement complaints management	Interview with Treasury staff, Public Revenues Act, Treasury Regulations, interview with Director-General of Ministry of Social Services	
PI-25. Internal controls on non-salary expenditure		
25.1. Segregation of duties		
25.2. Effectiveness of expenditure commitment controls		
25.3. Compliance with payment rules and procedures	Interview with Treasury staff, Public Revenues Act, Treasury Regulations	
PI-26. Internal audit		
26.1. Coverage of internal audit		
26.2. Nature of audits and standards applied		
26.3. Implementation of internal audits and reporting		
26.4. Response to internal audits		
Accounting and reporting		
PI-27. Financial data integrity		Interview with Treasury staff, interview with Public Accounts Committee
27.1. Bank account reconciliation		
27.2. Suspense accounts		
27.3. Advance accounts		
27.4. Financial data integrity processes	Interview with Treasury staff, interview with Director-General of Ministry of Social Services	
PI-28. In-year budget reports		
28.1. Coverage and comparability of reports		
28.2. Timing of in-year budget reports		
28.3. Accuracy of in-year budget reports	Interview with Treasury staff, GoN Annual Financial Statements for 2013/14, discussions with team from Deloitte New Zealand, interview with Chamber of Commerce	
PI-29. Annual financial reports		
29.1. Completeness of annual financial reports		
29.2. Submission of the reports for external audit		
29.3. Accounting standards		
External scrutiny and audit		
PI-30. External audit		Interview with Treasury staff, and interview with representatives of the Public Accounts Committee. Audit report on the 2013/14 GoN Financial Statements
30.1. Audit coverage and standards		
30.2. Submission of audit reports to the legislature		
30.3. External audit follow up		
30.4. Supreme Audit Institution independence	Interview with Treasury staff, and interview with representatives of the Public Accounts Committee	
PI-31. Legislative scrutiny of audit reports		
31.1. Timing of audit report scrutiny		
31.2. Hearings on audit findings		
31.3. Recommendations on audit by the legislature		
31.4. Transparency of legislative scrutiny of audit reports		

Annex 4: Tracking change in performance based on previous versions of PEFA

This annex tracks the change in performance between the 2011 PEFA assessment for Niue (which applied the 2011 PEFA framework) and the current 2020 PEFA assessment (which applies the 2016 PEFA framework). To allow a comparison, the current assessment is recast using the 2011 PEFA framework, using the guidelines provided by the PEFA Secretariat in *PEFA 2016: Guidance on Tracking PFM Performance for Successive Assessments*. Some comparability issues remain, but an explanation is provided at the performance indicator level of the direction and extent of change in performance, and reasons identified for the change in performance.

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	B	In no more than one of the last three years has actual expenditure deviated from budgeted expenditure by more than 10 % of budgeted expenditure	Small decline in performance, no specific reasons identified
PI-2 Composition of expenditure out-turn compared to original approved budget	C+	C+		
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	C	C	Variance in expenditure composition exceeded 15 % in no more than one of the last three years	
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to the contingency vote was on average less than 3% of the original budget	
PI-3 Aggregate revenue out-turn compared to original approved budget	B	B	Actual domestic revenue was between 94% and 112% of budgeted domestic revenue in at least two of the last three years	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
PI-4 Stock and monitoring of expenditure payment arrears	A	D		Decline in performance, due to lack of reliable information on the stock and age profile of arrears
(i) Stock of expenditure payment arrears and a recent change in the stock	A	D	There is no reliable data on the stock of arrears from the last two years	Decline in performance, due to lack of reliable information on the stock and age profile of arrears
(ii) Availability of data for monitoring the stock of expenditure payment arrears	A	D	There is no reliable data on the stock of arrears from the last two years	Decline in performance, due to lack of reliable information on the stock and age profile of arrears
B. KEY CROSS-CUTTING ISSUES:				
Comprehensiveness and Transparency				
PI-5 Classification of the budget	C	D	The budget formulation and execution is based on a different classification (e.g. not GFS compatible or with administrative breakdown only)	Small decline in performance, as the ability to map the economic classification across to the GFS classification is untested and no summary tables are provided for the economic classification
PI-6 Comprehensiveness of information included in budget documentation	C	C	Recent budget documentation fulfils 3-4 of the 9 information benchmarks	
PI-7 Extent of unreported government operations	D+	A		Improvement in performance, as project expenditures funded by development partners are better reflected in the budget estimates
(i) Level of unreported government operations	A	A	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure)	

Indicator/Dimension		Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(ii)	Income/ expenditure information on donor-funded projects	D	A	Complete income/expenditure information for 90% (value) of donor-funded projects is included in fiscal reports, except inputs provided in-kind OR donor funded project expenditure is insignificant (below 1% of total expenditure).	Improvement in performance, as project expenditures funded by development partners are better reflected in the budget estimates
PI-8 Transparency of inter-governmental fiscal relations		NA	NA		
(i)	Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	NA	NA		
(ii)	Timeliness and reliable information to SN Governments on their allocations	NA	NA		
(iii)	Extent of consolidation of fiscal data for general government according to sectoral categories	NA	NA		
PI-9 Oversight of aggregate fiscal risk from other public sector entities		A	D		Decline in performance, due to lack of effective monitoring of public enterprises by central agencies
(i)	Extent of central government monitoring of autonomous entities and public enterprises	A	D	No annual monitoring of AGAs and PEs takes place, or it is significantly incomplete	Decline in performance, due to lack of effective monitoring of public enterprises by central agencies

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Extent of central government monitoring of SN government's fiscal position	NA	NA		
PI-10 Public access to key fiscal information	D	D	The government makes available to the public none of the 6 listed types of information	
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	D+	C		Small improvement in performance, due to greater clarity in budget calendar
(i) Existence of, and adherence to, a fixed budget calendar	C	B	A clear annual budget calendar exists, but some delays are often experienced in its implementation. The calendar allows MDAs reasonable time (at least four weeks from receipt of the budget circular) so that most of them are able to meaningfully complete their detailed estimates on time	Small improvement in performance, due to greater clarity in budget calendar The current situation as assessed achieved a C score under the 2016 Framework, but would have achieved a B score using the 2011 Framework which had different requirements
(ii) Guidance on the preparation of budget submissions	D	D	A budget circular is not issued to MDAs OR the quality of the circular is very poor OR Cabinet is involved in approving the allocations only immediately before submission of detailed estimates to the legislature, thus having no opportunities for adjustment	
(iii) Timely budget approval by the legislature	C	C	The legislature has, in two of the last three years, approved the budget within two months of the start of the fiscal year	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	D	D		
(i) Multiyear fiscal forecasts and functional allocations	D	D	No forward estimates of fiscal aggregates are undertaken	
(ii) Scope and frequency of debt sustainability analysis	NA	NA	There is currently no debt, and the Government has a policy not to borrow	
(iii) Existence of costed sector strategies	D	D	Sector strategies may have been prepared for some sectors, but none of them have substantially complete costing of investments and recurrent expenditure	
(iv) Linkages between investment budgets and forward expenditure estimates	D	D	Budgeting for investment and recurrent expenditure are separate processes with no recurrent cost estimates being shared	
<i>C(ii) Predictability and Control in Budget Execution</i>				
PI-13 Transparency of taxpayer obligations and liabilities	C	C		
(i) Clarity and comprehensiveness of tax liabilities	C	C	Legislation and procedures for some major taxes are comprehensive and clear, but the fairness of the system is questioned due to substantial discretionary powers of the government entities involved	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Taxpayer access to information on tax liabilities and administrative procedures	C	C	Taxpayers have access to some information on tax liabilities and administrative procedures, but the usefulness of the information is limited due to coverage of selected taxes only, lack of comprehensiveness and/or not being up-to-date	
(iii) Existence and functioning of a tax appeal mechanism	NR	C	A tax appeals system of administrative procedures has been established, but needs substantial redesign to be fair, transparent and effective	Change in performance due to establishment of a limited tax appeals mechanism
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	C	D+		Small decline in performance, due to lack of tax audit programs
(i) Controls in the taxpayer registration system	C	C	Taxpayers are registered in database systems for individual taxes, which may not be fully and consistently linked. Linkages to other registration/licensing functions may be weak but are then supplemented by occasional surveys of potential taxpayers.	
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	Penalties for non-compliance generally exist, but substantial changes to their structure, levels or administration are needed to give them a real impact on compliance	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Planning and monitoring of tax audit and fraud investigation programs	C	D	Tax audits and fraud investigations are undertaken on an ad hoc basis if at all	
PI-15 Effectiveness in collection of tax payments	NR	D+		Information on tax arrears was unavailable in 2011
(i) Collection ratio for gross tax arrears	NR	D	The debt collection ratio in the most recent year was below 60% and the total amount of tax arrears is significant (i.e. more than 2% of total annual collections).	Information is now available to enable this dimension to be scored
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	B	A	All tax revenue is paid directly into accounts controlled by the Treasury or transfers to the Treasury are made daily	Improvement in performance due to tightening of transfer arrangements for tax collections
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	A	C	Complete reconciliation of tax assessments, collections, arrears and transfers to Treasury takes place at least annually within 3 months of end of the year	While Greentree allows for continuous updating of records, reconciliations are undertaken periodically
PI-16 Predictability in the availability of funds for commitment of expenditures	B+	D+		Decline in performance, due to lack of formal annual cashflow plan to accompany budget
(i) Extent to which cash flows are forecasted and monitored	A	D	Cash flow planning and monitoring are not undertaken or of very poor quality	Deterioration in performance, with less attention to cash flow forecasting and monitoring
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	A	D	MDAs are provided commitment ceilings for less than a month OR no reliable indication at all of actual resource availability for commitment	Deterioration in performance, with spending units facing some uncertainty in relation to actual resource availability

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	B	B	Significant in-year adjustments to budget allocations take place only once or twice in a year and are done in a fairly transparent way	
PI-17 Recording and management of cash balances, debt and guarantees	C+	D		Small decline in performance, as there is no formal system of consolidating bank account balances
(i) Quality of debt data recording and reporting	A	NA		No debt existed at the time of the current assessment, so NA is applied. In 2011, Government had a credit facility with the Niue Development Bank, and recording and reporting of this was scored A.
(ii) Extent of consolidation of the government's cash balances	C	D	Calculation of balances takes place irregularly, if at all, and the system used does not allow consolidation of bank balances	Some deterioration in performance, with consolidation of balances needing to be addressed manually
(iii) Systems for contracting loans and issuance of guarantees	D	D	Central government's contracting of loans and issuance of guarantees are approved by different government entities, without a unified overview mechanism	
PI-18 Effectiveness of payroll controls	D+	D+		

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(i) Degree of integration and reconciliation between personnel records and payroll data	B	B	Personnel data and payroll data are not directly linked but the payroll is supported by full documentation for all changes made to personnel records each month and checked against the previous month's payroll data	
(ii) Timeliness of changes to personnel records and the payroll	A	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month's payments. Retroactive adjustments are rare (if reliable data exists, it shows corrections in max. 3% of salary payments)	
(iii) Internal controls of changes to personnel records and the payroll	B	B	Authority and basis for changes to personnel records and the payroll are clear	
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	D	D	No payroll audits have been undertaken within the last three years	
PI-19 Competition, value for money and controls in procurement	D	D		
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework.	D	D	The legal framework meets one or none of the six listed requirements	

Indicator/Dimension		Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(ii)	Use of competitive procurement methods	D	D	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements for less than 60% of the value of contracts awarded, OR reliable data is not available	
(iii)	Public access to complete, reliable and timely procurement information	D	D	The government lacks a system to generate substantial and reliable coverage of key procurement information, OR does not systematically make key procurement information available to the public	
(iv)	Existence of an independent administrative procurement complaints system	D	D	The procurement complaints system does not meet criteria (i) & (ii) and one other criterion, OR there is no independent procurement complaints review body	
PI-20 Effectiveness of internal controls for non-salary expenditure		C+	C+		
(i)	Effectiveness of expenditure commitment controls	B	C	Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated	Some deterioration in performance, with increasing awareness of the lack of a commitment control facility in the Greentree system

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures.	C	C	Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance	
(iii) Degree of compliance with rules for processing and recording transactions	B	B	Compliance with rules is fairly high, but simplified/emergency procedures are used occasionally without adequate justification	
PI-21 Effectiveness of internal audit	D+	D		Small decline in performance, as internal audit has become inoperative since the last assessment
(i) Coverage and quality of the internal audit function	D	D	There is little or no internal audit focused on systems monitoring	
(ii) Frequency and distribution of reports	C	NA		Internal audit has become inoperative since the last assessment
(iii) Extent of management response to internal audit function.	D	NA		Internal audit has become inoperative since the last assessment
C(iii) Accounting, Recording and Reporting				
PI-22 Timeliness and regularity of accounts reconciliation	C ¹	B+		Small improvement in performance, as there are few suspense accounts and advances

¹ Recorded as a D+ in the 2011 Niue PFM Performance Report, applying the M1 scoring method instead of the M2 method.

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(i) Regularity of bank reconciliation	B	B	Bank reconciliation for all Treasury managed bank accounts take place at least monthly, usually within 4 weeks from end of month	
(ii) Regularity and clearance of suspense accounts and advances	D	A	Reconciliation and clearance of suspense accounts and advances take place at least quarterly, within a month from end of period and with few balances brought forward	Significant improvement in performance in management of suspense accounts
PI-23 Availability of information on resources received by service delivery units	B	B	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by either primary schools or primary health clinics across most of the country with information compiled into reports at least annually	
PI-24 Quality and timeliness of in-year budget reports	C+	C+		
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	C	Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage (not both)	
(ii) Timeliness of the issue of reports	A	A	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Quality of information	B	C	There are some concerns about the accuracy of information, which may not always be highlighted in the reports, but this does not fundamentally undermine their basic usefulness	Marginal deterioration in performance, as there has always been some evidence of issues such as miscoding, which are not at a level to undermine the usefulness of the information
PI-25 Quality and timeliness of annual financial statements	D+	D+		
(i) Completeness of the financial statements	A	D	A consolidated government statement is not prepared annually, OR essential information is missing from the financial statements OR the financial records are too poor to enable audit	Preparation of government financial statements is currently further behind than at the time of the previous assessment
(ii) Timeliness of submissions of the financial statements	D	D	If annual statements are prepared, they are generally not submitted for external audit within 15 months of the end of the fiscal year	
(iii) Accounting standards used	C	C	Statements are presented in consistent format over time with some disclosure of accounting standards	
C(iv) External Scrutiny and Audit				
PI-26 Scope, nature and follow-up of external audit	D+	D		Small decline in performance, due to the absence of any audits during the review period (resulting from delays in financial statements)

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	D	Audits cover central government entities representing less than 50% of total expenditures or audits have higher coverage but do not highlight the significant issues	The deterioration in score is due to delays in financial statements which have prevented audits from taking place
(ii) Timeliness of submission of audit reports to the Legislature	D	D	Audit reports are submitted to the legislature more than 12 months from the end of the period covered (for audit of financial statements from their receipt by the auditors)	
(iii) Evidence of follow up on audit recommendations	D	D	There is little evidence of response or follow up	
PI-27 Legislative scrutiny of the annual budget law	C+	D+		Small decline in performance, due to PAC hearings not programmed until second half of June
(i) Scope of the legislature scrutiny	C	C	The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized	
(ii) Extent to which the legislature's procedures are well established and respected	B	B	Simple procedures exist for the legislature's budget review and are respected	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	C	D	The time allowed for the legislature's review is clearly insufficient for a meaningful debate (significantly less than one month)	Decline in performance due to PAC hearings not programmed until second half of June
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	C	C	Clear rules exist, but they may not always be respected OR they may allow extensive administrative reallocation as well as expansion of total expenditure.	
PI-28 Legislative scrutiny of external audit reports	D+	D		Small decline in performance, due to absence of audit reports during the review period (resulting from delays in financial statements)
(i) Timeliness of examination of audit reports by the legislature	B	D	Examination of audit reports by the legislature does not take place or usually takes more than 12 months to complete	Decline in performance due to absence of audit reports during the review period (resulting from delays in financial statements)
(ii) Extent of hearing on key findings undertaken by the legislature	D	D	No in-depth hearings are conducted by the legislature	

Indicator/Dimension	Score 2011 assessment	Score current assessment	2011 Framework requirements met in current assessment	Explanation of change (include comparability issues)
(iii) Issuance of recommended actions by the legislature and implementation by the executive	D	D	No recommendations are being issued by the legislature	

Annex 5: Calculations for PI-1, PI-2 and PI-3

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3						
Step 1: Enter the three fiscal years used for assessment in table 1.						
Step 2: Enter the administrative OR functional head for up to 20 heads.						
The 21st line will be the sum of figures for all remaining heads (if any).						
Step 3: Enter budget and actual expenditure data for each of the three years in tables 2, 3, and 4 respectively.						
Step 4: Enter contingency data for each of the three years in tables 2, 3, and 4 respectively.						
Step 5: Read the results for each of the three years for each indicator in table 5.						
Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.						
Table 1 - Fiscal years for assessment						
Year 1 =	2016/17					
Year 2 =	2017/18					
Year 3 =	2018/19					

Table 2						
Data for year = 2016/17						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cabinet and Parliamentary Services	0	0	0	0	0	#DIV/0!
Premiers Department	2,223,000	2,390,695	1,904,336	486,359	486,359	25.5%
Project Management Coordination Unit	327,000	236,890	280,125	-43,235	43,235	15.4%
Crown Law	342,000	414,399	292,975	121,424	121,424	41.4%
Niue PSC and Secretariat	1,262,000	1,170,760	1,081,094	89,666	89,666	8.3%
Finance and Planning	1,483,000	1,768,323	1,270,414	497,909	497,909	39.2%
Police	615,000	481,606	526,841	-45,235	45,235	8.6%
Education Department	2,616,000	2,653,202	2,241,000	412,202	412,202	18.4%
Health Department	2,183,000	2,232,505	1,870,070	362,435	362,435	19.4%
Justice Department (incl. Com Affairs)	3,859,000	3,907,258	3,305,818	601,440	601,440	18.2%
Taoga Niue	270,000	222,958	231,296	-8,338	8,338	3.6%
DAFF	963,000	909,684	824,955	84,729	84,729	10.3%
Environment Department	335,000	301,942	286,978	14,964	14,964	5.2%
Met Office	221,000	182,821	189,320	-6,499	6,499	3.4%
Utilities	955,000	725,459	818,102	-92,643	92,643	11.3%
Transport	1,500,000	1,320,728	1,284,977	35,751	35,751	2.8%
Niue Tourism Authority	377,000	431,162	322,958	108,204	108,204	33.5%
Bulk Fuel	4,209,000	3,108,638	3,605,646	-497,008	497,008	13.8%
Capital expenditure (excluding projects)	51,000	0	43,689	-43,689	43,689	100.0%
Project expenditure	9,323,000	5,908,127	7,986,562	-2,078,435	2,078,435	26.0%
21 (= sum of rest)	0	0	0	0	0	#DIV/0!
allocated expenditure	33,114,000	28,367,157	28,367,157	0	5,630,163	
interests						
contingency						
total expenditure	33,114,000	28,367,157				
aggregate outturn (PI-1)						85.7%
composition (PI-2) variance						19.8%
contingency share of budget						0.0%

Table 3						
Data for year = 2017/18						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cabinet and Parliamentary Services	0	0	0	0	0	#DIV/0!
Premiers Department	2,348,000	2,373,111	2,157,759	215,352	215,352	10.0%
Project Management Coordination Unit	287,000	246,082	263,747	-17,665	17,665	6.7%
Crown Law	399,000	407,965	366,672	41,293	41,293	11.3%
Niue PSC and Secretariat	1,326,000	1,121,055	1,218,564	-97,509	97,509	8.0%
Finance and Planning	5,494,000	1,607,855	5,048,862	-3,441,007	3,441,007	68.2%
Police	610,000	560,645	560,576	69	69	0.0%
Education Department	2,721,000	2,602,029	2,500,538	101,491	101,491	4.1%
Health Department	2,290,000	2,414,840	2,104,458	310,382	310,382	14.7%
Justice Department (incl. Com Affairs)	4,033,000	3,974,587	3,706,236	268,351	268,351	7.2%
Taoga Niue	272,000	224,644	249,962	-25,318	25,318	10.1%
DAFF	899,000	760,147	826,161	-66,014	66,014	8.0%
Environment Department	332,000	325,161	305,101	20,060	20,060	6.6%
Met Office	202,000	201,539	185,633	15,906	15,906	8.6%
Utilities	862,000	2,622,981	792,159	1,830,822	1,830,822	231.1%
Transport	1,497,000	1,189,895	1,375,709	-185,814	185,814	13.5%
Niue Tourism Authority	477,000	379,591	438,352	-58,761	58,761	13.4%
Bulk Fuel	4,365,000	4,204,504	4,011,337	193,167	193,167	4.8%
Capital expenditure (excluding projects)	51,000	0	46,868	-46,868	46,868	100.0%
Project expenditure	10,482,000	10,574,785	9,632,722	942,063	942,063	9.8%
21 (= sum of rest)	0	0	0	0	0	#DIV/0!
allocated expenditure	38,947,000	35,791,416	35,791,416	0	7,877,912	
interests						
contingency						
total expenditure	38,947,000	35,791,416				
aggregate outturn (PI-1)						91.9%
composition (PI-2) variance						22.0%
contingency share of budget						0.0%

Table 4						
Data for year = 2018/19						
administrative or functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Cabinet and Parliamentary Services	0	0	0	0	0	#DIV/0!
Premiers Department	2,477,000	2,137,591	2,202,027	-64,436	64,436	2.9%
Project Management Coordination Unit	291,000	261,220	258,696	2,524	2,524	1.0%
Crown Law	398,000	494,425	353,818	140,607	140,607	39.7%
Niue PSC and Secretariat	1,295,000	1,069,011	1,151,242	-82,231	82,231	7.1%
Finance and Planning	1,351,000	1,229,354	1,201,025	28,329	28,329	2.4%
Police	733,000	574,508	651,629	-77,121	77,121	11.8%
Education Department	2,773,000	2,765,369	2,465,168	300,201	300,201	12.2%
Health Department	2,407,000	2,453,113	2,139,798	313,315	313,315	14.6%
Justice Department (incl. Com Affairs)	4,369,000	4,070,249	3,883,996	186,253	186,253	4.8%
Taoga Niue	305,000	257,016	271,142	-14,126	14,126	5.2%
DAFF	885,000	763,263	786,756	-23,493	23,493	3.0%
Environment Department	319,000	342,366	283,588	58,778	58,778	20.7%
Met Office	204,000	213,764	181,354	32,410	32,410	17.9%
Utilities	829,000	700,729	736,972	-36,243	36,243	4.9%
Transport	1,346,000	1,271,411	1,196,580	74,831	74,831	6.3%
Niue Tourism Authority	356,000	363,197	316,480	46,717	46,717	14.8%
Bulk Fuel	4,986,000	4,989,757	4,432,502	557,255	557,255	12.6%
Capital expenditure (excluding projects)	51,000	0	45,338	-45,338	45,338	100.0%
Project expenditure	18,962,000	15,458,792	16,857,022	-1,398,230	1,398,230	8.3%
21 (= sum of rest)	0	0	0	0	0	#DIV/0!
allocated expenditure	44,337,000	39,415,135	39,415,135	0	3,482,438	
interests						
contingency						
total expenditure	44,337,000	39,415,135				
aggregate outturn (PI-1)						88.9%
composition (PI-2) variance						8.8%
contingency share of budget						0.0%

Table 5 - Results Matrix			
	for PI-1.1	for PI-2.1	for PI-2.3
year	total exp. Outturn	composition variance	contingency share
2016/17	85.7%	19.8%	0.0%
2017/18	91.9%	22.0%	
2018/19	88.9%	8.8%	

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

Step 1: Enter the three fiscal years used for assessment in table 1.

expenditure data for each of the three years

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2016/17
Year 2 =	2017/18
Year 3 =	2018/19

Table 2

Data for year = 2016/17						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	13,421,000	13,103,367	13,609,672	-506,305	506,305	3.7%
Use of goods and services	11,216,900	8,810,219	11,374,587	-2,564,368	2,564,368	22.5%
Consumption of fixed capital	0	2,058,665	0	2,058,665	2,058,665	#DIV/0!
Interest	0	0	0	0	0	#DIV/0!
Subsidies	0	0	0	0	0	#DIV/0!
Grants	0	1,009,239	0	1,009,239	1,009,239	#DIV/0!
Social benefits	3,566,500	4,262,920	3,616,638	646,282	646,282	17.9%
Other expenses	4,858,600	4,283,389	4,926,902	-643,513	643,513	13.1%
Total expenditure	33,063,000	33,527,799	33,527,799	0	7,428,372	
composition variance						22.2%

Table 3

Data for year = 2017/18						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	14,468,000	15,712,699	13,699,921	2,012,778	2,012,778	14.7%
Use of goods and services	12,094,800	11,202,502	11,452,710	-250,208	250,208	2.2%
Consumption of fixed capital	0	964	0	964	964	#DIV/0!
Interest	0	0	0	0	0	#DIV/0!
Subsidies	0	0	0	0	0	#DIV/0!
Grants	4,200,000	2,514,350	3,977,030	-1,462,680	1,462,680	36.8%
Social benefits	3,671,000	3,953,811	3,476,114	477,697	477,697	13.7%
Other expenses	4,462,200	3,446,759	4,225,310	-778,551	778,551	18.4%
Total expenditure	38,896,000	36,831,085	36,831,085	0	4,982,878	
composition variance						13.5%

Table 4						
Data for year = 2018/19						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	18,283,000	16,687,716	16,714,264	-26,548	26,548	0.2%
Use of goods and services	16,263,500	13,592,290	14,868,043	-1,275,753	1,275,753	8.6%
Consumption of fixed capital	0	-683	0	-683	683	#DIV/0!
Interest	0	0	0	0	0	#DIV/0!
Subsidies	0	0	0	0	0	#DIV/0!
Grants	350,000	756,840	319,969	436,871	436,871	136.5%
Social benefits	4,024,000	4,043,468	3,678,729	364,739	364,739	9.9%
Other expenses	5,367,500	5,408,326	4,906,952	501,374	501,374	10.2%
Total expenditure	44,288,000	40,487,957	40,487,957	0	2,605,968	
composition variance						6.4%

Table 5 - Results Matrix

year	composition variance
2016/17	22.2%
2017/18	13.5%
2018/19	6.4%

Calculation Sheet for Revenue outturn (Oct 2018)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter **budget** and **actual** revenue data for each of the three years in tables 2, 3, and 4 respectively.

Step 3: Read the results for each of the three years for each dimension in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2016/17
Year 2 =	2017/18
Year 3 =	2018/19

Table 2

Data for year = 2016/17						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	2,820,000	2,717,440	2,804,597	-87,157	87,157	3.1%
Taxes on payroll and workforce	0	0	0	0	0	#DIV/0!
Taxes on property	0	0	0	0	0	#DIV/0!
Taxes on goods and services	3,000,000	2,118,991	2,983,614	-864,623	864,623	29.0%
Taxes on international trade and transactions	1,000,000	391,604	994,538	-602,934	602,934	60.6%
Other taxes, duties and fines	2,387,000	2,884,489	2,373,962	510,527	510,527	21.5%
Social contributions						
Social security contributions	0	0	0	0	0	#DIV/0!
Other social contributions	0	0	0	0	0	#DIV/0!
Grants						
Grants from foreign governments	16,585,000	15,850,419	16,494,411	-643,992	643,992	3.9%
Grants from international organizations	0	0	0	0	0	#DIV/0!
Grants from other government units	0	0	0	0	0	#DIV/0!
Other revenue						
Property income	600,000	151,062	596,723	-445,661	445,661	74.7%
Sales of goods and services	5,828,000	8,826,467	5,796,167	3,030,300	3,030,300	52.3%
Fines, penalties and forfeits	0	0	0	0	0	#DIV/0!
Transfers not elsewhere classified	0	0	0	0	0	#DIV/0!
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes	0	0	0	0	0	#DIV/0!
Sum of rest	943,000	41,389	937,849	-896,460	896,460	95.6%
Total revenue	33,163,000	32,981,861	32,981,861	0	7,081,654	
overall variance						99.5%
composition variance						21.5%

Table 3						
Data for year = 2017/18						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	3,100,000	3,066,584	2,961,006	105,578	105,578	3.6%
Taxes on payroll and workforce	0	0	0	0	0	#DIV/0!
Taxes on property	0	0	0	0	0	#DIV/0!
Taxes on goods and services	3,000,000	3,360,889	2,865,490	495,399	495,399	17.3%
Taxes on international trade and transactions	500,000	1,032,196	477,582	554,614	554,614	116.1%
Other taxes	2,616,000	3,216,796	2,498,707	718,089	718,089	28.7%
Social contributions						
Social security contributions	0	0	0	0	0	#DIV/0!
Other social contributions	0	0	0	0	0	#DIV/0!
Grants						
Grants from foreign governments	17,170,000	16,578,027	16,400,154	177,873	177,873	1.1%
Grants from international organizations	0	0	0	0	0	#DIV/0!
Grants from other government units	0	0	0	0	0	#DIV/0!
Other revenue						
Property income	0	0	0	0	0	#DIV/0!
Sales of goods and services	6,456,000	8,392,446	6,166,534	2,225,912	2,225,912	36.1%
Fines, penalties and forfeits	0	0	0	0	0	#DIV/0!
Transfers not elsewhere classified	0	0	0	0	0	#DIV/0!
insurance and standardized guarantee	0	0	0	0	0	#DIV/0!
Sum of rest	4,985,000	484,024	4,761,489	-4,277,465	4,277,465	89.8%
Total revenue	37,827,000	36,130,962	36,130,962	0	8,554,930	
overall variance						95.5%
composition variance						23.7%

Table 4						
Data for year = 2018/19						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Tax revenues						
Taxes on income, profit and capital gains	3,300,000	3,254,290	3,671,798	-417,508	417,508	11.4%
Taxes on payroll and workforce	0	0	0	0	0	#DIV/0!
Taxes on property	0	0	0	0	0	#DIV/0!
Taxes on goods and services	3,000,000	3,799,691	3,337,998	461,693	461,693	13.8%
Taxes on international trade and transactions	1,000,000	1,137,398	1,112,666	24,732	24,732	2.2%
Other taxes	3,076,000	3,848,508	3,422,560	425,948	425,948	12.4%
Social contributions						
Social security contributions	0	0	0	0	0	#DIV/0!
Other social contributions	0	0	0	0	0	#DIV/0!
Grants						
Grants from foreign governments	25,750,000	29,339,587	28,651,148	688,439	688,439	2.4%
Grants from international organizations	0	0	0	0	0	#DIV/0!
Grants from other government units	0	0	0	0	0	#DIV/0!
Other revenue						
Property income	500,000	0	556,333	-556,333	556,333	100.0%
Sales of goods and services	6,777,000	7,513,656	7,540,537	-26,881	26,881	0.4%
Fines, penalties and forfeits	0	0	0	0	0	#DIV/0!
Transfers not elsewhere classified	0	0	0	0	0	#DIV/0!
insurance and standardized guarantee	0	0	0	0	0	#DIV/0!
Sum of rest	985,000	495,885	1,095,976	-600,091	600,091	54.8%
Total revenue	44,388,000	49,389,015	49,389,015	0	3,201,625	
overall variance						111.3%
composition variance						6.5%

Table 5 - Results Matrix		
year	total revenue deviation	composition variance
2016/17	99.5%	21.5%
2017/18	95.5%	23.7%
2018/19	111.3%	6.5%

Annex 6: Terms of reference for Niue PEFA Assessment

Project TA-9729 NIU: Public Financial Management Specialist (53096-001)

Expertise: Public Financial Management

Source: International

Objective and Purpose of the Assignment

The Asian Development Bank (ADB) is providing technical assistance (TA) to the Government of Niue (GoN) to support the strengthening of public financial management. The ADB TA has two outputs: (i) Improved accounting and financial reporting; and (ii) updated assessment and roadmap for strengthening public financial management (PFM). The Public Financial Management Specialist will work with Niue's Treasury Department (Treasury) to complete a self-assessment of public financial management systems using the 2016 Public Expenditure and Financial Accountability (PEFA) framework and prepare an updated roadmap for strengthening of PFM systems.

Niue is ADB's newest member country and has a population of around 1,600 people. As in other small states, Niue's public sector accounts for a significant share of economic activity, with government spending averaging 68.9% of GDP during 2015-2017 and public sector activity accounting for an average of 41.1% of GDP during the same period. Niue's small population creates challenges for public service delivery. The government is the largest employer on the island, with approximately 400 employees but this workforce is small considering the range of services that the government must provide. In many areas the government faces acute human resource constraints and must look for innovative ways to improve performance without recruiting additional staff.

Niue's Treasury is the lead government agency for PFM and is responsible for budgeting, financial management, tax and customs administration, trade policy, economic planning, statistics, and immigration. Treasury has around 30 full time staff which is small considering the department's broad mandate.

In 2011 Treasury carried out a self-assessment of PFM systems with support from the International Monetary Fund's Pacific Financial Technical Assistance Center (PFTAC). Following completion of this assessment, PFTAC supported the preparation of a PFM reform roadmap and implementation plan. The roadmap and implementation plan were finalized in 2014 and mapped out an initial three-year program that focused on strengthening budget processes.

The limited human resources that are available within Treasury mean that efforts to strengthen public financial management must be carefully prioritized. While the 2011 PEFA assessment and the 2014 reform roadmap and implementation plan provided a good baseline and guide for reforms, the assessment and reform plan now need to be updated.

Scope of Work

The Public Financial Management Specialist will be based in their home office and will make two extended missions to Niue. The specialist will report to the Treasury Secretary and ADB Project Officer and will work with GoN staff and advisers in Treasury and other relevant agencies to deliver the terms of reference.

Detailed Tasks and/or Expected Output

- Desktop review of background materials including the 2011 PEFA Assessment, the 2014 PFM Reform Roadmap and Implementation Plan, budget documents, government financial statements, audit reports etc.
- Preparation of a work-plan for completion of the self-assessment and reform roadmap;
- Preparation and delivery of introductory training on the PEFA 2016 methodology to government officials and more in-depth training to the self-assessment team;
- Collaboration with government self-assessment team to collate required information and prepare initial scoring and narrative that discusses changes since 2011;
- Organization of workshops with Government of Niue officials to validate the preliminary evaluation results and discuss reform priorities;
- Drafting of self-assessment report and reform roadmap with specific, measurable, and time-bound actions to strengthen PFM;
- Other tasks as agreed.