Report No: ACS20350

Republic of Colombia

2015 Colombia Public Expenditure and Financial Accountability (PEFA)

Colombia's Public Financial Management Systems

October 14, 2016

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LATIN AMERICA AND CARIBBEAN

2015 Public Expenditure and Financial Accountability Assessment (PEFA) of Colombia's Public Financial Management Systems

October 14, 2016

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2015 Public Expenditure and Financial Accountability Assessment (PEFA) of Colombia's Public Financial Management Systems

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CURRENCY AND EQUIVALENT UNITS
(Effective exchange rate as of October 14, 2016)
Currency Unit = Colombian Peso (CoP)
1 US$ = CoP 2,930.78

GOVERNMENT FISCAL YEAR

1 January–31 December

WEIGHTS AND MEASURES
Metric System

ABBREVIATIONS AND ACRONYMS

AIOP	Annual Investments Operating Plan
BER	Budget Execution Report
CG	Central Government
CGC	Comptroller General of Colombia
CGF	Classification of Government Functions
CoP	Colombian Peso
CSAD	Civil Service Administration Department
DFS	Directorate of Fiscal Support
DGMP	Office of the Director General for Macroeconomic Policy
DGNPB	Office of the Director General of the National Public Budget
DGPCNR	Office of the Director General for Public Credit and National Revenue
DNTC	Directorate of National Taxes and Customs
EARS	Electronic Accountability and Reporting System
EPPS	Electronic Public Procurement System
EU	Delegation of the European Union in Colombia
FA	Financial Assets
FS	Financial Statements
GAO	General Accounting Office
GBN	General Budget of the Nation
GDP	Gross Domestic Product
GoC	Government of Colombia
GRS	General Royalties System
ICO	Internal Control Office
IFIS	Integrated Financial Information System
IFRS	International Financial Reporting Standards
IICS	Institutional Internal Control System
IPSAS	International Public Sector Accounting Standards
IPTS	Investment Project Tracking System
LAC	Legal Accounts Committee
MED	Ministry of Education
MFPC	Ministry of Finance and Public Credit
MHSP	Ministry of Health and Social Protection
MT	Ministry of Transportation
MTBP	Medium-Term Budget Proposal
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NCESP	National Council for Economic and Social Policy
NDP	National Development Plan 2014-2018
NFA	Nonfinancial Assets
NPD	National Planning Department
NPPA	National Public Procurement Agency
OBS	Organizational Budget Statute
AMCP	Annual Monthly- based Cash Program

PAF	Public Accounting Framework
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFS	Public Finance Statistics
PFSM	Public Finance Statistics Manual
PI	Performance Indicator
RPIC	Revenue and Public Investment Consolidator
SAI	Supreme Audit Institution
SECO	State Secretariat for Economic Affairs of the Swiss Confederation
SIC	Single Institutional Classifier
SICM	Standard Internal Control Model
SNG	Subnational Government
SOE	State-Owned Enterprise
SPM	Single Points Model
SSP	Sector Strategic Plan
TSA	Treasury Single Account
USD	United States Dollar
WB	World Bank

PEFA assessment report corresponding to
Colombia, September 26, 2016

The quality control process followed for the preparation of this report meets all the requirements of the Secretariat for the Public Expenditure and Financial Accountability Program (PEFA) and therefore receives the quality approval endorsement, known as “PEFA CHECK.”

PEFA Secretariat, October 6, 2016

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ACKNOWLEDGMENTS

This report was prepared by a World Bank team led by Jeannette Estupiñan and Pedro Arizti (Project Leaders), with the assistance of Francisco Rodriguez, Senior Procurement Specialist; Enrique Fanta, Senior Trade and Customs Specialist; Xiomara Morel, Lead Financial Management Specialist; Antonio Blasco, Senior Financial Management Specialist; Bruno Giussani, lead consultant of the assessment team and Ulises Guardiola and José Ospina, consultants of the assessment team. This assessment was conducted in collaboration with the Ministry of Finance and Public Credit of the Republic of Colombia with the support and collaboration of the State Secretariat for Economic Affairs of the Swiss Confederation (SECO) and the European Union.

The PEFA assessment team wishes to give special thanks to the Technical Deputy Minister of the Ministry of Finance and Public Credit, Andres Escobar Arango, and his team for all their support throughout the process and for the coordination of work with the various agencies and ministries. The project team wishes to express its sincere appreciation for the support received from all the officials and for the cooperation of their counterparts in Colombia.

The team would also like to acknowledge the contributions of Franziska Spoerri, Catalina Pulido, and Christian Sieber of SECO and their external advisor, Andreas Bergmann; Francisco Garcia and Elena Arjona from European Union; Miguel Orellana from the Inter-American Development Bank; Manuel Vargas and Jasmin Chakeri from the World Bank; and Helena Grandao Ramos from the PEFA Secretariat.

EXECUTIVE SUMMARY

Introduction

The objective of the 2015 Colombia Public Expenditure and Financial Accountability (PEFA) assessment is to have an updated diagnosis of the performance of the public financial management (PFM) system in the country so as to (i) determine the progress made with the reforms implemented in recent years by the Government of Colombia (GoC), (ii) understand the impacts of these reforms, (iii) establish the tools and next steps necessary to consolidate the progress made, and (iv) promote long-term economic stability and sustainability.

This assessment was conducted, at the request of the Ministry of Finance and Public Credit (MFPC), by the World Bank (WB). The State Secretariat for Economic Affairs (SECO) of the Swiss Confederation and the Delegation of the European Union in Colombia (EU) collaborated throughout the process.

The assessment is performed using the 2016 PEFA methodology officially presented on February 1, 2016. The use of the PEFA methodology for this purpose records the progress made by the country's public financial management from the PEFA Colombia 2009 assessment, and establishes a new baseline for future measurement of progress to be made, for example, regarding public investment, public asset management, fiscal strategy, and results-oriented information, which promise to be particularly useful for the reform agenda that the GoC is interested in promoting.

The scope of the PEFA Colombia 2015 exercise covers the Central Government and the assessment analysis period are the last three completed fiscal years (2012, 2013, and 2014), at the time of the assessment (December 2015). The field mission took place in Bogota between November 12 and December 18, 2015, and this report was prepared between January 4 and August 17, 2016, incorporating comments from the Government of Colombia and guest reviewers.

Country Background

Colombia is located in northwestern South America, and has an estimated population of 48.2 million in 2015. It is the fourth-largest economy of South America, after those of Brazil, Argentina and Chile. Colombia has a substantial domestic market, a wealth of natural resources, and an average annual economic rate growth rate from 2005 through 2014 of 4.8 percent, underpinned by a strong macroeconomic framework.

PFM in Colombia has important strengths, primarily associated with the development of instruments that have allowed prudent fiscal management—such as the recent introduction of fiscal rules—that have supported major development initiatives. However, there are still some weaknesses related to the strategic allocation of resources, accountability, and efficient delivery of public services—areas where reform efforts are being made that are not yet fully reflected in the assessment. Among the most important of these ongoing efforts are (i) the inclusion in the budget of performance information, linking resource planning in the most appropriate manner; (ii) the convergence of national accounting to international accounting standards for the public sector, allowing consistency between the accounting and budgetary classifications; (iii) the strengthening of the Office of the Comptroller General by improving the quality and efficiency of control measures; and (iv) promoting the transparency of information of public finances and citizen participation.

PEFA Methodology

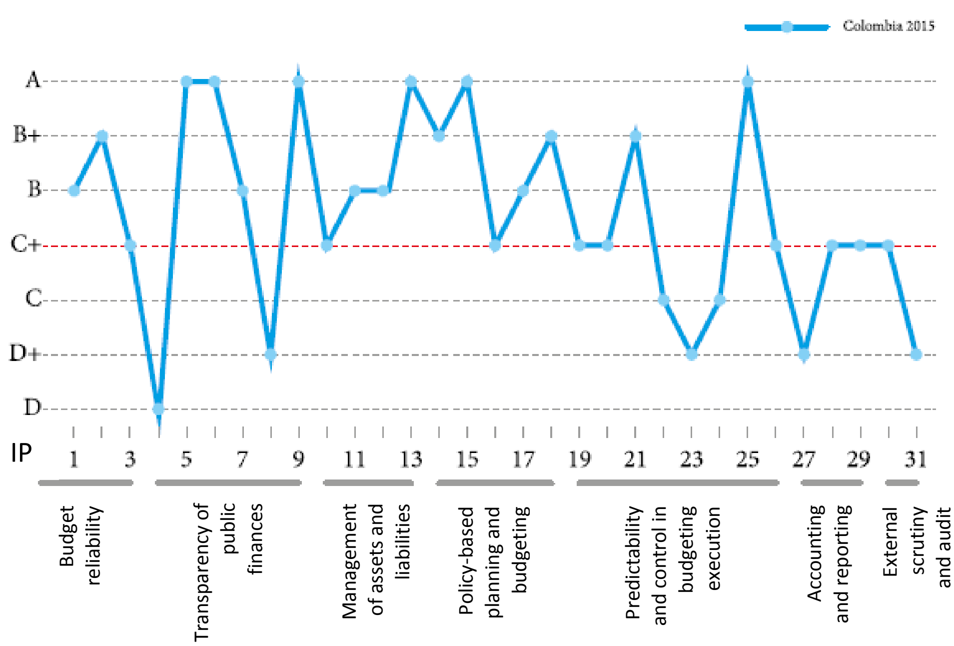
The measurement of the PFM system is performed from the valuation of 31 high level performance indicators (PIs) grouped in seven pillars of interest:

I. Reliability of the budget (PI-1 to PI-3)
II. Transparency of public finances (PI-4 to PI-9)
III. Management of assets and liabilities (PI-10 to PI-13)
IV. Policy-based fiscal strategy and budgeting (PI-14 to PI-18)
V. Predictability and control in budgeting execution (PI-19 to PI-26)
VI. Accounting and reporting (PI-27 to PI-29)
VII. Scrutiny and external audit (PI-30 to PI-31)

The 31 performance indicators are scored on an ordinal scale of seven points, A, B+, B, C+, C, D+, and D, according to the objective evidence obtained during the assessment process and report preparation. An "A" score states that national practice, as assessed by the PEFA methodology is compatible with international best practices; a score of "D" shows that national practice is far from best practice (or there is insufficient information or evidence to score).

Main Results

The results of the PEFA Colombia 2015 Assessment for each of the 31 performance indicators are presented graphically immediately below.



Overall, Colombia's PFM system exhibits reasonable alignment with international best practices at the Central Government level. The ratings obtained in the PEFA Colombia 2015 Assessment show that 24 of the 31 indicators (77.4 percent) scored between 'A' and 'C+.' The remaining indicators (22.6 percent) received scores between 'C' and 'D,' which suggests opportunities for strengthening PFM practices in the country.

The pillars that obtained the best scores are Pillar I "budget reliability" (PI-1 to PI-3), Pillar III "management of assets and liabilities" (PI-10 to PI-13), and Pillar IV "policy-based fiscal strategy and budgeting" (PI-14 to PI-18). In these cases, the great majority of the scores of the relevant indicators are located in the range of "A" and "B," highlighting them as strengths of the PFM system in Colombia.

Particularly noteworthy is the positive performance of indicators PI-14 and PI-15, which measure the overall institutional capacity to establish a credible fiscal strategy and comply with it. These two indicators have recently been added to the latest revision of the PEFA methodology, precisely to reflect progress in this regard within international best practice. Colombia exhibits significant progress in this area. The same can be said of indicators PI-11 "management of public investment" and PI-12 indicators "management of public assets," and where Colombia displays compatibility with international standards.

The PI-1 to PI-3 indicators as a whole measure whether the annual program of revenues and expenses included in the budget approved by the Congress continues without major variations during the implementation phase, both at overall and disaggregated categories of sectoral, functional, and economic classifications. In the case of Colombia, these indicators obtained scores between "B+" and "C+," a suggesting that the General Budget of the Nation (GBN) is a reliable instrument that effectively guides the allocation of public resources to the priorities identified in national policy.

For Pillars II "transparency of public finances" (PI-4 to PI-9), and V "predictability and control in budget execution" (PI-19 to PI-26), performance was more mixed. Indicators on fiscal transparency are generally aligned with international best practices, except for those scoring the budget classification (PI-4) and the inclusion of performance information in the budget allocated to the direct delivery of public services to the population (PI-8). The scores of these two indicators confirm the decision of the GoC to focus a substantial part of the reform effort in these areas.

Pillar indicators on "predictability and control in budget execution" have practices adjusted to international standards in Treasury Management (PI-21) and Internal Control Management (PI-25), in contrast with indicators that scored between "C" and "D+," primarily Payroll controls (PI-23) and Procurement (PI-24). The GoC has also initiated actions to strengthen the instruments required to foster improvements in these processes, with an aim to consolidating over the medium term.

Among the pillars there is less robust performance. Pillars VI and VII, "accounting and reporting" and "external scrutiny and audit," respectively, indicate opportunities for improvement (i.e., all indicators that make up these two pillars [PI-27 to PI-31] have scores between "D+" and "C+," which suggest the existence of gaps in relation to international best practices). If pursued diligently the ongoing reforms, especially those aimed at strengthening the consolidation of government financial information on the National Balance Sheet and inter-agency coordination of regulators and oversight agencies, may reverse these shortcomings over the medium term.

Effects on the Main Objectives of Public Finances

The potential impact of these overall strengths and specific opportunities for improvement is discussed with respect to aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

Aggregate Fiscal Discipline. The following system components contribute to achieving aggregate fiscal discipline: (i) a clearly defined fiscal strategy, along with monitoring and assessment of its results; (ii) the capabilities for the preparation of robust projections of macroeconomic and fiscal performance; (iii) budget reliability, particularly the scant variation reflecting the expenditures executed globally and as disaggregated by administrative, functional, and economic categories; (iv) good forecast of aggregate annual revenue, which does not suffer significant deviations during budget execution; (v) the proper reporting of revenue and expenditure operations that are outside the GBN; (vi) the management of fiscal and non-fiscal revenues; (vii) the relevant administration of public assets and liabilities; (viii) the predictability of resources to commit expenditures during budget execution; and (ix) the effective management of internal controls.

These positive factors are partially offset by the few weaknesses that are still prevalent in the PFM system, especially (i) the reduced capacity of fiscal risk oversight generated by public sector agencies as a whole; (ii) late payments; (iii) the difficulties remaining in the scheduling of medium-term expenditures; (vi) the weak link between investment expenditures and the future recurring expenditures they generate; and (vii) limitations in coverage and comparability

Strategic Allocation of Resources. The strengths of the Colombia's PFM system with respect to the strategic allocation of resources are (i) the existence of budgeting guidelines that assign credible budgeting ceilings, over the short and medium term; (ii) the timely submission of the draft budget for consideration by Congress; (iii) the delivery of complete and relevant information to Congress for analysis of the draft budget information; (iv) regular and timely approval of the budget law before the effective date of the corresponding fiscal year; (v) the preparation and adoption of a National Development Plan (NDP) every four years that focuses on priorities in the allocation of public funds among institutions; (vi) monitoring and assessment of performance information in the NDP; and (vii) assessment and regular monitoring that is performed on public investment projects.

However, the following weaknesses were found: (i) the difficulty of aligning planning and budgeting, as well as ensuring consistency of expenditures with budgetary ceilings over the medium term; (ii) budgeting classification that cannot be compared with international standards; (iii) the absence of performance information in the budget as a whole; (iv) the mechanisms of investment project costing; (v) the budget execution reports; (vi) preparation of financial and budgeting statements; (vii) monitoring performed on the external control recommendations; and (viii) the overall assessment of the results of fiscal management by Congress.

Efficient Service Delivery. Efficient (and effective) delivery of public services to the populace is an important PFM objective. The components of the PFM system in Colombia that favor this goal in satisfactory manner are (i) proper budgeting of revenue and fiscal impact analysis of economic and social policies; (ii) the availability of funds for commitment to expenditures, facilitated by the use of the Treasury Single Account (TSA) system; (iii) the transfer of tax collections to the TSA without undue delay; and (iv) the transparency of key budgeting and fiscal information.

In 2015, however, there are weaknesses affecting the capability of the system to efficiently deliver public services, the most notable being the difficulties for integrated management on the one hand, and payroll on the other, and the purchasing and public procurement system. The internal auditing and monitoring that is performed on budgeting reports on the expenditures incurred by the frontline service delivery units are also important weaknesses.

Summary of Results

The PEFA performance assessment conducted in 2015 (based on the 2015 PEFA methodology) reveals the following results for the indicator scores in general terms and for each of the dimensions that comprise it:

N°	Indicator	Global	1	2	3	4
	I. Budget reliability					
PI-1	Aggregate expenditure outturn	B	B			
PI-2	Expenditure composition outturn	B+	B	A	A	
PI-3	Revenue outturn	C+	B	C		
	II. Transparency of public finances					
PI-4	Budget classification	D	D			
PI-5	Budget documentation	A	A			
PI-6	Central Government Operations not included in financial reports	A	A	A	A	
PI-7	Transfers to subnational governments	B	A	C		
PI-8	Performance information for service delivery	D+	D	D	D*	A
PI-9	Public access to fiscal information	A	A			
	III. Management of assets and liabilities					
PI-10	Fiscal risk reporting	C+	C	C	B	
PI-11	Public investment management	B	B	A	D	A
PI-12	Public asset management	B	C	C	A	
PI-13	Debt management	A	A	A	A	
	IV. Policy-based fiscal strategy and budgeting					
PI-14	Macroeconomic and fiscal forecasting	B+	B	A	B	
PI-15	Fiscal strategy	A	A	A	A	
PI-16	Medium-term perspective in expenditure budgeting	C+	D	A	A	D
PI-17	Budget preparation process	B	C	C	A	
PI-18	Legislative scrutiny of budgets	B+	A	B	A	A
	V. Predictability and control in budget execution.					
PI-19	Revenue administration	C+	A	C	C	D
PI-20	Accounting for revenue	C+	A	B	C	
PI-21	Predictability of in-year resource allocation	B+	C	A	A	A
PI-22	Expenditure arrears	C	C	C		
PI-23	Payroll controls	D+	D	B	C	C
PI-24	Procurement	C	B	D*	B	D
PI-25	Internal controls on non-salary expenditure	A	A	A	A	

N°	Indicator	Global	1	2	3	4
PI-26	Internal audit	C+	B	C	B	B
VI. Accounting and reporting						
PI-27	Financial data integrity	D+	D	D	C	B
PI-28	In-year budget reports	C+	A	C	A	
PI-29	Annual financial reports	C+	C	B	C	
VII. External scrutiny and audit						
PI-30	External audit	C+	B	A	C	A
PI-31	Legislative scrutiny of audit reports	D+	B	C	D	C

Comparative Annex

Finally, for purposes of demonstrating the evolution of the PFM system in the country, the PEFA Colombia 2015 exercise prepared an annex that compares the results obtained in the 2009 PEFA assessment with the results of the exercise performed in 2015, using the PEFA methodology in its 2011 version. Applying the same methodology at two different times can generate direct comparability between the indicators and ensures a clearer reading of the progress made during the period.[1]

The results that are reflected in the Comparative Annex (see Annex 7) to this report show comparable overall performance between 2009 and 2015. The indicators exhibiting significant improvements are linked to the control of budgeting execution, as well as the management of public debt, of late payments and legislative scrutiny of the budget. However, other results show performance drops, of which the most notable are the indicators linked to valuing the budgeting classification, the management of fiscal process and procedures, the integrity of financial reporting, and external control.

[1] The 2016 PEFA methodology and the 2005/2011 PEFA methodology are not comparable; hence it is also necessary to apply the 2005/2011 methodology to the 2012, 2013, and 2014 periods.

1. INTRODUCTION

This section of the final report provides an account of the objectives, management, and methodology used in the Public Expenditure and Financial Accountability (PEFA) performance assessment of the public financial management (PFM) system conducted in Colombia in late 2015.

1.1 Background and Purpose of the Assessment

The performance of the PEFA Colombia 2015 Assessment was agreed in mid-2015 between the Ministry of Finance and Public Credit (MFPC), representing the Government of the Republic of Colombia (GoC), the World Bank (WB), and the State Secretariat for Economic Affairs (SECO) of the Swiss Confederation, in collaboration with representatives of the European Union in Colombia.

The objective of the 2015 Colombia Public Expenditure and Financial Accountability (PEFA) assessment is to have an updated diagnosis of the performance of Colombia's PFM system so as to (i) determine the progress made with the GoC reforms implemented in recent years, (ii) understand the impacts of these reforms, (iii) establish the tools and next steps necessary to consolidate the progress made, and (iv) promote long-term economic stability and sustainability. The exercise highlights the progress made by the country with respect to PFM issues since the 2009 PEFA Colombia assessment, and establishes a baseline for future measurement of subsequent advances. In particular, the updated PEFA methodology has five new indicators: performance information for service delivery (PI-8), public investment management (PI-11), public asset management (PI-12), macroeconomic and fiscal forecasting (PI-14), and fiscal strategy (PI-15), which are particularly useful for the reform agenda that the GoC is interested in strengthening in the coming years.

1.2 Assessment Management and Quality Control

Teams from the General Vice Ministry of the MFPC, SECO, and the WB, supported by the PEFA Secretariat, worked on the organization and overall coordination of the exercise; this was the basis for the preparation of the Assessment's Concept Note, which outlined the execution of the PEFA exercise in Colombia. The Concept Note was shared with the PEFA Secretariat for its review and comments were invited and received from peer reviewers.[1] The final version was approved, incorporating these observations, on October 10, 2015.

The preparation of the Concept Note resulted in the creation of a Monitoring Committee for the PEFA Colombia 2015 exercise, chaired by the Technical Deputy Minister of MFPC, and composed of representatives from the Office of the Director General of the National Public Budget (DGNPB), Office of the Director General for Public Credit and National Treasury (DGPCTN), the National Planning Department (NPD), the General Accounting Office (GAO), the Office of the Comptroller General of Colombia (CGC), and WB officials. The Monitoring Committee met on

[1] In compliance with the requirements of the PEFA CHECK (the seal granted by the PEFA Secretariat for assessment processes that comply with established best practices), officials designated by the World Bank, the State Secretariat for Economic Affairs of Switzerland/SECO, the Delegation of the European Union in Colombia/EU, and the Inter-American Development Bank/IDB were invited to serve as peer reviewers.

October 17, 2015 for the launch of the PEFA Colombia 2015 assessment, and on December 11 of the same year, at the formal close of the field mission in Bogota.

The Concept Note also provides for the creation of an Operational Monitoring Committee, composed of designated officials from MFPC, WB, and SECO, with the goal of (i) monitoring the progress of the field mission, (ii) coordinating the various activities conducted during this mission, including the training workshop, (iii) ensuring that the required information was presented in timely fashion to the assessment teams; and (iv) organizing and participating in meetings with authorities and officials of the public institutions relevant to the PEFA exercise. In short, the Monitoring Committee ensured that the assessment was conducted in a satisfactory manner and in compliance with the Concept Note and the PEFA methodology.

The PEFA Colombia 2015 field mission was held in the city of Bogota, and began on November 12, 2015.

The Training Workshop on the PEFA methodology was held on November 23 and 24, 2015.[2] Some 60 people participated in the workshop, including officials from all the directorates of MFPC connected with the PEFA exercise, as well as representatives from other public institutions, such as CGC, the Central Bank, NPD, the National Public Procurement Agency (NPPA), and the ministries of Education, Health and Social Protection, and Transport, among others.

The work of collecting basic information/evidence necessary for the PEFA assessment was performed between November 25 and December 18, 2015. Meetings with authorities and designated officials of the most relevant institutions for the exercise were organized around the schedule agreed between the assessment team and the Operational Monitoring Committee. At the close of the field mission, the PEFA team had achieved substantive meetings with all public institutions scheduled, including civil society organizations.

On December 11, 2015, an Operational Monitoring Committee meeting was held to review the preliminary results of the PEFA Colombia 2015 assessment. This meeting, which was led by the technical deputy minister of MFPC, Andres Escobar Arango, reviewed each of the proposed scores for all the PEFA Performance Indicators (PIs) and discussed these on the basis of the evidence collected. This presentation also assessed the performance changes that occurred since the PEFA assessment conducted in 2009.

The preparation of this report was carried out in several stages, between January and August 2016. A first draft of this document was submitted for the consideration of the peer reviewers on April 14, 2016 (see Table 1.1); on the basis of the comments submitted by the representatives of the institutions involved in this process, including the PEFA Secretariat, WB, SECO, EU, and IDB, the preparation the Draft Report was begun on May 16, 2016; the draft report was formally submitted to the GoC on June 22, 2016. GoC comments, received between July 29 and August 9, 2016, were included in the present report. The Final Assessment Report was sent to the guest reviewers on September 26, 2016, and the responses of all the comments made by all guest

[2] Materials used in the training workshop were provided by the PEFA Secretariat and adjusted by international consultants to the country's context.

reviewers, including the Government of Colombia, were included in the comment matrices. The approval of the "PEFA CHECK" process was issued by the PEFA Secretariat on October 6, 2016.

Table 1.1. Assessment of Management and Quality Control Arrangements

PEFA Assessment - Organization of Assessment

Management Steering Committee

- Andres Escobar Arango, Technical Deputy Minister, Ministry of Finance and Public Credit
- Issam Abousleiman, Country Manager for Colombia, World Bank
- Christian Sieber, Head of Economic Cooperation, SECO-Switzerland
- Francisco Garcia, Head of Cooperation, European Union Delegation.

Assessment Managers

- Daniel Boyce, Global Practice Manager, Financial Management, World Bank
- Arturo Herrera, Global Practice Manager, Public Sector, World Bank.

Leaders and Members of the Project Team

- Jeannette Estupiñan, Senior Financial Management Specialist; co-leader of the project team, World Bank
- Pedro Arizti, Senior Public Sector Specialist; co-leader of the project team, World Bank
- Bruno Giussani, lead consultant, assessment team, international consultant, World Bank
- Ulises Guardiola, assessment team, international consultant, World Bank
- José Ospina, assessment team, international consultant, World Bank
- Francisco Rodriguez, Senior Procurement Specialist and coordinator for Colombia and Mexico, World Bank
- Enrique Fanta, Senior Trade and Customs Specialist, World Bank
- Xiomara Morel, Lead Financial Management Specialist, World Bank
- Antonio Blasco, Senior Financial Management Specialist and coordinator for Colombia and Mexico, World Bank

Date of Review of the Concept Note: September 3, 2015

Peer Reviewers:

- Manuel Vargas, Lead Financial Management Specialist, World Bank
- Israel Fainboim, Public Sector Specialist, International Monetary Fund
- Helena Ramos, Senior Public Sector Economist, PEFA Secretariat
- Franziska Spörri, Program Manager, State Secretariat for Economic Cooperation (SECO), Switzerland
- Catalina Pulido, Senior National Program Officer, SECO
- Miguel Orellana, Fiduciary Specialist, Inter-American Development Bank

Reviewers Who Commented, and Date: Franziska Spörri and Catalina Pulido (September 1, 2015), Manuel Vargas and Helena Ramos (September 2, 2015).

Date of Final Concept Note: October 10, 2015

Review of the Assessment Report

Date of Review of the Draft Report: May 5, 2016

Peer Reviewers:

- Manuel Vargas, Lead Financial Management Specialist, World Bank
- Jasmin Chakeri, Senior Economist, World Bank
- Helena Ramos, Senior Public Sector Economist, PEFA Secretariat
- Franziska Spörri, Program Manager, SECO
- Catalina Pulido, Senior National Program Officer, SECO

- Andreas Bergmann, Professor of Public Finance/Director of the Zurich University of Applied Sciences (external advisor of SECO)
- Miguel Orellana, Fiduciary Specialist, Inter-American Development Bank
- Elena Arjona Public Finance Management Officer, European Union

Review of Assessment Report by the Government of Colombia

Delivery of the Draft Report: June 22, 2016

Delivery of Comments: between July 28 and August 9, 2016

Entities that Submitted Comments:

- Ministry of Finance and Public Credit (MFPC)
- Directorate of National Taxes and Customs (DNTC)
- National Agency for Public Procurement (NPPA)
- Office of the Comptroller General of Colombia (CGC)

Review of the Final Assessment Report

Final Assessment Report Delivery Date: September 26, 2016

Date "PEFA CHECK" Obtained: October 6, 2016

1.3 Assessment Methodology

This Colombia PFM assessment was prepared with two versions of the PEFA methodology. The field mission, training workshop, and initial formulation of this report, in line with the Government's request, as evidenced in the Concept Note, was conducted using the 2015 PEFA methodology, in its trial version updated to January 2015.[3] However, since the final version of the new PEFA methodology was approved and published by the PEFA Secretariat as of February 1, 2016, a decision was made to prepare this report with this new version, known now as the 2016 PEFA methodology.[4]

The intention behind the decision to prepare the report using the 2015 PEFA methodology was to have a PFM diagnosis as current as possible, up to the latest systematization of the standards (benchmarks) established by international best practices. The 2016 version of the new PEFA methodology provides this possibility and, although it does not differ substantively from the trial version (2015), it requires special adjustments and additional evidence for the treatment of various indicators. These settings are presented in detail in the document "Aligning the trial version with the 2015 PEFA methodology."[5]

Likewise, considering that this new version of the PEFA methodology, whether in its test version (2015) or in its official version (2016), is not directly comparable to the methodology with which the PEFA Colombia 2009 was performed, this assessment report, in agreement with the MFPC,

[3] Public Financial Management: Measurement Framework, testing version, updated as of January 2015. PEFA Secretariat, Washington, DC, United States of America.
[4] Framework for Assessing Public Financial Management: PEFA 2016, PEFA Secretariat, Washington, DC, United States of America, February 1, 2016.
[5] Aligning PEFA testing version assessments with PEFA 2016, PEFA Secretariat, Washington, DC, United States of America, February 2, 2016. (Document only available in English.)

also includes an annotated annex (Annex 7), which compares the results achieved in 2009 with the current performance, applying for both moments the 2011 version of the PEFA methodology.[6]

There was broad-ranging contact and exchange of views with the PEFA Secretariat in the implementation of the 2016 PEFA methodology and alignment of the report to it.

Periods of analysis

This PEFA assessment was conducted in November and December of 2015, which is the cut-off date for the assessment (see Table 1.2 for the periods of analysis used in accordance with the methodological requirements defined for each indicator).

Table 1.2.Periods of Analysis for the PEFA Colombia 2015 Assessment

Periods of Analysis	Fiscal Periods
Last three years ended at the time of assessment	2012, 2013, 2014
Fiscal year ending prior to the assessment	2014
Last budget submitted to Congress	2016
Last budget approved by Congress	2015
At the time of assessment	November 2015

Materiality and relevance

The materiality and relevance of certain PFM performance aspects are important considerations in many dimensions of the PEFA methodology. Except as otherwise provided, what follows are the standard definitions that have been applied throughout the indicator set with respect to materiality and relevance:

- **All** refers to 90 percent or more (by value).
- **Most** refers to 75 percent or more (by value).
- **Majority** refers to 50 percent or more (by value).
- **Some** refers to 25 percent or more (by value).
- **A few** refers to less than 25 percent and more than 10 percent (by value).

Sources of information

Before starting the field mission, a general request was sent three weeks in advance for statistical information and documentation necessary for the assessment of the 30 indicators of the PEFA 2015 testing methodology. This information was gradually collected during the field mission in the work meetings that were scheduled with officials of the main national government entities relevant to the PEFA Colombia 2015 exercise. Additional information for adapting the PEFA Colombia 2015 report to the 2016 methodology was obtained at a later stage with the support of the MFPC.

[6] Public Finance Management: Framework for Performance Measurement, version revised in January 2011, PEFA Secretariat, Washington, D.C., United States of America. For further details you may consult the PEFA Secretariat document: Guidance on performance changes from 2011 or 2005 versions in PEFA 2016, PEFA Secretariat, Washington DC, United States of America, February 2, 2016.

The work meetings during the field mission included visits to the three sector ministries that have the greatest impact on the budget and are important to achieving the public policy objectives of the current government: the Ministry of National Education (MED), the Ministry of Health and Social Protection (MHSP), and the Ministry of Transportation (MT). The assessment team also made a special effort to meet with civil society institutions that bring together the private sector (e.g., Bogota Chamber of Commerce), so as to triangulate information on transparency and public access to key fiscal information. A list of all those interviewed is presented in Annex 1.

2. BACKGROUND ON COLOMBIA

This section is descriptive in character and provides social and economic information on Colombia and the fundamental characteristics of its PFM system. The aim is to provide context and facilitate understanding of the PEFA assessment and progress of the ongoing reforms. The information was collected from various publications and an analysis of current legislation describing the institutional structure of the public sector and its relationship with Colombia's PFM system.

2.1 Economic and Social Context

Colombia is located in northwestern South America, and has an estimated 2015 population of 48.2 million. It is the fourth-largest economy of South America, after those of Brazil, Argentina, and Chile. Colombia has a substantial domestic market, a wealth of natural resources, and an average annual economic rate growth from 2005 through 2014 of 4.8 percent, underpinned by a strong macroeconomic framework (a scheme of inflation targeting, flexible exchange rate, fiscal structural rule, and strong financial regulation) that has generated confidence in consumers and investors, and that was also enhanced in recent years with advances in public safety and in peace negotiations. The most dynamic sectors in this period were mining, construction, and financial services.

Economic growth in 2015 was 3.1 percent, below the performance achieved in the previous three years (4.4 percent in 2014, 4.9 percent in 2013, and 4.0 percent in 2012). This decline is mainly a function of the adverse international context and a fall in the prices of major Colombian export products, among them oil. Despite the strong adverse impacts of this situation on tax revenues, the distribution of resources to local authorities, and the delivery of public services to the population, the IMF judges it is unlikely that Colombia will be thrown into crisis given that the institutional factors for growth (responsible fiscal policy, credible institutions, a healthy financial sector, and favorable borrowing conditions) remain unchanged.[7]

Economic growth in recent years has been accompanied by a reduction in poverty. Monetary poverty was reduced from 45 percent in 2005 to 29.5 percent of the population in 2014, moving through 32.7 percent in 2012 and 30.6 percent in 2013. The incidence of extreme poverty also experienced a decline from 10.4 percent in 2012 to 9.1 percent in 2013 and 8.1 percent in 2014. These results, however, do not hide important differences at the territorial level and between rural and urban areas. Poverty levels range from 65.9 percent of the population in the department of Choco to 10.1 percent in the capital district of Bogota.

For a country with per capita GDP of about US$8,000, poverty levels remain relatively high. In part, this is explained by the unequal distribution of income, as reflected in the Gini coefficient, which is one of the highest in the world. Between 2005 and 2014 the Gini coefficient fell from 0.557 to 0.539; this value remained unchanged from 2012 through 2014.

The level of inflation in the country has remained within the target range (2-4 percent) established by Central Bank (Banco de la Republica) in the three years of the analysis period, with 2.44 percent

[7] IMF (2015) Northern Springs, Southern Chills, Regional Economic Outlook: Western Hemisphere, April 2015, Washington DC. USA

in 2012, 1.94 percent in 2013, and 3.66 percent in 2014. However, toward the end of 2015, inflation levels accelerated, reaching 6.77 percent at year's end. The inflationary expectations have been affected by the close to 60 percent appreciation of the U.S. dollar relative to the Colombian peso over the past two years. The deceleration of economic activity, resulting from the adverse international situation, and the significant increase in inflation have had an adverse impact on fiscal revenue collections, which consequent upon the application of fiscal rules,led to a reduction in public spending between 2014 and 2015.

Colombia is not highly dependent on the production and export of oil, but its macroeconomic and fiscal situation is not exempt from the effects of the changes in hydrocarbon prices that are occurring; in 2015, Colombian exports declined 34.9 percent, mainly as a function of the 47.1 percent reduction in external sales of fuels and products from extractive industries.[8] Highlighted as a product of the change in oil prices is the reduction of foreign direct investment (FDI) generated by lower foreign capital contributions targeted at mining and energy activity. In relation to revenues for the national government, the effect of declining prices has affected income tax revenues (including the 'income tax for equality' paid by companies in the sector), as well as dividends paid to GoC by the state-owned enterprise Ecopetrol.

The sharp drop in oil prices has also generated adverse effects in terms of the current account balance of payments and a reduction in the surplus on the capital account and the expected potential growth in national income. These effects as a whole will test existing fiscal tools in the country and are a complex challenge for the CoG in the immediate future and over the medium term, given that resources will be required to meet the needs in social investment and infrastructure; additionally, there will be a need to comply with structural deficit targets set out in the fiscal rule.

Table 2.1. Main Economic Indicators, 2012-2014

Indicators	2012	2013	2014
Nominal GDP (CoP Billions)	664,240	710,497	757,506
GDP per capita (CoP)	14,259,639	15,074,161	15,864,953
GDP per capita (US$)	7,930	8,066	7,930
Real GDP (annual % change)	4.00	4.9	4.4
Inflation (end of annual period %)	3.2	2.0	2.9
Public debt (% total GDP)	32.2	34.5	37.7
International reserves (months of import value)	7.4	6.9	8.7

Source: Central Bank, with figures from NSD, 2015.

2.2 Fiscal and Budgeting Results

This section describes the Central Government's fiscal and budgeting results for 2012-2014.

[8] NSD Technical Bulletin, February 2016

Fiscal Performance

Table 2.2 shows the fiscal performance of the Central Government in Colombia for the years 2012, 2013, and 2014. The figures are presented as percentages of gross domestic product (GDP) and come from the Central Bank, and fully align with those used in reports prepared within the framework of the consultations on Article IV performed by the IMF with the MFPC.

Table 2.2. Fiscal Information Central Government, 2012-2014 (% of GDP)

Indicators	2012	2013	2014
Total revenue	16.1	16.9	16.6
Total expenditures	18.4	19.2	19.1
Primary expenditure	14.5	14.6	14.8
Interest	2.4	2.3	2.2
Primary deficit	0.2	0.0	-0.2
Total deficit	-2.3	-2.3	-2.4
Financing	2.3	2.3	2.4
Internal	2.2	1.7	1.6
External	0.1	0.7	0.8

Source: Central Bank, with figures from NSD, 2015.

The fiscal results show a stable deficit between 2.3 percent and 2.4 percent of GDP in the three years of the analysis period. These values are consistent with the fiscal rule established in Colombia in 2011,[9] which mandates a declining trend goal in the structural deficit for the Central Government, from 2.3 percent to 1.9 percent or less for 2018, and 1.0 percent of GDP or less for 2022.

In these years, the deficit was financed incrementally by external debt, which increased its share in total public debt from 0.1 percent of GDP to 0.8 percent, unlike domestic debt, whose share of GDP declined from 2.2 percent to 1.6 percent between 2012 and 2014. Revenues also increased, from 16.1 percent in 2012 to 16.6 percent in 2014; however, this is still below the increase in public spending, which rose from 18.4 percent to 19.1 percent of GDP in the same period.

Allocation of Resources

The effective sectoral allocation[10] (accrued) of resources for the Central Government in 2012, 2013, and 2014 is presented in Table 2.3.

[9] Law 1473 of 2011.
[10] Budgeting execution in Colombia is not reported by functional classification.

Table 2.3. Expenditures by Sectoral Classification Central Government (% total expenditure)

Sectors	2012	2013	2014
Health, Social Protection, and Labor	23.7	22.2	24.1
Defense and Police	19.2	18.8	18.2
Education	18.7	18.5	18.7
Treasury	7.7	8.9	8.4
Social Inclusion and Reconciliation	6.5	6.4	6.3
Transportation	6.2	6.0	4.9
Mining and Energy	2.1	2.3	2.0
Housing, City, and Territory	2.5	2.6	2.6
Interior and Justice	1.9	2.2	2.2
Judicial Branch	1.9	2.0	2.0
Office of the Prosecutor	1.5	1.6	1.7
Agricultural	1.6	2.4	2.2
Communications	1.2	1.0	1.3
Oversight Agencies	0.8	0.9	0.9
Planning	0.5	0.3	0.3
Office of the President of the Republic	0.7	0.4	0.5
Commerce, Industry, and Tourism	0.6	0.7	0.6
Foreign Affairs	0.5	0.5	0.5
Congress of the Republic	0.3	0.3	-
Office of the Registrar	0.4	-	0.8
Environment and Sustainable Development	-	0.3	0.3
Other	1.6	1.8	1.7

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

As indicated, 60 percent of the budget executed (total expenditure) in the three last years has been allocated to three sectors: health, social protection, and labor; defense and police; and education. The first group received almost 25 percent of the total budget executed, while the other two sectors have remained slightly below 20 percent. An additional 20 percent of the budget is distributed among the Treasury; social inclusion and reconciliation; and transportation, with the remaining 20 percent for the other sectors into which the public administration is organized.

Finally, Table 2.4 shows the relative allocation of resources for the Central Government (CG) organized by economic classification.

Table 2.4. Expenditure by Economic Classification, National Central Government, 2012-2014
(% Total Expenditure)

Object of expenditure	2012	2013	2014
Personnel expenditures	11.4	11.5	12.0
General Expenses	3.9	4.1	4.0
Transfers	40.0	39.6	40.2
Commercial Operation	0.8	0.7	0.8
External Debt Service	4.1	3.9	4.8
Domestic Debt Service	18.9	17.8	17.0
Investment	20.9	22.3	21.2

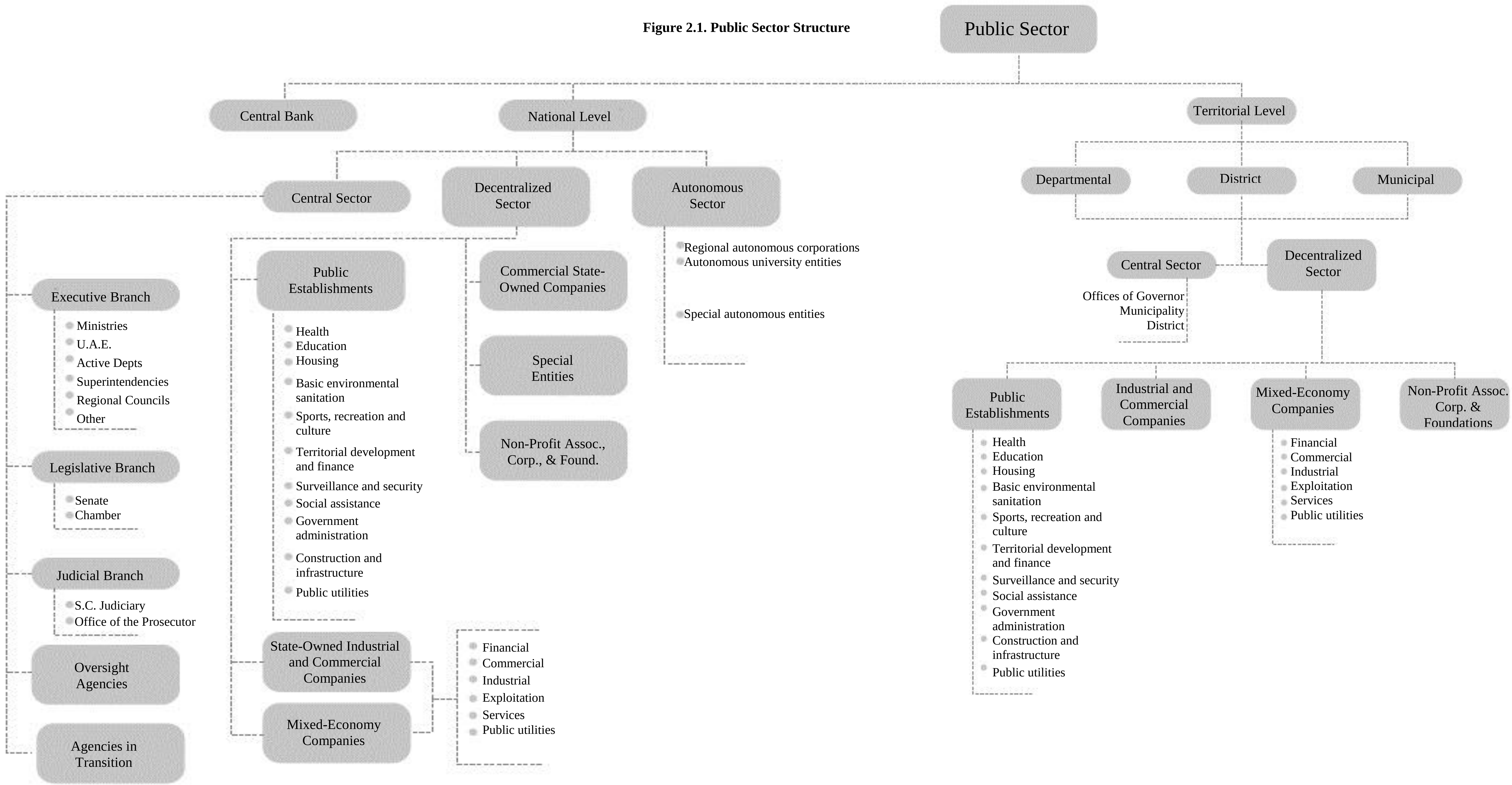
Source: Internally compiled, with data provided by DGNPB-MFPC, 2015.

The main components of the budget executed in Colombia are the transfers from the General Budget of the Nation (GBN) to other entities, primarily to territorial entities but also to the autonomous and decentralized institutions at the national level. (The reach of the GBN, and the other budgetary entities and funding sources at the national level in Colombia, are discussed in Section 2.3.) Transfers account for about 40 percent of GBN expenditures. The resources allocated to public investment projects represent just over 20 percent of the budget executed, while the public debt service, both internally and externally, takes a similar percentage. The wage bill has grown steadily, reaching 12 percent in 2014, while spending on goods, services, and materials has remained at about 4 percent of total expenditure.

2.3 Public Sector Structure

The structure of the public sector in Colombia is presented in Figure 2.1.

Figure 2.1. Public Sector Structure



Source: General Accounting Office, 2014.

The public sector in Colombia is organized on two levels: national and territorial. The territorial level is composed of the Offices of Departmental Governors, Offices of Municipal Mayors, and Special Districts, plus a number of decentralized territorial level state-owned institutions and companies. The territorial organization, except for transfers to subnational governments (PI-7), is not the subject of analysis of this assessment.

The national public sector consists of the central sector, the decentralized sector, and the independent sector. The central sector is organized into five groups of institutions: (i) the institutions of the legislative branch, which are the Senate and House of Representatives (together forming the Congress of the Republic), (ii) the institutions of the executive branch, (iii) the institutions of the judiciary, (iv) the oversight agencies, among which is the Office of the Comptroller General of Colombia (CGC), and (v) electoral institutions.

The executive branch is centrally comprised of the Office of the President of the Republic, Sector Ministries, Administrative Departments, Superintendence (i.e., oversight entities), Special Administrative Units (which lack legal autonomy), Superior Administrative Councils, the National Council for Economic and Social Policy (NCESP); the decentralized sector at the national level is composed of state-owned industrial and commercial companies, Special Administrative Units (which have legal autonomy), scientific institutes, and state health entities that are part of the social security system.

Finally, there is an independent sector at the central level composed of entities under a special regime granted by the Constitution, among which are the Central Bank, the autonomous university entities, regional autonomous corporations, and the National Television Commission.

Colombia has a unitary government and is organized in territories, in 32 Departments, and 1,123 Municipalities. Departments are governed by elected governors, while municipalities have mayors and municipal councils that are elected by popular vote. The country's geographical diversity and the historical process by which it has been populated has resulted in the formation of six regions that, although not representing official jurisdictions, are recognized in the National Development Plan 2014-2018: Caribbean, Plains, Pacific, Central-East, Central-South Amazonia, and Coffee and Antioquia. Municipalities and departments in each region share common characteristics in terms of climate, culture, and resources.

As noted, the Public Budget in Colombia is disaggregated in the General Budget of the Nation as the budget of the State-Owned Enterprises and Mixed-Economy Partnerships; that of territorial entities comprised of Governorships and Municipalities; and a special biennial budget for the General Royalties System (GSRS). In Colombia, public investment has three sources of funding: (i) the GBN, (ii) the General Royalties System, and (iii) the General Participation System (GPS).

The General Budget of the Nation (GBN), under the responsibility of the Ministry of Finance and Public Credit (MFPC), covers all central sector institutions and decentralized public establishments at the national level. State-owned industrial and commercial companies at national level, including those of a mixed economy (i.e., in which the Government owns a partial share of the entity), have a separate budget, but which is also managed by the MFPC. The remaining public institutions at the national and territorial levels manage their budgets individually and independently, in the terms defined by law, with or without transfers from the Central Government.

The National Planning Department (NPD) is responsible for formulating and monitoring the budget relating to public investments; the MFPC is responsible for establishing budgetary ceilings for investments.

The main sectoral ministries in order of precedence are:

(i) Ministry of Interior and Justice
(ii) Ministry of Foreign Affairs
(iii) Ministry of Finance and Public Credit
(iv) National Ministry of Defense
(v) Ministry of Agriculture and Rural Development
(vi) Ministry of Social Protection
(vii) Ministry of Mining and Energy
(viii) Ministry of Commerce, Industry and Tourism
(ix) National Ministry of Education
(x) Ministry of Environment, Housing and Territorial Development
(xi) Ministry of Communications
(xii) Ministry of Transportation
(xiii) Ministry of Culture

The administrative departments of greatest relevance are:

(i) Administrative Department of the Presidency of the Republic
(ii) National Planning Department (NPD)
(iii) Civil Service Administration Department (CSAD)
(iv) National Statistics Department (NSD)
(v) Administrative Department for Solidarity Economy (i.e., cooperatives).

The Ministry of Finance and Public Credit (MFPC) is the governing body of the public finances and is responsible for the dialogue with the Congress of the Republic with respect to all programming, formulation, implementation, monitoring, and assessment of the budget. The National Planning Department shares responsibility with the MFPC in programming, monitoring, and assessment of the public investment budget, while the rest of the institutions that are part of GBN are also key players in the budgeting process.

A brief overview of the main powers and functions of the institutions most relevant to the PFM is presented below.

Ministry of Finance and Public Credit

Its main functions are:

- Leading and developing the economic and fiscal policies of the state
- Planning, preparing, managing, implementing, and controlling the General Budget of the Nation
- Directing the preparation, modification, and monitoring of the General Budget of the Nation, the budget of the State-Owned Industrial and Commercial Companies and the related Mixed-Economy Partnerships

- Coordinating the administration and collection of taxes, rents, rates, and fiscal and para-fiscal contributions
- Coordinating with the Board of Directors of the Central Bank, government policies in financial, monetary, credit, exchange, and fiscal matters
- Managing the National Treasury and covering the payment of national obligations
- Participating in the development of the draft Law on the National Development Plan
- Preparing studies, analysis, evaluations, and reforms to monitor/improve the general economic situation and the monetary, credit, and exchange rate situations of the country.

General Accounting Office

The Constitution created the figure of the Accountant General, and then by Decree 85 of 1995, the Office of the Director General of Public Accounting (DGPA), attached to the Ministry of Finance and Public Credit. By Decree 143 of 2004 the position was assigned responsibilities to standardize, consolidate, and centralize public accounting, prepare the balance sheet, and determine the accounting standards that govern the country. The following are its main functions:

- Determining the policies, principles, and accounting standards for the public sector
- Establishing the general and specific, substantive and procedural technical standards, allowing standardization, centralization, and consolidation of Government Accounting
- Keeping the General Accounting of the Nation
- Conceptualizing the classification system for income and expenditure of the General Budget of the Nation
- Preparing the Balance Sheet
- Establishing the books of accounts to be kept by public sector agencies and organizations
- Issuing rules for accounting for contingent liabilities of third parties that are borne by the Nation
- Providing standards and procedures for the development, registration, and consolidation of the general inventory of state assets.

Directorate of National Taxes and Customs (DNTC)

The DNTC is an agency attached to the Ministry of Finance and Public Credit incorporated as a Special Administrative Unit by Decree 2117 of 1992, when on June 1, 1993, the National Internal Revenue Directorate merged with the National Customs Directorate. DNTC is an institution of a highly technical and specialized nature, with legal, administrative, and budgetary autonomy and its own equity. Its main responsibilities are:

- The administration of income and ancillary taxes; national stamps on sales; customs duties; and all other internal taxes of a national nature whose jurisdiction is not assigned to other State entities, whether it be internal taxes or on foreign trade; as well as management and administration of customs, including the apprehension, seizure, or abandonment declaration in favor of the Nation of goods and their administration and disposal.

- Control and oversight of compliance with the exchange regime for imports and exports of goods and services, and expenditures associated with them; financing in foreign currency of imports and exports; and under and over invoicing of these operations.
- The administration of taxes encompasses their collection, examination, assessment, discussion, enforcement, refund, sanctions, and all other aspects related to the compliance with tax obligations.
- The administration of customs duties and other taxes on foreign trade includes their collection, examination, assessment, discussion, enforcement, sanctions, and all other aspects related to compliance with customs obligations.
- The management and administration of customs efforts includes service and support to foreign trade operations; apprehension, confiscation or statement of abandonment of goods in favor of the Nation; their management, control, and disposal as well as the administration and control of the Special Import-Export Systems, Free Zones, Special Economic Export Zones, and International Marketing Companies, in accordance with the policy formulated by the Ministry of Commerce, Industry and Tourism, except for contracts related to the Free Zones.
- The administration of exploitation rights and administrative expenses on games of chance operated by public entities at the national level includes collection, enforcement, assessment, discussion, punishment, and all other aspects related to compliance with these obligations.
- It is incumbent upon it to act as regulator and statistical authority on tax, customs, and exchange controls in relation to matters within its purview, as well as those pertaining to the Special Import-Export Systems, Free Zones, Special Economic Export Zones, and International Marketing Companies.

National Planning Department (NPD)

The NPD belongs to the Executive Branch of the Government and is directly dependent on the Office of the President of the Republic. Among its functions related to the budget and public finance system:

- Coordinating the formulation of the National Development Plan
- Coordinating of and support for short-, medium- and long-term sectoral planning, guiding the definition of public policies and prioritization of investment resources
- Proposing macroeconomic and financial objectives and strategies, in coordination with the Ministry of Finance and Public Credit
- Ensuring adequate scheduling of the budget of the various sources of investment resources based on the Government's priorities and the country's development objectives
- Defining mechanisms to coordinate compliance of public investment policies and ensure consistency with the Multi-Year Investment Plan, the Medium-Term Expenditure Framework, and other instruments for the nation's financial planning and budgeting
- Prioritizing, according to the objectives and goals of the National Development Plan, programs and projects of the Annual Investments Operating Plan (AIOP) for incorporation in the Annual Budget Law

Distributing resources of the General Participation System (GPS), and monitoring the execution of its general purpose component.

Office of the Comptroller General of Colombia

According to the provisions of Decree 267 of 2000, the General Comptroller of the Republic, as supreme audit institution of the state, is in charge of functions such as:

- Exercising oversight of fiscal management of the State through, among others, financial control, management, and results, based on efficiency, economics, equity, and valuation of environmental costs.
- Exercising oversight of fiscal management pursuant to control systems, procedures, and principles established by law and the Comptroller General of the Republic by Resolution
- Exercising ex-post control over the accounts of any territorial entity in the cases provided by law
- Exercising administrative and financial functions specific to the entity for the full compliance and performance of the activities of fiscal control management
- Conducting non-formal and formal educational activities on matters that are within the remit of the Comptroller General, to foster individual professionalization and comprehensive and specific training of its staff, and staff of organs of territorial fiscal control and other entities, provided that this is aimed at achieving better understanding of the mission and objectives of the Comptroller General of the Republic and to facilitate the Office's efforts
- Exercising, in coordination with the territorial comptrollers, oversight of fiscal management and results of the administration and management of national resources transferred under any title to the territorial entities in accordance with legal provisions; and lending assistance and support to the exercise of the constitutional functions to be performed by the Comptroller General of the Republic under the terms set forth in Decree 267 of 2000
- Developing the quality and efficiency of internal control under the terms provided in the Constitution and the law.

2.4 PFM Legal Framework

The regulatory framework of the Colombian Economic Planning and Budgeting System is determined and defined by constitutional and organizational rules. Chapters 1, 2, and 3 (Articles 332-364) of Title XII corresponding to the 1991 Constitution's economic and public finance regime, establishes the provisions regarding planning, budgets, and the distribution of resources and responsibilities between the Nation and territorial entities. The following items are among the main provisions:

- Article 334 charges the State with the general management of the economy within a framework of fiscal sustainability in which priority is given to social expenditures
- Article 338, together with item 12 of Article 150 and Articles 300 and 313, establishes that authority for the creation of taxes of territorial entities is exclusively limited to Congress

- Article 339 establishes the obligation that National Development Plan, as a planning instrument, must contain the social and economic programs that each Government intends to carry out during the period for which it was elected, and links these to medium- and long-term public investment budgetary scheduling within a framework that ensures fiscal sustainability
- Articles 345 to 355 set the rules for the formulation and submission of the budget
- Articles 356 to 364 establish by the GPS and the powers of local authorities.

In the performance of the aforementioned constitutional provisions a number of rules were enacted, such as Law 179 of 1994 which introduced amendments to the Organizational Budget Law 38 of 1989 to adapt it to procedures and rules on the budget contained in the Constitution; Law 152 of 1994 (Organizational Law for the Development Plan), which regulates the content and procedures for the adoption of Development Plans; and Law 225 of 1995, by which provisions controlling budgetary reserves and payroll contributions, among others, were adjusted.

Law 225 grants the Government authority to compile budgetary regulations, from which Decree 111 of 1996, known as the Organization Budget Statute (OBS) was established, to prepare, submit, approve, modify, and perform tracking, assessment, and implementation of the Budget. Its scope covers the General Budget of the Nation, comprised of the national budget and budgets of public institutions at the national level; setting financial goals of the entire public sector, and the distribution of surplus funds of State-Owned Industrial and Commercial Enterprises.

Subsequently, regulations such as Law 617 of 2000, were enacted, which introduced rules that limit operating expenditures to achieve fiscal recovery and rationalize the expenditures of territorial entities affected at the time by the fiscal crisis; and Law 715 of 2001, which established provisions to organize the delivery of education and health services, and which establishes rules for allocating resources of the General Share Interest System and the powers of local authorities for the use thereof.

In addition to these standards and under a broader concept of budget systems, Law 819 of 2003 (Transparency and Fiscal Responsibility) framed the budgeting process within the context of wider macroeconomic variables (monetary, exchange, and credit policies), and introduced the rule by which the Medium-Term Fiscal Framework was incorporated in the legal framework and fiscal surplus and debt sustainability goals were set. Following this policy change, the Medium-Term Expenditure Framework (MTEF) was included by means of Decree 4730 of 2005; this exercise defines each sector's expenditure limits for four years, within which an institutional space is created to articulate the programming process in line with public policy and macroeconomic and fiscal planning, with a results-oriented approach.

Complementing these rules, a fiscal rule was adopted for Colombia through Law 1473 of 2011, which, as noted earlier, mandates a declining path in the structural deficit for the National Government, to reach 1.0 percent of GDP or less by 2022. This fiscal rule is implemented through the MTFF and operates as an automatic stabilizer to maintain levels of public expenditure that are in line with long-term revenue levels. For the application of this rule, the law created a Fiscal Committee that is independent and technical in character, composed of representatives from universities, members of research centers, respected experts and consultants, and the presidents of the Congressional Economic Affairs committees. The Fiscal Committee provides an opinion on the methodology and basic parameters used for the operation of the fiscal rule, and on the detailed report on compliance with the fiscal rule for the year immediately preceding, which the Government must deliver in June of each year to the Congress's Economic Affairs committees.

Law 1508 of 2012 was also enacted, establishing the legal regime for Public-Private Partnerships. This rule seeks to facilitate collaboration between private business and the State for the execution of public investments. Similarly, Law 1530 of 2012 established rules for the use of fiscal resources from the exploitation of nonrenewable natural resources between local authorities—that is, the GRS

Complementary Regulatory Framework

To conclude the analysis of the PFM legal framework, the following are the main laws and complementary regulations:

Taxation

- National Tax Code, Decree 624 of 1989 and regulations thereof.

Decentralization

- Law 617 of 2000, "by which Law 136 of 1994 and Extraordinary Decree 1222 of 1986 are partially reformed, the Organizational Budget Statute and Decree 1421 of 1993 are added, other rules are enacted aimed at strengthening decentralization, and standards are enacted for rationalization of national public expenditures."
- Law 715 of 2001, "Whereby organizational standards are set forth on the subject of resources and competencies in accordance with Articles 151, 288, 356 and 357 (Legislative Act 01 of 2001) of the Constitution and other provisions are set forth to organize the delivery of education and health services, among others."
- Law 550 of 1999, which addresses fiscal insolvency.
- Law 358 of 1997, which addresses territorial indebtedness.
- Law 819 of 2003, which addresses transparency and fiscal responsibility.
- Law 1176 of 2007, which addresses distribution of the responsibilities and resources of the GPS.
- Law 1454 of 2011, which addresses territorial regulation.

Public Administration

- Law 909 of 2004, "whereby rules are issued to regulate Public Employment, the Civil Service, Public Management and other provisions are set down."
- Decree 1083 of 2015, as amended by Decree 1412 of 2015 and supplemented by Decree 1817 of 2015, by which the Civil Service Sector Single Regulatory Decree is enacted.
- Decree 188 of 2004, where the current administrative structure of the Civil Service Administration Department is consolidated.

Public Procurement

- Law 80 of 1993, by which the General Contracting Statute for Public Administration is issued.
- Decree 1510 of 2013, whereby the system of purchasing and public procurement is regulated.
- Decree Law 4170 of 2011, whereby the National Agency for Public Procurement is created.
- Decree 1082 of 2015, enacting the single regulatory decree for the administrative sector of national planning.

Internal Control

- •Law 87 of 1993 Law on Internal Control, with partial modifications in 2000, 2002, and 2011.
- •Law 1474 of 2011, whereby rules are enacted aimed at strengthening the mechanisms for the prevention, investigation, and punishment of acts of corruption, and for the effectiveness of control of public management.

Control Function

- Constitution, Chapter 1, Title X, Articles 119 and 218.
- Law 42 of 1993 "Regarding the organization of financial fiscal control and the entities that carry it out," Chapter III Title I.
- Decree Law 267 of 2000, "Whereby rules are set forth regarding the organization and operation of the Office of the Comptroller General of Colombia, its organizational structure is established, the functions of its departments are set and other provisions are set forth."

Internal Control Framework

The legal framework in Colombia includes a wide range of rules related to the structure and functioning of government internal control, which are not fully consistent with the international best practice established by the International Organization of Supreme Audit Institutions (INTOSAI) and the pertinent document of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.[12] Internal Control in Colombia includes a regulatory framework characterized by the Internal Control Law,[13] the National Internal Control System,[14] and the Standard Internal Control Model (SICM).[15]

The Internal Control Law states that the integrated system is constituted by the organizational scheme and all the plans, methods, principles, rules, procedures, and mechanisms of verification and assessment adopted by an organization, for the purpose of seeking that all activities, operations, and actions, and the administration of information and resources, are conducted in

[12] COSO is a joint initiative to combat corporate fraud.
[13] Law 87 of 1993 Internal Control Law, with partial modifications in 2000, 2002 and 2011.
[14] Law 489 of 1998, which in Chapter VI establishes the National System of Internal Control, and Decree 2145 of 1999, whereby rules are enacted for the National System of Internal Control of the agencies and entities of the Public Administration at the national and territorial levels, replaced by Single Regulatory Decree of the Civil Service sector 1083 of 2015, Title 21 - Internal Control System.
[15] See SICM at https://goo.gl/q9PI2z | https://goo.gl/3Ay6sN

accordance with the constitutional and legal rules in force within the policies set by the office of the director and in consideration of the goals or objectives provided.

The Law includes the obligation to maintain and operate an Institutional Internal Control System (IICS) as follows:

"The establishment and development of the Internal Control System in organizations and public bodies will be the responsibility of the Legal Representative or the corresponding highest-ranking manager. However, the application of methods and procedures as well as the quality, efficiency and effectiveness of internal control, shall also be the responsibility of the heads of each of the various departments of entities and agencies."

In technical terms, and to support the implementation of the law, in 2005 the SICM was issued,[16] which was updated[17] in 2014. The MECI is structured with (i) two modules: Planning and Management Control, and Assessment and Monitoring Control, (ii) six components, (iii) 13 elements, and (iv) a cross-cutting axis focused on information and communication. This structure does not conform to the COSO/INTOSAI best practices (as discussed in greater detail below in Section 4.2).

In accordance with the existing legal and technical framework, Table 2.6 summarizes the institutional structures established as part of the internal control framework, including their respective roles and/or responsibilities.

Table 2.5. Institutional Internal Control Structures

Agency or Organization	Functions and/or Responsibilities *
Office of the President of the Republic	Directs, as the highest administrative authority, the National Internal Control System responsible for mapping policies on the subject of Internal Control.
Civil Service Administration Department (CSAD)	This is the Governing Body for Internal Control. It sets, in agreement with the President of the Republic, the Public Administration policies, especially those related to internal control.
General Accounting Office.	Designs, implements, establishes internal control policies on accounting matters and coordinates with entities the full compliance with the provisions in the implementation of the PAF in accordance with the current regulations on the matter.
Office of the Comptroller General of Colombia	Regulates the methods and procedures to conduct the assessment of Internal Control Systems (ICS) of entities subject to its supervision and develops the quality and efficiency standards of internal control.

[16] Decree 1599 of 2005, established the SICM.
[17] Decree 943 of 2014, updated the SICM.

Agency or Organization	Functions and/or Responsibilities *
Advisory Council of the National Government on the subject of Internal Control of National- and Territorial-Level Entities	National Government advisory body attached to CSAD • Issues opinions, suggesting the adoption of policies and formulating guidelines to strengthen the ICS. • Coordinates the actions of the various levels of participation s for the purpose of avoiding a collision of responsibilities and duplication of functions in internal control. • Decides and proposes draft laws, decrees, and other general rules of internal control. • Requests from the oversight agencies, selectively and by sector, assessment reports from the ICS, as input for the general assessment and general diagnosis of the National Internal Control System. • Formulates proposals to entities or agencies which, according to their responsibilities, strengthens components of the system. • Prepares and submits to the President of the Republic the Report on the State's progress in the ICS.
Legal representatives of entities and organizations	Establishes and appropriately uses management tools to ensure proper application of the policies and constitutional and legal rules on internal control.
Coordination Committee for the Institutional Internal Control System	Provides guidelines for the determination, implementation, adaptation, and continuous improvement of the ICS in each entity.
* Single Regulatory Decree 1083 of the Civil Service sector 2015, Title 21 - Internal Control System Chapter 2 - Instances of articulation and skills thereof.	

3. ASSESMENT OF PFM PERFORMANCE

This section presents the results of the assessment of the main elements of the PFM system in Colombia that are essential for its proper operation, as reflected in the indicators defined by the PEFA methodology (2016 version). The results are shown indicator-by-indicator and are grouped into the seven pillars that are used to report an assessment at the level of the Central Government.

3.1 Budget Reliability

This paragraph discusses the indicators PI-1 to PI-3 of the PEFA methodology that jointly assess whether the budget prepared in Colombia at the Central Government level is executed as has been programmed.

PI-1 Aggregate expenditure outturn

This indicator assesses whether the General Budget of the Nation (GBN),[18] approved by the Congress of the Republic of Colombia to finance the provision of public services and the development of investment projects, undergoes changes or substantial deviations during the implementation phase of these resources. The assessment is performed by comparing the budget originally approved by Congress[19]—at the global or aggregate level—against the results of the actual budget execution (accrual or obligations)[20] at the end of the years 2012, 2013, and 2014, the last three completed fiscal years.

The information used for the preparation of this indicator was provided by the Office of the Director General, National Public Budget (DGNPB), through the Office of Deputy Director of Budgetary Analysis and Consolidation, using data collected from the Integrated Financial Information System (IFIS). The data received on total aggregate expenditure—programmed and executed—were duly reconciled with the budget laws approved by Congress of the Republic for the years of the analysis period, and with the Budget Execution Reports of the GBN submitted by the Central Government.

1.1 Aggregate expenditure outturn

International best practice provides that the difference between planned expenditures and expenditures effectively executed at the end of the fiscal effort should not be greater than 5 percent; to the extent that there are extraordinary events that are not predictable, the methodology states that the difference between the expenditure scheduled and executed can be more than 5 percent established in one of the three years covered by the analysis period.

[18] In Colombia there are also public funds derived from the exploitation of non-renewable natural resources that are allocated to the Central Government through a biennial budget, known as the General Royalties System (GSRS). These resources are not considered in this assessment (and are small compared to the GBN).

[19] This budget refers to the budget approved in law by Congress prior to the start of the corresponding fiscal year. This budget does not include any amendments that Congress might have incorporated during its execution.

[20] PEFA Methodology requires that Budget execution that budgeting execution is calculated from data from accrued expense (i.e., obligations in the case of Colombia).

Table 3.1 shows the difference between aggregate expenditure outturn and executed for GBN for the years 2012, 2013, and 2014, as a percentage of expenditure originally approved.

Table 3.1. Expenditure of the General Budget of the Nation, Programmed vs. Execution, 2012-2014 (CoP millions)

Year	Budget Approved (A)	Budget Executed (B)	Ratio B/A
2012	165,276,318	157,112,383	95.1%
2013	185,524,634	173,658,619	93.6%
2014	203,000,000	183,535,452	90.4%

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

As can be seen, in two of the three years, the deviation is greater than the critical threshold of 5 percent; however, in no case is the deviation greater than 10 percent.

The sub-execution of the budget is associated, in the first instance, with efforts to contain MFPC expenditures that have emerged in the last two years of the analysis period to cope with the slowdown in global growth and declining public revenue-generating activities in the country (see PI-21.4). Similarly, consideration should also be given to the fact that in management of the budget, expenditure commitments legally established during the fiscal period that fail to accrue until December 31 of the same fiscal period, are recorded and transferred as reserves to the budget for the next fiscal period and charged to the budget of the previous period (i.e., charged to the budget that originated them).[21]

Indicator	Aggregated	General Comments
PI-1 Aggregate expenditure outturn	B	
Dimensions	**Score**	**Explanation of Score**
1.1 Aggregate expenditure outturn	B	The execution of the budget in Colombia does not have deviations greater than 10% in relation to the initial budget approved by Congress in any of the three years of the analysis period.

PI-2 Expenditure composition outturn

This indicator assesses the extent to which public policy priorities, as reflected in the allocation of expenditures by institutional, sectoral, functional, and economic categories in the GBN approved by the Congress, are respected in the budgeting execution phase. It is also important in this assessment to evaluate the use of the contingencies item to modify these priorities.

The assessment period covers the years 2012, 2013, and 2014, the last three completed fiscal efforts. Statistical information for the assessment was provided by DGNPB of the MFPC and

[21] Overview of the Colombian Budgeting Process, Office of the Director General, National Public Budget, Ministry of Finance and Public Credit, Bogota, Colombia, 2011, page 111.

derives from IFIS. These data are reported in Annex 2 in the format required by the 2016 PEFA methodology.

2.1 Expenditure composition outturn by function

This dimension assesses the extent to which expenditure allocations between different public policy priorities at the time of approval of the budget are respected during the implementation phase. International best practice provides that the overall variation between the programmed distribution and distribution effectively executed, reflected in the allocations of expense categories and items of functional or programmatic administrative classification (sector), and should not exceed 5 percent in total. To accommodate unforeseen events, the methodology requires that this percentage is not exceeded in two of three years covered by the analysis period.

To apply the methodology to the case of Colombia, the institutional/sectoral classification was used as reference for allocation of expenditures. The variance calculated for the years 2012, 2013, and 2014 is presented in Table 3.2.

Table 3.2. Total Change in the Composition of Programmed and Executed Expenditures by Institutional/Sectoral Classification, 2012-2014

Year	Global Deviation
2012	6.1%
2013	5.6%
2014	14.2%

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

Global deviations in the composition of institutional/sectoral expenditures exceed 5 percent in the three years evaluated, but in two of these years the variance does not exceed 10 percent. This indicates that the relative priorities of Central Government institutions reflected in the appropriations originally approved in the budget suffer some significant changes in the implementation phase, but remain within acceptable limits at the level of international practice.

The main element of distortion in all years assessed has been the sub-execution of the resources originally allocated to the Ministry of Finance and Public Credit (MFPC); this is largely a function of the programming of expenditure items that are incorporated into the institutional budget to be transferred to other institutions only if conditions are appropriate to expand public expenditures.

2.2 Expenditure composition outturn by economic classification

The methodology also requires that the overall change in the composition of expenditure does not exceed 5 percent between programmed and executed at the level of categories of economic classification. The data calculated for the three years of the analysis period is presented in Table 3.3.

Table 3.3. Total Variation in the Composition of Programmed and Executed Expenditure by Economic Classification, 2012-2014

Year	Global Deviation
2012	4.4%
2013	7.6%
2014	3.8%

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

The calculation of the variance in the composition of spending by categories of economic classification does not exceed the threshold of 5 percent set by international best practices in two of the three years of the analysis period, showing a commitment commensurate with the objectives of public policy as adopted in the original budget. Deviations between categories of economic classification are generally small and no single item stands out in particular.

2.3 Expenditure from contingency reserves

Finally, international best practice recognizes that although it is prudent to include resources in the budget to meet expenses arising from unforeseen events in the form of a line item for "contingencies" or "non-earmarked," their amount should not affect the credibility of the overall budget, and the amounts charged against these items must be transferred explicitly to specific line items that generate the required expenditure. That is to say, the expenditure should not be charged directly to the contingency line item or, where applicable, it must not exceed 3 percent of the original budget.

In the case of Colombia, the GBN does not show a contingency line item in any of the three years of the analysis period.

Indicator	Aggregate (M1)	General Comments
PI-2 Expenditure composition outturn	B+	
Dimensions	**Score**	**Explanation of Score**
2.1 Expenditure composition outturn by sectoral classification	B	In the three years of the analysis period, the variance in the composition of expenditure by institutional/sectoral classification exceeds 5%, but in two of these three years the variance is less than 10%.
2.2 Expenditure composition outturn by economic classification	A	
2.3 Expenditure from contingency reserves	A	

PI-3 Revenue outturn

This indicator assesses the practice that exists in Colombia for incorporating revenue in the GBN, and whether these provisions are adequate or require revisions/substantive amendments during the implementation phase. The information used for the assessment of this indicator is that existing for the past three years with completed tax efforts: 2012, 2013, and 2014. The information on revenue programmed and executed in the budget comes from IFIS and was provided by the DGNPB of the MFPC; it has been verified against the respective budget laws and budget execution report (see Annex 2).

3.1 Aggregate revenue outturn

International best practice establishes that accurate revenue forecasts are a key input to the preparation of a credible budget. In this sense, the methodology states that the provision (programming) of revenue included in the budget should not be underrun by more than 3 percent or overrun by more than 6 percent. The asymmetry in these values is explained by the fact that the government becomes more committed by including optimistic forecasts of revenue that cannot be achieved in the year and that subsequently result in spending cuts or increased government debt. Also, as in previous cases, the methodology recognizes the possibility that the observed deviations are not linked to the quality of the projections, but to unforeseen events. For this reason, the assessment can exclude an unusual year, taking into account only two of the three years of the analysis period.

Table 3.4 shows revenue projections included in the GBN for the three years of the analysis period, compared with the results actually executed.

Table 3.4. Revenue of the General Budget, Scheduled vs. Executed, 2012-2014
(CoP millions)

Year	Budget Approved (A)	Budget Executed (B)	Ratio B/A
2012	165,276,318	159,034,546	96.2%
2013	185,524,634	180,184,950	97.1%
2014	199,854,548	187,144,694	93.6%

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

The data show that deviations between programming and execution of budgeting revenues in two of the three years exceed the limit of 3 percent set by international best practice for revenue underruns. In two of these years, however, the underrun is maintained below 6 percent.

3.2 Revenue composition outturn

The methodology also requires that the overall change in the composition of revenue does not exceed 5 percent between programmed and executed, using a broad enough disaggregation of revenues to establish the existing institutional capacity in the Government to plan properly the main categories of revenue (current and capital) and collect them according to schedule. The data calculated using this information for the three years of the analysis period is presented in Table 3.5.

Table 3.5. Total Change in the Composition of Revenue Programmed and Executed by Main Revenue Categories, 2012-2014

Year	Global Deviation
2012	28.4%
2013	11.0%
2014	10.3%

Source: Internally compiled with data provided by DGNPB-MFPC, 2015.

The calculation of the variance in the composition of revenue exceeds 10 percent in the three years of the analysis period, but is less than 15 percent in two of the three years. These results show a reduced institutional capacity to forecast revenues and/or raise them according to plan. The changes introduced in this period to the national tax system partly explain these deviations.

Indicator	Aggregate (M2)	General Comments
PI-3 Revenue outturn	C+	
Dimensions	**Score**	**Explanation of Score**
3.1 Aggregate revenue outturn	B	In two of the three years between 2012 and 2014 revenues deviated from those programmed by less than 6%.
3.2 Revenue composition outturn	C	In two of the three years between 2012 and 2014 the variance in the composition of revenue was between 10% and 15%.

3.2 Transparency of Public Finances

This section discusses the indicators PI-4 to PI-9, which jointly evaluate whether public finances are universal in scope, are consistent, and whether the public has access to key information.

PI-4 Budget classification

This indicator assesses the extent to which the budget classifications used for formulation, execution, and reporting, as well as the catalogue of the chart of accounts, are consistent with international standards. Its scope is the Central Government budget and the period taken as a reference is the last fiscal year ended (FY14).

4.1 Budget classification

International best practices establish that the formulation, execution, and reporting of the budget should be organized based on each level of administrative, economic, and functional classifications,[22] and by programs with a disaggregation to the sub-functional level.[23] Similarly, budget classifications and accounting should be applied in a reliable and consistent manner, to ensure that financial information and all transactions can be reported reliably across any of the classifications.

In Colombia, the existing system of classifiers exhibits some conceptual differences with international standards, and functional and economic classifications are used for programming and budget formulation stage, but not for the execution phase. Nor are they used for submission of budget reports. The following classifiers are currently used.

Institutional Classifier:[24] The institutional classification is limited to expenses and is presented separately for the budgets corresponding to the judicial branch, the legislative branch, the Attorney General's Office, the Prosecutor General's Office, the Ombudsman, the Office of the Comptroller General of Colombia, the National Civil Registry (which includes the National Electoral Council, each of the ministries, administrative departments, and public institutions), the National Police, and the servicing of public debt.[25]

This classification uses a non-sectored list of public entities that is inconsistent with the classification of the Central Government established in the 2014 Public Finance Statistics Manual.PFSM)

Economic classifier:[26] The economic classification is subdivided into five components: revenues and capital resources, expenditures and capital investments, financing sources, applications, and budgetary outcomes.

The revenue component for classification considers the permanence character of revenues, categorizing them as occasional or permanent, and also the condition of destination, which can be free or restricted. Capital resources include revenues derived from the sale of goods and capital contributions and capital transfers without consideration. With respect to expenditures, these are divided into current expenditures, property expenditures, financial expenditures, commercial and industrial operational expenditures, subsidies, and current transfers.

The capital investments category is divided into acquisition, construction or improvement of real nonfinancial assets, and capital transfers. The funding application category records amortizations of internal and external public debt, placements of financial instruments, and granting of loans.

This classifier is used only at the stage of formulation and programming of the budget.[27] It neither accounts for execution nor is used for reporting.

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[22] Classification of Government Functions (CGF)—10 main functions at the highest level and 69 functions at the second level (sub-functional), United Nations.
[23] To be accepted as a best practice, it needs to be applied with a level of detail at least corresponding to the sub-functional classification.
[24] Art. 36 of Decree 111 of 1996.
[25] Arts. 7 and 8 of Decree 4630 of 2007.
[26] See Budget Economic Classification Manual.
[27] Presented in an annex to the presidential message attached to the draft budget.

Functional Classifier:[28] This classification is divided into 12 functions in its main categories, which do not fully follow the Classification of Government Functions Classifier (CFG), given that it modifies, for example, the category of economic affairs, which for the Colombian case has been divided into (i) promotion and regulation of economic development, and (ii) basic infrastructure, production, and delivery of financial services. Other differences, also seen at the sub-functional level, modify certain items in part of the functional categories.

The use of the functional classifier is limited to the formulation and budget programming phases and is not used in that of execution or for reporting. A table of equivalence is employed against the other classifiers for their use.

Classifier by object of expenditure: This classifier is the basis of the information system and is one of the main inputs to generate other aggregate classifications. It is divided into operating expenditures, which in turn is divided into staff expenditures, overheads, current transfers, capital transfers, and marketing and production expenditures; and servicing of debt, which is divided into servicing of domestic debt and servicing of foreign debt.

Classifier of revenues by line item:[29] Under this classification, revenues are divided into current revenue, capital resources, payroll taxes, and special funds. Current revenue is classified under fiscal (i.e., subdivided into direct and indirect taxes) and non-fiscal (i.e., fees and fines) rubrics. Capital resources comprise balance resources, the resources of internal and external credit, financial returns, the exchange rate differential, donations, financial surplus, decentralized entities, and profits of the Central Bank. Payroll contributions[30] are classified separately, as are special funds.[31]

Under this classifier, the revenues and resources of Colombia's public sector entities are classified separately and are divided into own revenues, current revenue, and capital resources.

Classifier of Investment expenditures:[32] Investment expenditures are disaggregated at the level of programs and sub-programs in the annual budget law and to project or sub-project levels in the settlement decree. It is noteworthy that the concept of investment in Colombia is not limited to spending on infrastructure and equipment, but may in certain circumstances include social investments, operating costs, or current related projects, such as salaries of relevant personnel or maintenance of facilities.[33]

Information on expenditures of investment projects is not disaggregated by object of expenditure, which limits the ability to generate consistent information for other classifiers.

Other classifiers: There is a regional investment classifier that identifies the departments where each project funded by the Nation is located and a sectoral classifier which groups public entities in 18 sectors and subsectors. The source of financing of expenditures and the type of resource

[28] Functional Classification of Public Expenditure, Office of the Director General, National Public Budget. September 2008.
[29] Art. 27 of Decree 111 of 1996.
[30] These are levies affecting a particular social or economic group and are used to benefit the sector itself.
[31] These are revenues defined by law for the provision of a specific public service.
[32] Art. 14 of Decree 568 of 1996.
[33] Sentence C-151 of 1995 of the Constitutional Court.

(current, capital, special fund, donation, parafiscal rents, etc.) is identified, as is the origin of the source between revenues of the Nation or own resources of public sector entities of the Nation.

The General Chart of Accounts[34] in force has an accounts structure that is different from that developed in the Public Finance Statistics Manual (2014), and there is neither an economic classification that can be aligned with the accounting system, nor a full correspondence with the budget classifiers used in the implementation stage, such as the object of the expenditure, the investment, or the revenue classifier by line item. This lack of relationship affects the generation and reliability of financial reporting, as it requires many manual adjustments with a high risk of error and complexity in the process.

A feature of the budgetary process in Colombia that affects classifications is the peculiarity of existing institutional arrangements, with a different governing body for each phase of the budget process, which generates standards and processes that are not yet fully integrated. These are the National Planning Department (NPD), the Ministry of Finance and Public Credit (MFPC), the General Accounting Office (GAO), and the Office of the Comptroller General of Colombia (CGC).

Although a table of equivalence between budget classifiers is used to generate information organized by economic and functional classifications, conceptual differences arise, such as that existing in the investment budget, which not only covers infrastructure expenditures and equipment, but also includes current expenditures such as salaries of the personnel concerned or maintenance of facilities.

In addition, there is a limitation in the data, as investment projects currently are not disaggregated by object of expenditure to enable equivalency in a fully consistent manner.[35]

Other important differences between the methodology of fiscal statistics in Colombia and international standards are the studies and assessments made on the budget classifications, including those that are mentioned in (i) the time of registration; (ii) the coverage and institutional classification; (iii) coverage, line items, and classification of accounts; (iv) the definitions of economic line items; (v) the analytical framework and the corresponding income items; and (vi) a reconciliation of flows and balances.[36]

[34] Resolution 620 of 2015.
[35] See "Diagnosis of Current Situation" prepared within the framework of the PFM 2014-#42 project: Formulate a project to determine the actions to structure the general harmonized system of public financial management, focusing on budgeting and accounting.
[36] Taken from "Implications of the adoption of the Manual of Government Finance Statistics 2001 of the International Monetary Fund on fiscal statistics: Public Private Partnerships and leasing," Fiscal Notes, No. 20, February 2013.

Indicator	Aggregate (M1)	General Comments
PI-4 Budget classification	D	
Dimensions	**Score**	**Explanation of Score**
4.1 Budget classification	D	The functional and economic classifications are used at the programming and budget formulation stage, but not for the implementation phase or for reporting on the budget. Furthermore, there is no full correspondence between budget classification and the chart of accounts, and thus the financial reports lose reliability and significant differences are seen vis-à-vis international Public Finance Statistics standards; also data limitations do not generate fully consistent information.

PI-5 Budget documentation

This indicator assesses whether the budgeting documentation (i.e., the draft annual budget and supporting documentation, as presented to Congress) contains all the information necessary for proper review, scrutiny, and approval. The assessment is made on the basis of the draft budget for fiscal 2016 (prepared and submitted during 2015).

The Organizational Budget Statute in Title VII, "From the presentation of the draft budget to Congress," provides that the Government shall deliver to the Legislature each year during the first week of April, the draft annual budget of revenues and expenditures, the final version of which is to be submitted on July 20 of the corresponding year. This presentation is the responsibility of the MFPC and shall contain the draft revenues, expenses, and taxable income. The draft revenue budget bill should also include an annex accompanying the presidential message, with details of its composition.[37]

In compliance with these provisions, the draft budget contains, on the revenue side, the estimation of (i) current revenue, (ii) payroll contributions administered by an entity of the budget, (iii) special funds, (iv) capital resources, and (v) revenue of public entities at the national level. On the expenditure side, appropriations are listed for public national entities, distinguishing between operating expenditures, servicing of public debt, and investment expenditures. Finally, the general provisions intended to guide the proper performance of the GBN are also presented.

In conjunction with the text of the budget, they are included as annexes with (i) details of the composition of income and capital resources, and (ii) a disaggregation of social expenditures. The Presidential Message completes the set of documents submitted to Congress for consideration of the draft budget bill. The content of the presidential message must, according to the rule,[38] include the following:

[37] Art. 53, ibidem.
[38] Art. 2.8.1.4.1, Single Regulatory Decree for the Treasury and Public Credit Sector 1068 of 2015, updated version with amendments.

- Summary of the MTFF submitted to Congress
- Budget execution report of preceding fiscal period
- Budget execution report of the current fiscal period, up to the month of June
- Report assessing the performance of objectives established in laws that have authorized the creation of specifically earmarked revenues
- Annex of the economic classification of the budget
- Certified summary of budget and Financial Plan figures
- Distribution according to other classifications, following international standards.

The submission of the draft budget bill for fiscal 2016 strictly complies with all these legal requirements. However, to comply with international best practices established in the assessment methodology it must also meet the following criteria, divided between basic and additional.[39]

Requirement	Compliance
Basic elements	
1. Forecast of the fiscal deficit or surplus (or accumulated operating result)	**Yes** Presidential Message of 2016, document attached. Published on the following link: https://goo.gl/G088Px
2. Previous year's budget result, presented in the same format as the budget proposal	**Yes** Presidential Message of 2016, document attached, Section V. Budgeting Execution Report for Fiscal 2014. Relevant link: https://goo.gl/vTpQhN
3. Budget for the current year (the revised budget or the estimated results), presented in the same format as the draft budget	**Yes** Presidential Message of 2016, document attached, Section VI. Budget Execution Report for Fiscal 2015, Cumulative to First Semester. An estimate of the possible execution at the end of the period (with deferrals) is presented in the introductory part of the document attached to the Presidential Message. Relevant link: https://goo.gl/kwjnLO

[39] The basic and additional criteria set out in the second column of the Table above can be verified by checking the documentation available at the link: https://goo.gl/eku8Jb

Requirement	Compliance
4. Aggregated budget data for both revenue and expenditure according to the main classifications items used, including data for the current and previous year with a detailed disaggregation of revenue and expenditure estimates	**Yes** Presidential Message 2016, aggregate data regarding expenditures. https://goo.gl/qDH7ux Presidential Message of 2016, document attached, Section II. Economic Classification of the Budget and Section III. Functional Classification of the 2016 Budget. Relevant link: https://goo.gl/burxCf The comparisons with the 2014 and 2015 fiscal periods, with aggregate income and expenses, are detailed in the document attached to the 2016, Presidential Message, Section V. Report of the Budget Execution of the 2014 Fiscal Period and Section VI. Budget Execution Report for Fiscal 2015, Cumulative to First Semester. The relevant link is: https://goo.gl/Lm6n3B
Additional elements	
5. Deficit financing, including a description of its expected composition	**Yes** The MTFF contains a section on financing that describes how the fiscal deficit is to be financed. The relevant link is: https://goo.gl/YK4JbD
6. Macroeconomic assumptions, including at least estimates of gross domestic product (GDP), inflation, interest rates, and exchange rate	**Yes** Presidential Message of 2016, document attached. Published on the following link: https://goo.gl/vIrHK5
7. Financial assets, including details at least for the beginning of the current fiscal year (presented in accordance with the IMF's Government Finance Statistics/GFS or other internationally acknowledged standard)	**Yes** The Medium-Term Fiscal Framework delivered to the Congress of the Republic is presented in a chapter entitled inexplicit and contingent liabilities. Link: https://goo.gl/ScXMTp
8. Financial assets, including details at least for the beginning of the current fiscal year (presented in accordance with GFS or other internationally acknowledged standard)	**No**
9. Summary information of fiscal risks (including contingent liabilities such as guarantees and contingent obligations incorporated into contracts for public-private partnerships, etc.)	**Yes** In the Medium-Term Fiscal Framework, this is delivered to the Congress in a chapter entitled "Inexplicit and contingent liabilities." Link: https://goo.gl/ScXMTp
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major changes in revenue policy or pronounced changes in expenditure programs	**Yes** In the Medium-Term Fiscal Framework delivered to Congress it is presented in a chapter entitled "Cost of Laws sanctioned in the previous fiscal period." Relevant link: https://goo.gl/ScXMTp

Requirement	Compliance
11. Documentation regarding the medium-term framework	**Yes** The Medium-Term Expenditure Framework is approved by the National Council for Economic and Social Policy (NCESP) and is published by the National Planning Department. Published on the following link: https://goo.gl/Iite4Q The Medium-Term Fiscal Framework must be submitted to Congress before June 15 of each year. Relevant link: https://goo.gl/ScXMTp
12. Quantification of fiscal expenditures	In the Medium-Term Fiscal Framework delivered to the Congress of the Republic this is presented in a chapter entitled "Fiscal Benefits." Link: https://goo.gl/ScXMTp

5.1 Budget documentation

The methodology establishes that to achieve international best practices, the Government must submit to the Legislature for consideration of the draft budget bill all the documentation described in the section "basic elements" and at least six of the additional elements. The budgeting process in Colombia complies with this standard.

Indicator	Aggregate (M1)	General Comments
PI-5 Budget documentation	A	
Dimensions	**Score**	**Explanation of Score**
5.1 Budget documentation	A	The budget documentation covers all the basic elements (1 to 4) and 6 of the additional items.

PI-6 Central Government Operations not included in financial reports

This indicator assesses whether the revenue and expenditure operations of the Central Government that are not included in the GBN and that are also not reported regularly in ex-post financial reports are significant compared to the total budget expenditure. These revenue and expenditure operations recorded in the GBN are normally executed through extra-budgetary entities that are defined as those that drive government policy and therefore respond to the government, but which by law have their own budget, their own income (including specific central government transfers), management autonomy, and discretion over the volume and composition of their expenditures.[40]

The assessment of this indicator is scoped to the Central Government and the assessment is made on the basis of the information available in 2014, the most recent completed fiscal year. The data

[40] Public Finance Statistics Manuel (2014), International Monetary Fund, Washington, D.C., United States.

on revenue and extra-budgetary expenditures were provided by the General Accounting Office (GAO) and from the work done in conjunction with the MFPC to prepare the Annual Survey of Government Finance Statistics (ASGFS), a document that reports to IMF in line with the provisions of the Public Finance Statistics Manual (2014). The report identifies 103 entities that have revenue or expenses that are not recorded partially or fully in the GBN (see Annex 3 for a list of extra-budgetary entities).

Best PFM practices stipulate that all revenue and expenditures that support government operations should be recorded in the budget, but otherwise these extra-budgetary operations must, at least, be reported in the financial reports prepared by the Central Government to account for the use and allocation of public funds. The international standard used to measure performance in this matter establishes that income and expenditure not included in financial reports must be less than 1 percent of total budget expenditures. In addition, these operations must be reported in financial reports submitted to the Central Government in a regular and timely manner.

6.1 Expenditure outside financial reports

Expenditure operations conducted by the 103 extra-budgetary units within the Central Government are presented in Table 3.6.

Table 3.6. Extra-Budgetary Spending Units within the National Government, 2014 (CoP millions)

Expenditure	Amount	Share of total expenditure	Share of total Central Government expenditures
Budgeting	808,568	3.3%	0.3%
Extra-budgetary	23,484,926	96.7%	9.7%
Total (extra-budgetary entities)	24,293,494	100.0%	10.0%
Total Budgeting Expenditures	243,232,378		

Source: Internally compiled with data provided by GBN in the ASGFS, 2015.

The 103 extra-budgetary entities reported 3.3 percent of their expenditures accumulated over budget and 96.7 percent is executed outside the GBN. Consequently, the budget spending accounts for 9.7 percent of total expenditure executed in 2014 at the Central Government level. However, of the 103 extra-budgetary entities identified, only two do not report their expenses to the CG, one because it legally has no obligation to do so and the second by default. The calculation made by the GAO shows that this omission equates to about 0.002 percent of total expenditure executed by the Central Government.

6.2 Revenue not included in financial reports

Expenditure operations conducted by the 103 extra-budgetary units within the Central Government are presented in Table 3.7.

Table 3.7. Revenue of the Extra-Budgetary Units within the Scope of the National Government, 2014 (CoP millions)

Revenue	Amount	Share of total revenue	Share of total Central Government expenditures
Budgeting	15,764,759	60.6%	7.8%
Extra-budgetary	10,260,615	39.4%	5.1%
Total (extra-budgetary entities)	26,025,374	100.0%	12.9%
Total Budgeting Income	202,069,110		

Source: Internally compiled with data provided by GBN in the ASGFS, 2015.

The 103 extra-budgetary entities receive 60.6 percent of their revenue through GBN transfers, while 39.4 percent are own revenues that are not recorded in the budget. This implies that extra-budgetary revenue represents only 5.1 percent of income executed by the Central Government in 2014. Of this total, the GAO estimated that less than 0.002 percent is not included on regular financial reports.

6.3 Financial reports of extrabudgetary units

With the exception of two entities, whose participation is insignificant in the total revenue and extra-budgetary expenditure, the remaining group of entities submits to the GAO, at least annually, detailed financial reports within three months of the end of the relevant fiscal year.

Indicator	Aggregate (M2)	General Comments
PI-6 Central Government operations not included in financial reports	A	
Dimensions	**Score**	**Explanation of Score**
6.1 Expenditure outside financial reports	A	Revenues from extra-budgetary units not reported in ex-post financial reports are well below the limit of 1% of total Central Government revenue executed.
6.2 Revenue not included in financial reports	A	Revenues from extra-budgetary units not reported in ex-post financial reports are well below the limit of 1% of total Central Government revenue executed.
6.3 Financial reports of extra-budgetary units	A	All extra-budgetary entities submit detailed financial reports annually to the Central Government within three months of the end of the corresponding fiscal period.

PI-7 Transfers to subnational governments

This indicator assesses the extent to which fiscal relations between the Central Government and the entities into which the territory of Colombia is distributed administratively—32 Departmental Governments, 1,123 Municipal Governments, 4 Special Districts (such as the capital district of Bogota), and established indigenous territories—are transparent and executed in a predictable and timely fashion. The assessment is made based on information available for the fiscal year 2014, the most recent completed year at the time of the assessment.

Fiscal relations between the Central Government and local authorities are defined in the Constitution of Colombia, especially the Articles on the distribution of powers and resources between levels of government.[41] From these constitutional provisions, the law provides for two types of transfers of resources from the Central Government to local authorities: (i) the transfer of current revenues of the Nation, which is done through a mechanism named the GPS,[42] and (ii) the transfer of resources from royalties from the exploitation of non-renewable natural resources, called General Royalties System (GSRS).[43] A third source of intergovernmental transfer resources is co-financed investment projects, which must be enrolled in the GBN and harmonized in national and regional development plans.

The participation of the GPS, the GGSR, and co-financed investment projects in transfers from the Central Government to local authorities in 2014 is depicted in Table 3.8.

Table 3.8. Participation of the Various Mechanisms in Total Central Government Transfers to Territorial Entities, 2014 (CoP billions)

Mechanism	Transfer Amounts	Share (%)
GPS	28.7	71.8
GRS	8.8	22.0
Co-financing of Investment Projects	2.5	6.2
Total	40.0	100.0

Source: Internally compiled with data provided by MFPC, 2015.

The main transfer of the Central Government to territorial entities in Colombia is the GPS. In 2014 the total amount of these transfers was CoP 28.7 billion; equivalent to 26 percent of current revenues of the Nation and 71.8 percent of all transfers made. The GGSR allocated for 2013-2014 is CoP 17.7 billion, an amount that has been split in half to estimate the allocation in 2014. This

[41] Arts. 357 and 358, on the distribution of resources and powers, Arts. 360 and 361, on distribution of royalties, and Art. 364, on indebtedness, Political Constitution of Colombia, 1991.

[42] Law 715/01 and Law 1176/1107.

[43] Law 1530/12. The cycle of programming and execution of resources for transfer by the General Royalties System is biennial. The last cycle completed is 2013-2014.

amount represents 22.0 percent of total transfers. Finally, the amount of co-financing of investment projects is CoP 2.5 billion or 6.2 percent of total transfers.

7.1 Transfer allocation system

International best practices on the transfer of resources from the Central Government to subnational governments do not establish specific criteria on the total amounts transferred that should be made available to the latter (vertical allocation), but they determine that the distribution between the different subnational governments (horizontal allocation) should be clearly normed and defined by rules or formulas with relevant and easy to use calculation variables to ensure transparency and predictability over the medium term. In the opinion of the methodology, at least 90 percent of the funds transfer must meet this requirement.

In the case of Colombia, the transfers made to territorial entities, both within the GPS framework and that of the GSR are clearly normed and established from known rules of allocation and relevant and measurable calculation variables. The transfers in respect to co-financing of public investment projects in the territories, despite having Congressional approval, do not meet this specific requirement. However, to the extent that the participation of the GPS and GSR exceed 90 percent of the total transfers made to territorial entities in 2014, national practice is in line with international best practice.

The resources allocated to departments, municipalities, and districts under the GPS are destined for the provision of services in four areas: (i) education (receiving 58.5 percent of the total available resources), (ii) health (24.5 percent), (iii) drinking water and basic sanitation (5.4 percent), and (iv) general purpose (11.6 percent). The allocation criteria among territorial entities are indexes that combine variables of population served, coverage gaps, incidence of poverty, and administrative and tax efficiency in each of these sectors. Annually, the National Council for Economic and Social Policy (NCESP) approves and publishes the distribution of GPS resources among territorial entities prepared by the NPD.[44]

Distribution formulas of GSR resources are set in the biennial budget laws for GSR.[45]

Tax revenue from the exploitation of non-renewable natural resources are distributed directly to territorial entities that produce them (direct allocations), and indirectly to the rest of the Departments, Municipalities, and Districts, through the following funds: (i) Pension Savings of Territorial Entities, (ii) Science, Technology and Innovation Fund, (iii) Regional Development Fund, and (iv) Regional Compensation Fund. The resources available to each of these funds are established in the regulations of the GSR, but the distribution of resources among different territorial entities is calculated on the basis of criteria of population and unmet basic needs (NBI).[46]

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[44] The technical details and data of this distribution for 2014 are available at: ttps://www.dnp.gov.co/programas/inversiones-y-finan-zas-publicas/Datos-y-Estadisticas/Paginas/Financiamien-to-Territorial.aspx

[45] Law 1606/12 for the period 2013 and 2014.

[46] The technical details with which these resources were distributed in 2014 are available at https://www.sgr.gov.co/Distribuci%C3%B3n/Consultade-DistribucionesSGR.aspx.

7.2 Timeliness of information on transfers

International best practices provide that transfers to subnational governments should be made as early as possible under the regular budget calendar and at least four to six weeks prior to the date when these entities must complete their budget preparation.

In Colombia there is a regulatory framework and clear instructions outlining the criteria for territorial entities to project with considerable certainty and prior to the preparation and approval of their budgets, transfers receivable from the Central Government. However, the allocation of transfer resources is not managed under the regular budget calendar, and territorial entities do not have the exact and total transfer amounts at least four to six weeks prior to the date of approval of the budget.

Indicator	Aggregate (M2)	General Comments
PI-7 Transfers to subnational governments	B	
Dimensions	**Score**	**Explanation of Score**
7.1 Transfer allocation system	A	The horizontal allocation of almost all transfers (at least 90% by value) of the Central Government is determined by a transparent and rules-based system.
7.2 Timeliness of information on transfers	C	The territorial entities have reasonable estimates on transfers they will receive, but the exact total amounts are not known between four and six weeks prior to approving their budgets.

PI-8 Performance information for service delivery

The purpose of this indicator is to assess the nature and use made of the annual performance information included in the budget in their supporting documents, and in regular reports of budget execution. Performance information that is valued are the “products” that are delivered and/or the “results” obtained in or with the provision of public services, as well as the existence of instruments for monitoring and/or assessment available to verify compliance with the proposed goals. The analysis considers the Central Government and the available information is evaluated for 2014, the most recent completed fiscal year.

The 2014-18National Development Plan (NDP) “Todos por un Nuevo País”, (All for a New Country) establishes objectives, strategies, and goals (and in some cases, products) to advance to the achievement of peace, equity, and education in Colombia. The cross-cutting strategies proposed to underpin these achievements are (i) competitiveness and strategic infrastructure, (ii) social mobility, (iii) transformation of the rural areas, (iv) security, justice, and democracy for the construction of peace, and (v) good governance. Targets and indicators are clearly defined for each of the strategic objectives and such products as have been identified. Monitoring of indicators and targets, associated strategic objectives, as well as progress reporting are done on a regular basis, both to the Executive Branch and Congress.

However, the objectives, goals and results of NPD are not yet articulated with the GBN because the budget is built in an institutional fashion and is not disaggregated by functions[47] or programs that reflect or establish production targets and/or expected results for this institutional production in line with established development objectives. In recent years, the lack of coordination between planning and the budget has been partly addressed by the addition of programs and projects to the public investment budget, which are better aligned with the objectives of the NDP and represent 21 percent of total public spending in 2014. It is also important to note that during the field mission it was found that both the NPD and the MFPC are working in coordinated fashion to improve plan/budget articulation.

8.1 Performance for service delivery

The PEFA methodology provides that information on expected performance in the provision of public services, including key “product” indicators, as well as “outcome” indicators, disaggregated by programs or functions, should be available in the budget (or supporting documents) that all sector ministries that are providers of public services must submit.

To the extent that the GBN in Colombia is not prepared on the basis of functional and/or programmatic structures, none of the ministries, including sector ministries providing public services, include information on targets and indicators of outputs or outcomes in the programming and submission of their institutional budgets, except in the case of public investment projects.

8.2 Performance achieved for service delivery

International best practices also require that sector ministries that provide public services publish annual information on the number of outputs produced and the results achieved in budgeting documents that are compatible with the formats in which the programming of the performance indicators was presented.

The budget execution reports do not report performance information for any of the ministries, nor for products or for results. The only documents containing performance data are prepared by the NPD to report the progress made by public institutions in achieving the objectives of the National Development Plan, but these are not articulated with the GBN, even though they are part of the investment budget.

8.3 Resources received by service delivery units

International best practice suggests that the governing agencies or heads of units providing front-line services (e.g., schools or health centers) should collect information on a regular basis and at

[47] The GBN is grouped and reported by functional classification for submission to Congress for informational purposes.

least once a year on the resources effectively received by them, disaggregated by the source of this funding. This information must be compiled and published annually.

The assessment performed in Colombia was unable to find evidence that this information is collected or has been collected systematically over the last three years (2012, 2013, and 2014) for any of the ministries queried (Ministry of Health and Social Protection, and National Ministry of Education). This information, with the mandated characteristics, could not be collected from the Treasury or the Public Information Consolidator (CHIP).

8.4 Performance assessments for service delivery

Independent assessments on the efficiency and effectiveness of public services should be performed and published, in accordance with international best practice, at least once every three years in all the most significant or relevant ministries.

In Colombia, performance assessments have been performed since 2006 through an annual schedule of assessments approved by the NPD. The assessments are of four types: (i) institutional (legal), (ii) operational, (iii) on results, and (iv) on impact. They are conducted by specialized external consultants hired through competitive processes. Between 2012 and 2014, 53 independent assessments were produced covering almost all the ministries responsible for the provision of public services. The assessment reports are published[48] and their recommendations are managed with the competent authorities (through a recommendations management matrix). Table 3.9 provides details.

Table 3.9. Assessments Performed, 2012-2014

Sector	2012	2013	2014	Total
Labor	1	-	-	1
Interior and Justice	2	1	-	3
Office of the President of the Republic	3	2	4	9
Social Inclusion and Reconciliation	1	3	1	5
Transport and Infrastructure	6	3	1	10
Environment and Housing	4	3	1	8
Health and Social Protection	3	1	1	5
Agriculture	2	2	-	4
Education	1	-	2	3
Science, Technology, and Innovation	-	-	1	1
Commerce, Industry, and Tourism	4	-	-	4
Total	**27**	**15**	**11**	**53**

Source: Internally prepared with data provided by the DNP, 2015.

Additionally, the Office of the Comptroller General of Colombia prepares management audits and sector and public policy analyses resulting in control reports with observations and recommendations for improvement, mainly of institutional management.

[48] See http://sinergiapp.dnp.gov.co/#Evaluaciones/EvalFin

Indicator	Aggregate (M2)	General Comments
PI-8 Performance information for service delivery	D+	
Dimensions	**Score**	**Explanation of Score**
8.1 Performance for service delivery	D	The programming and submission of the institutional budget of any ministries that are providers of public services include information on performance, defined as indicators and product goals and results.
8.2 Performance achieved for service delivery	D	The budgeting execution reports do not include performance information connected to the generation of products or for achieving results.
8.3 Resources received by service delivery units	D*	Could not find evidence that information has been collected on resources received by frontline service delivery units in the sectors of health and education.
8.4 Performance assessments for service delivery	A	The assessments are conducted at least once every three years, for almost all ministries responsible for public services and their results are published.

PI-9 Public access to fiscal information

This indicator assesses the ease of access that the population has to key fiscal information generated by the Central Government. Transparency of information is assessed on the basis of availability and ease of access to relevant documentation by the population[49] and on the timeliness with which it is published. The assessment data come from information available for tax efforts in 2014 (most recent completed fiscal year) and 2015 (current budgeting year in force).

The legal and regulatory framework for public access to information generated by the State is given in Colombia by Law 1712 on transparency and the right of access to public information, which has formally been in force since September 6, 2014. The objective of this law is to regulate the right of access to public information, the procedures for the exercise and guarantee of this right, and the exceptions to the disclosure of information.[50] The law is comprehensive in terms of its objective, scope, mandatory minimum information that state agencies must make available to the public, the means through which information is to be publicized, direct consultation procedures, penalties for noncompliance, and exceptions to public access to information.

[49] Unless specifically justified in national law, public access to key fiscal information will be defined as the publication in the official computer portals of relevant institutions. Access to the information on these sites will not be restricted, no registration shall be required nor will it entail cost.
[50] Art. 1, Law 1712 of 2014, on Transparency and Rights of Access to Public Information.

Institutions in Colombia comply with the legal provisions in force.[51] However, the PEFA methodology specifically states that to comply with international best practices on transparency, the Government must make available to the public—under the terms and conditions defined—key fiscal information, divided between basic and additional elements, as outlined immediately below.

Requirement	Compliance
Basic elements	
1. Documentation for the annual draft budget of the Executive. A complete set of Executive Branch draft budget proposal documents is placed at the disposal of the public within one week from the submission made before the legislature.	**Yes** All the documentation corresponding to the draft budget bill is published on the official website of the Ministry of Finance and Public Credit (www.minhacienda.gov.co) within three days following its forwarding to Congress for review, discussion, and approval/amendment. The documentation corresponding to the 2016 draft budget bill, submitted in 2015, can be found at **https://goo.gl/1Jk2CH**
2. Budget enacted. The annual budget law approved by the Legislature is published within two weeks of passage of the law.	**Yes** The budget law passed by Congress is published immediately after its promulgation by the President on the webpage of the Presidency of the Republic (www.presidencia.gov.co). Law 1687 of 2013, which decrees the budget for revenues and capital resources and appropriations for the fiscal year from January 1 to December 31, 2014 is accessible at https://goo.gl/uR48FO Law 1737 of 2014, which decrees the budget for revenues and capital resources and appropriations for the fiscal year from January1 to December 31, 2015 can be found at https://goo.gl/QBTHlP These laws, since 2010, are also published successively in the MFPC IT portal, at https://goo.gl/w0PhgB
3. In-year budget execution reports. The reports are usually made available to the public within one month from the end of the year. When a more comprehensive and analytical mid-year report is prepared, the publication must be made within three months after the end of the year.	**Yes** The MFPC provides the public budget execution reports cumulatively up to the finished month within 30 days following the cut-off date. These reports for the years 2014 and 2015 are at https://goo.gl/8sPR2l Additionally, budget execution can be checked online, through the economic transparency portal: www.pte.gov.co
4. Annual budget execution report. This report should be available within three months from the end of the exercise.	**Yes** MFPC places at the disposal of the public the budget execution report accumulated to December of the corresponding year within three months of the end of the fiscal year. The link for the 2014 yearly report is https://goo.gl/27CiUi

[51] Public officials interviewed and triangulation of evidence with civil society organizations was convincing with respect to full compliance with the legal provisions regarding the transparency of key fiscal information.

Requirement	Compliance
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within 12 months of the fiscal year's end.	**Yes** The General Accounting Office publishes the Consolidated Balance of the Nation on its web portal at www.contaduria.gov.co. The Office of the Comptroller General of Colombia publishes the audit of the Balance Sheet on its web portal www.contraloria.gov.co. The audit report is made public within 12 months following the end of the corresponding fiscal year. The specific link is www.contraloriagen.gov.co/web/guest/informesconstitucionales
Additional elements	
6. Pre-budget statement. The broad parameters of the proposal of the Executive on expenditures, planned revenue, and debt are made available to the public at least four months before the start of the fiscal year and two months prior to the submission of the draft budget proposal of the Executive Branch to the Legislative Power.	**Yes** In the first week of April each year, the MFPC forwards to Congress the preliminary draft budget, a document that includes an estimate of revenue and expenditure of the entities that make up the GBN, pursuant to the policies and programming criteria set out in the Medium-Term Expenditure Framework (MTEF). This document is made available to the public immediately upon its forwarding to Congress and two months prior to the submission of the draft budget. However, this document does not constitute a statement of priorities and objectives for fiscal management. This information is presented in the Presidential Message that is included as part of the draft budget and that is presented at the end of July of the corresponding year. This document is also made public immediately upon the submission of the draft budget. The relevant link is https://goo.gl/6tlSII
7. Other external audit reports. Reports on consolidated operations of the Central Government that are not confidential are placed at the disposal of the public within six months following their submission.	**Yes** The CGC publishes on its website www.contraloria.gov.co all audits released on the operations of the Central Government within less than six months after their submission. The specific link is www.contraloria.gov.co/web/guest/audits-released
8. Summary of budget proposal. A clear, simple summary of the Executive Branch budget or the budget enacted, accessible to the non-budget experts (often referred to as a "citizens' budget"), and translated, where appropriate, into the most commonly spoken local language, is made publicly available within two weeks of the Executive Branch's budget proposal's submission to the Legislature, and within one month of the budget's approval, respectively.	**No** The MFPC published in 2015 the document "Citizens' Budget 2015," which is a simple but explanatory and detailed summary of the budget approved for the 2015 fiscal year. The link is https://goo.gl/u7MysY However, most recently, this document was made public three months after the adoption of the budget law (March 9, 2015).
9. Macro-economic forecast. This is available within one week after its approval.	**Yes** The Medium-Term Fiscal Framework (MTFF) 2015, for the period 2015-2024, is published in timely manner on the MFPC IT portal, at https://goo.gl/RDxM6a The MTEF is also publicly available on the website of the National Planning Department at https://goo.gl/Zb62KZ

9.1 Public access to fiscal information

As indicated immediately above, the Central Government complies with facilitating public access to the population on a regular basis of all basic documents and three of the four additional documents required by international best practices.

Indicator	Aggregate (M1)	General Comments
PI-9 Public access to fiscal information	A	
Dimensions	**Score**	**Explanation of Score**
9.1 Public access to fiscal information	A	The Central Government makes available to the public at appropriate times and means all basic documents and three of the four additional documents required by the PEFA methodology.

3.3 Management of Assets and Liabilities

The PI-10 to PI-13 indicators jointly assess the effective management of public assets and liabilities. That is, these indicators seek to establish that there is an optimal use of the resources available to the State, through more efficient public investments, financial investments that generate adequate returns, disposal of fixed assets following clear rules, contracting of debt that minimizes the costs associated with its service, and proper monitoring of existing tax risks in order to take appropriate mitigation measures promptly.

PI-10 Fiscal risk reporting

This indicator measures the extent to which fiscal risks affecting the Central Government (CG) are reported or disclosed. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments (SNGs), or state-owned companies or corporations (SOEs),[52] and contingent liabilities from the CG's own programs and activities, including extra-budgetary units. They may also be related to other external and implicit risks, such as market failures and natural disasters. For this assessment, the year 2014 is taken as the critical period.

The information used for the preparation of this indicator was provided mainly by (i) the Office of the Director General for Fiscal Support, (ii) the Office of Deputy Director, Risk and the Office of Deputy Director for Investment Banking of the Office of the Director General of Public Credit and the National Treasury, (iii) the General Accounting Office (GAO), and (iv) the opinion of the Office of the Comptroller General of Colombia (CGC) with respect to fiscal management for the year 2014.

[52] The public corporations subsector consists of "all resident Corporations controlled by general government units or other public corporations"; see page 412 of the Fiscal Statistics Manual 2014 of the International Monetary Fund (IMF).

10.1 Monitoring of state-owned companies or corporations

International best practice provides that the annual audited Financial Statements (FS) of all SOEs must be published within six months after the end of the relevant fiscal year. Likewise, the CG annually publishes a consolidated report on the financial performance of such corporations.

SOEs in Colombia are composed of Regional Autonomous Corporations, the Central Bank and other financial institutions under majority control of the Government, Autonomous University Entities, Single Nature Entities, National Civil Service Commission and National Television Authority, State-Owned Social Enterprises, State-Owned Public Utilities, State-Owned Industrial and Commercial Companies, and Mixed-Economy Partnerships.

In Colombia there is no rule that each SOE publish its audited FSFS, except for a limited number such as those required by the nature of their operations, those of the financial sector, or specific regimes, utilities, and other companies that are registered in the Chambers of Commerce as commercial companies. In fact, there is no standard or requirement that generalizes the obligation of the SOE to publish its audited FS and therefore no specific deadlines for doing so. Notwithstanding the foregoing, the majority of entities send their FS for consolidation by the GAO, and their accounting data are available in the Treasury and Public Information Consolidator (CHIP) systems, but not in a consolidated FS format as originally authorized by each entity's representative mandated to sign off on the financial statement.

Where appropriate, the Office of Deputy Director of the Office of the Director General for Public Credit and National Treasury has the responsibility to track the financial situation of the SOEs that are partially owned by the GoC.[53] Public Sector Consolidated FSs are produced annually by the GAO, but not a specific consolidated report on the financial performance of the SOE.

10.2 Monitoring of subnational governments

By law, the Central Government must annually submit to Congress, and the public in general, reports on the fiscal viability of the departments and the fiscal performance of municipalities. These reports are published by the MFPC and the National Planning Department (NPD) on their websites. Similarly, a quarterly monitoring of fiscal performance of territorial finance is undertaken through the Office of the Directorate General for Fiscal Support (DGFS). The result of this monitoring is discussed within the MFPC as inputs for coordinating macro-financial programming, which the Central Government regularly conducts in coordination with the Central Bank as mandated by Law 31 of 1992.

DGFS biannually publishes Fiscal Viability Reports of the departments, capital municipalities, and a sample of other municipalities (not departmental capitals) under fiscal disencumbrance programs. The NPD publishes an annual ranking of fiscal performance for the universe of territorial entities, as well as evaluating overall performance for all municipalities. Sectoral ministries and the NPD also publish annually a categorization of risk in the use of GPS resources and public hospitals. Also, quarterly, the Central Bank and the Office of the Director General for Macroeconomic Policy perform the calculation of the fiscal balance of the sector known as

[53] Article 39 of Decree 4712 of 2008, by which the TSA is partially regulated.

"regional and local," which can be found in the Consolidated Public Sector closing documents, employing the methodology called "below the line" or financing (change in net financial assets).

The fiscal risks that SNGs can generate to the CG have largely been controlled by a set of rules on fiscal accountability (transparency, accountability, and sustainability), public debt, and commitments for future fiscal periods and for handling insolvencies for territories. The SNGs are legally authorized to undertake public credit operations, under the parameters of specific rules. The decrees regulating these rules, along with departmental and municipal regime codes and rules of prudential financial regulation (basic legal, accounting, and financial circulars of the Financial Superintendence) form a legal framework regulating the contracting of public debt in SNGs and their decentralized entities for services.

The CG cannot guarantee domestic debt operations of territorial entities, unless a national law so provides. At present there is no law that gives such powers. The Central Government may grant to territorial entities guarantees to contract external debt, but must do so complying with a rigorous approval process. Additionally, they must make a technical justification of the investment project to be financed with those resources. In this justification they must demonstrate the expected effects of each project on the economic development of their jurisdictions, in line with their Development Plan.

It has been verified that all the SNGs published their unaudited FSs through the CHIP portal http://www.chip.gov.co/schip_rt/index.jsf, but individual audit reports are not published for the majority of SNGs.

10.3 Contingent liabilities and other fiscal risks

Best practice requires that the CG publish an annual report that quantifies and consolidates information on significant contingent liabilities and other risks.

In accordance with the rules in force noted in the discussion of the 10.2 dimension, state agencies identify their risks and assess the respective contingent liabilities. In this context, the National Council for Economic and Social Policy defines the State's Contractual Risk Policy. The Office of the Director General for Public Credit and National Treasury (DGPCNT) of MFPC approve the evaluations of contingent liabilities and conducts periodic monitoring of the evolution of the risks covered by the Contingency Fund. In addition, the DGPCNT, and in particular the Office of Deputy Director, Risk has specific functions related to contingent liabilities. Monitoring of contingent liabilities of government programs is performed through specialized technical guides, including quantitative analysis.[54]

For the consolidation and issuance of reports on contingencies, where the risks of government projects are recorded, the Office of Deputy Director, Risk complies with the task of evaluating contingent liabilities with a view to drafting the approvals for the DGPCNT, particularly in areas such as public-private partnerships contracts and public credit operations.

[54] http://www.minhacienda.gov.co/HomeMinhacienda/creditoydeudapublicos/Riesgo https://goo.gl/mDlU5q

In the case of natural disasters, in accordance with the National Development Plan "Prosperity for All 2010-2014," the "Public financial management policy strategy in the face of risk of natural disasters," targeted reducing contingent liabilities related to risk of disaster from natural phenomena and the management of the resulting fiscal risk for these events.

The report on the evaluations of contingent liabilities for infrastructure contracts, public credit operations, sentences, reconciliations, and for callable capital are made publicly available[5538] (Chapter 7, inexplicit and contingent liabilities).

The CGC in its report on the audit of the 2014 Public Treasury General Balance, included objections to tax assessments related to the Pension Liability and Public Debt, especially those that have been reiterative during the audit processes of the Central Level General Balance for the last three fiscal years, as part of their exercise of ex-post control of providing an opinion on the financial statements. Concerns were expressed on issues of pension liability, especially on updating, disclosure, and amortization of pension liabilities, and the value of other accounts affected by accounting uncertainties that give rise to concerns about the reliability or completeness of the methods and reports used for contingencies arising from significant CG operations.

Indicator	Aggregate (M2)	General Comments
PI-10 Fiscal risk reporting	C+	
Dimensions	**Score**	**Explanation of Score**
10.1 Monitoring of state-owned companies or corporations	C	The Central Government receives financial reports from most companies and public corporations, which it uses to consolidate financial reporting. However, a consolidated report on the financial performance of such companies and corporations is not published annually.
10.2 Monitoring of subnational governments	C	Accounting data are available on all SNGs, but these are unaudited. The CG annually issues a consolidated fiscal position of the SNGs.
10.3 Contingent liabilities and other fiscal risks	B	Contingent liabilities arising from the CG programs or projects are quantified and consolidated into reports and notes to the annual FS. In 2014, the CGC objected to the quality of information about certain liabilities that may give rise to explicit, unregistered contingencies. Except as recorded in the report on the medium-term fiscal framework, the GC still does not publish a comprehensive report where other risks could be revealed.

[55] https://goo.gl/ScXMTp

PI-11 Public investment management

The indicator evaluates the economic assessment, selection, costing, and monitoring of public investment projects of the government, with emphasis on the largest and most important projects. The scope is the Central Government and the critical period is the last completed fiscal year (i.e., 2014). For purposes of this indicator's evaluations, the 10 largest projects by nominal cost for each of the sectors' projects were used as points of reference.

In Colombia there are two Government-administered project databanks: one for the resources of the General Royalties System (which given the scope of the PEFA methodology will not be considered, given that the resources are from sources other than those of the General Budget of the Nation), and the other for GBN, which will be the subject of assessment across its projects, methodologies, and tracking system.

11.1 Economic analysis of investment proposals

Best practices with which this dimension is assessed state that in formulating projects economic analysis is conducted as set forth in national guidelines, and the projects and their results are published for major investments. It is also stated that the analyses are reviewed by an entity that is distinct from that promoting the project.

Investment projects nationwide use the Adjusted General Methodology (MGA), which consists of a computer tool comprised of four modules that facilitate and help record the most relevant information of the investment project at the time of its formulation and during the performance of identification, preparation, assessment, and programming processes. By using this tool, project reports include such critical elements as cash flows, economic flows, financial assessments, economic and social assessments, and the Basic Investment Statistics file—from all of which a project summary report is generated.

During the pre-investment stage, entities that formulate projects conduct an ex-ante assessment (applies to all projects), which includes the result of the analysis performed from the information on the alternative solutions proposed for the problem identified. This analysis includes financial,[56] economic,[57] and social[58] assessments, which will have greater or lesser relevance depending on the nature of the alternative and the project objectives. Profitability indicators (net present value, internal rate of return, and cost/benefit ratio), cost efficiency (cost per unit of capacity or cost per unit of benefit), and minimum cost, which, collectively, constitute the basis for making decisions about the best alternative. For projects to which the indicators mentioned do not apply, as in the case of science and technology, multiple criteria matrices are used.

After selecting the best alternative, product and management indicators are formulated, and the budget classification and the association to the NDP are performed; subsequently, the project along

[56] Identifies revenue and outlays attributable to the implementation of the alternative, and consequently its profitability.
[57] Identifies the contribution the alternative makes to socioeconomic well-being, regardless of its effect on income distribution.
[58] Analyzes the net contribution of the alternative to socioeconomic well-being. Weighs the imAMCPAMCPts of the alternative that modify the distribution of wealth.

with more information is presented to the project bank for review by quality filters. There are three controls: formulation control, under the charge of the planning office of the entity responsible for the project; feasibility control, led by the planning office of the ministry heading the sector; and control of the sectoral technical direction of the NPD. An opinion is issued in each of these filters.

The results of economic and social assessments that are made in the formulation of investment projects are known only to the people involved in the process of making projects viable (i.e., those assessing the quality filters of the information). However, some information on the percentages of physical and financial progress and a summary the project[59] is published on the Investment Projects Tracking System (IPTS) (https://spi.dnp.gov.co/). It is noteworthy that there is no obligation to update the information contained in the project assessments.

11.2 Investment project selection

Best practices for this dimension provide that before inclusion in the budget, all major investment projects are prioritized by a central entity, based on standard criteria published for the selection of projects.

Prior to the selection of investment projects, a review procedure applies in three instances: the planning offices of the entity responsible for the project, the sector, and the sectoral area of the NPD. Once reviews are completed, and to enable the selection of projects (including major projects) to be included in the budget, a centralized prioritization is performed based on criteria defined in the NPD law and other laws relative to social spending, victims, and other standards that are public knowledge. This prioritization is ratified by sending notices to the various sectors informing them about the selected priorities with respect to the priorities considered. The sample of large projects assessed is included in Annex 10.

11.3 Determination of costs of investment projects

Best practice establishes that budgeting documents should include forecasts for each year for at least the next three fiscal years, of the capital and recurring costs generated during the life cycle of large investment projects.

The formulation of each project contains an estimate of the investment and operation costs, the latter understood as those generated by the operation and maintenance common to the project within the time horizon; however, the documents that are part of the budgeting system, such as the financial plan, the annual investments operating plan, the MTEF, and GBN, do not disaggregate the medium-term information (for three years) of recurring and capital costs of investment projects, and only include (as mentioned in the PI-16 discussion for the MTEF) an estimate of total expenditures disaggregated by recurrent or investment expenditures and by sectors. Similarly, the MTFF presents aggregate estimates that do not differentiate capital and recurring costs of investment projects with future fiscal periods, and the Financial Plan presents only aggregate forecasts of current, investment, and loan expenditures.

[59] Includes the identification of problems, products, objectives, and alternative solution with targets, indicators, costs, benefits and beneficiaries, financial scheme, activities, and the Basic Investment Statistics record.

11.4 Investment project monitoring

Best practices ensure that the total cost and the physical progress of major investment projects are monitored during implementation by the government unit responsible, there is a high degree of compliance with the procedures and provisions for implementation of projects that have been launched, and there is information on the execution of major investment projects that is published in the budget documents or other annual reports.

Processes and procedures for formulation, execution, and arrangements for the implementation of major projects are generally applicable for all entities. Project costs, as well as physical, financial, and management progress, are monitored by the NPD with support from IPTS and through the Office of Deputy Director of Projects and Information for Public Investment. Monthly, quarterly, and annual management reports are produced that account for the financial, physical progress, and management of investment projects in progress, including major projects.

Indicator	Aggregate (M2)	General Comments
PI-11 Public investment management	B	
Dimensions	**Score**	**Explanation of Score**
11.1 Economic analysis of investment proposals	B	In the pre-investment stage entities perform financial, economic, and social assessments using existing methodology. This analysis is taken into account for decision-making and some of the results are published.
11.2 Selection of investment projects	A	For projects to be included in the budget there is a centralized selection that is made on the basis of prioritization criteria defined in publicly known rules.
11.3 Determination of costs of investment projects	D	The projections of the total capital cost of large investment projects and recurring costs for the coming budgeting year and the three following fiscal years are not included in budgeting documents.
11.4 Investment project monitoring	A	The total cost and the physical progress of major investment projects are monitored. The procedures and rules for the execution of the project are fulfilled for investment projects and advances are published with support from the monitoring system. Project management reports are produced on a monthly, quarterly, and annual basis.

PI-12 Public asset management

This indicator assesses the management and monitoring of government assets and transparency in the disposal of such assets. For this assessment, fiscal year 2014, the most recent completed fiscal year, is taken as the critical period.

12.1 Financial asset monitoring

Best practices indicate that the government should keep a record of its Financial Assets (FA), which are recognized at market value, consistent with international accounting standards. Similarly, information is published each year on the performance of such assets.

In general, other FA, such as debtors, accounts receivable, and other marketable short-term assets are administered by each public entity under regulations of the MFPC and PAF; except for highly liquid financial assets, which are administered by the National Treasury of the Ministry of Finance and Public Credit and the Central Bank (reserves and other securities of the issuing bank), including the administration of the Treasury Single Account;[60] the supporting documentation and the associated accounting records are filed with the concerned entities. In accounting standards and the accounting system established by law, the criteria for recognition and disclosure of these assets are specifically defined, at cost or market value, whichever is less, for which provisions disclosed in the financial statements are recorded.

The DGPCNT and the GAO do not submit a specific report on the performance of the FA. The Report of the Financial Position and Results at the National Level, produced by GAO, reveals within specific notes the revenue derived from interest, dividends, and revaluations, as well as expenditures for loss in equity produced by divestitures, and that which is related to the issuer's risk (provisions). However, the notes to the financial statements (FS) are not sufficient evidence of a comprehensive accountability report on the annual performance of the FA.

FA accounts, especially debtors, investments, and derivatives and cash instruments, were challenged by CGC in the annual opinion available on the FS for 2014, for understatements and overstatements in records that CGC considered sufficiently important to issue caveats.

12.2 Monitoring of non-financial assets

Best practice mandates that the Central Government keep a record of it fixed assets, land, and, where relevant, of subsoil assets, including information about its use and age profiles, which should be published at least annually.

In Colombia there is no single consolidated record of fixed assets that constitute the most important line item among Non-Financial Assets (NFA). Each entity manages its inventory of NFA in customized information systems, which serve as a backup of accounting information reported to GBN. Information on physical quantities is maintained by each entity in its own database, where

[60] Decree 2785 of 2013, Regulations of the Treasury Single Account (TSA).

each asset is identified. Annually, the notes to the consolidation of public sector FS revealed the general aspects of NFA.

For accounting and registration of the NFA, there is a unified accounting procedure for recognition and disclosure of the transfer of national-level public entity assets. There is no evidence in hand on the publication of an integrated annual report on the detail of Fixed Assets, in which information on their use and age is disclosed.

Table 3.10. Categories of Non-Financial Assets, 2014
(CoP millions)

Categories	Subcategories	Accounted value to 12-31-14	Comments
Fixed assets	Buildings and structures	12,430,495	
	Machinery and equipment	24,399,007	
	Other fixed assets	64,461,923	Includes livestock, agricultural plantations, and goods of public, historical, and cultural use.
	Weapons systems	2,639,060	
Inventories	-	-	
Valuables	-	411,465	
Unproduced assets	Land	3,268,436	
	Mineral and energy resources	50,539,410	
	Other naturally occurring assets	-	
	Intangible non-produced assets	1,843,953	Report corresponds to the total value of the account 1.9.70 Intangibles.
Total		159,993,749	

Source: Consolidation of balances provided by the CGN, 2015.

In relation to the quality and monitoring of the NFA, the CGC expressed reservations on the FS to December 31, 2014 with respect to overestimates of NFA accounts of more than CoP 69 billion. This circumstance underscores uncertainty about the reliability of records and reconciliations, both of which values are incorporated in the consolidation, and which include important differences between IFIS and the module of the Treasury and Public Information Consolidator (CHIP);[61] CGC also expressed concerns on the reconciliation of such registries with physically verifiable NFA. Moreover, no evidence is in hand regarding the existence of statistical reports or integrated management of the NFAs.

[61] http://www.chip.gov.co/schip_rt/index.jsf

12.3 Transparency of asset disposal

Under best practice, procedures should be established for the competitive and transparent sale, transfer, or assignment of financial and non-financial assets, including material to be presented to the Legislature for information and approval. Information on transfers and disposal is to be included in budget documents, financial reports, and other reports.

Public Asset Management is a state policy, formulated and developed in economic policy documents,[62] whose purpose is to maximize the economic and social return of tax assets. In Colombia, the disposition and sale of assets is primarily regulated in the General Contracting Statute, Law 80 of 1993, and its amendments, specifically in the regulations of the procurement and contracting system.[63]

In this legal framework, the sale of both FA and NFA are regulated, and the sales method established is that of abbreviated selection, which involves open bidding to make offers and close sales/purchases of State property in general. Typically, the divestiture of State property does not have to be submitted to the Legislature for prior approval or subsequently to inform on the execution and returns on such sales. Only in the case of a state entity equity sale is the Government legally required to submit for the advice of Congress[64] during the first 60 days of the year through a general annual divestitures plan, including preliminary assessments. An undetermined percentage of such operations are recorded and made public in the Electronic Procurement System.

The sale and disposal of assets has traditionally been managed by each public entity. However, since 2007 an attempt has been made to centralize the process of selling of fixed public sector assets. For this purpose, the Central Government entrusted the Central de Inversiones S.A. (CISA), a national-level mixed-economy trading company linked to the MFPC, with the duties of Collector of Public Assets and Coordinator of Government Real Estate Management. Basically, these functions consist in intermediation of the NFA sales process, especially with respect to fixed assets. This policy has been updated in National Development Plans,[65] which direct the National-Level Public Entities (except for State-Owned Industrial and Commercial Companies, Mixed-Economy Partnerships, State-Owned Financial Institutions, and Entities in Liquidation) to sell their portfolio (debtors) greater than 180 days in arrears to CISA.

For registration and control of the sale of fixed assets, the Asset Management Information System was implemented with real-time information of the inventory of properties for sale. Currently, the system report corresponds to 10 percent of public entities that have transferred or used CISA as an intermediary for the sale of its assets. Similarly, the properties reported are approximately 10

[62] NCESP 3251 of 2003 and 3493 of 2007.
[63] Decree 1510 of 2013, whereby the system of purchasing and public procurement is regulated.
[64] Paragraph of Article 8 of Law 226 of 1995, by which Article 60 of the Constitution is developed with respect to the sale of state share ownership, measures are taken for democratization, and other provisions are set forth.
[65] Law 1450 of 2011, issuing the National Development Plan, 2010-2014, and Law 1753 of 2015, issuing the National Development Plan, 2014-2018 “All for a new country.”

percent of the real estate fixed assets planned for consolidation and belonging to national- and territorial-level public entities and autonomous and independent bodies.

The Central Government is committed to expanding this fixed assets sales system, which to date, as noted, does not cover all sales of public sector assets. Information on transfers and disposals at the individual or detailed level is included in budget documents, financial reports, and other reports of each entity, and at the general level in similar documents to the CG.

Indicator	Aggregate (M2)	General Comments
PI-12 Public asset management	B	
Dimensions	**Score**	**Explanation of Score**
12.1 Financial asset monitoring	C	The Government keeps records on FA at the individual level in each entity, under cost or market valuation rules, whichever is lower, but an integrated report is not published annually about their performance. Inconsistencies in accounting and reporting of material values of FA, which differ from those of the TSA, contributed to CGC issuing a qualified opinion on the 2014 FSs.
12.2 Monitoring of non-financial assets	C	NFA records are deconcentrated in each executor and an integrated data base is not available. Similarly, an annual report is not published on the use and age of such assets. The CGC, as part of its 2014 qualified opinion, identified material over- and under-estimates in NFA. There is no public sector physical inventory reconciled with the accounting records.
12.3 Transparency of asset divestitures	A	The procedures for the sale, transfer, or competitive and transparent asset divestiture are established in legislation, and information on the movements of assets is held in each entity and is reflected at the detailed level in budgeting documents, financial reports, and other reports of each entity, and, in general, in similar documents of the Central Government.

PI-13 Debt management

This indicator assesses the management of Central Government debt (domestic and foreign) and guarantees. It seeks to identify whether there are satisfactory management practices and whether the records and controls of the debt ensure efficient and effective management. The critical period for dimension 13.1 is at the time of the assessment (November and December 2015). For dimension 13.2 it is the last completed fiscal year (2014). For dimension 13.3 it is the time of assessment, with reference to the last three completed fiscal years (2012, 2013, and 2014).

13.1 Recording and preparation of debt and guarantee reports

International best practice states that records on domestic and foreign debt and/or their guarantees must be complete, accurate, current, and reconciled on a monthly basis. Statistical reports on debt service, capital, and operations should be produced and reported at least quarterly.

In Colombia, it is legally established that public credit operations should be included in a single database under the charge of the DGPCNT of the MFPC. Similarly, to keep credit operation information up to date, it is established that state entities are required to report on the balances and movements of public credit operations in a monthly fashion and within the first 10 calendar days of the month.

Organizationally the DGPCNT through the Offices of Deputy Director of External Financing, Domestic Financing,[66] and Funding from Multilateral Agencies and Governments, supports the preparation, negotiation, execution, and effectiveness of credit operations under its responsibility, as well as the registration, execution, and monitoring of loan agreements. In addition to this department, the Office of Deputy Director of Other Entities, Settlement and Receivables, is responsible for processing and follow-up of requests for credit authorization requiring procurement of a sovereign guarantee.

For records of all public credit operations (internal and external) a proprietary system is used, in which entries are made from the preparation and negotiation phase, to registration or coding (lifecycle) of the operation, and the initial financial conditions to be agreed. At a later stage, when the operation is authorized by the NCESP and the contract is signed, data is entered, including amount, destination, timing for payment of principal and interest, interest rate, collateral, percentage of payment schedules, and programming of commissions. For the implementation phase, information about disbursements, payments of principal, interest payments, commission payments, balances, and movements and subsequent amendments, is directly updated by entities controlled by the Offices of Deputy Director of the DGPCNT, depending on their powers and coordination with the Office of Deputy Director of Operations.

In addition, the Office of Deputy Director of Operations of the DGPCNT performs daily monitoring of transactions related to public credit of state agencies, and in the case of inconsistencies in this information mandates that entities make corrections within a specific deadline. A daily reconciliation is also performed on debt servicing of unsecured and secured credit operations, controlling that accounts receivable correspond to the book value of the loan, that the payment is made, and that it is received by the lender.

The Office of Deputy Director of Other Entities, Settlement and Receivables follows up on the fulfillment of the obligations of entities with sovereign guarantee operations; and the Office of

[66] These relate to public credit transactions that take place exclusively between residents of Colombian territory payable in Colombian legal tender.

Deputy Director of Funding from Multilateral Agencies and Governments performs quarterly reconciliations against the system logs of the Central Bank.

Quarterly reports are made of internal and external credit operations that account for the amounts disbursed, amortization, the balance of the debt, the composition of internal and external debt, its composition by currency, type of instrument, and interest rate (fixed and variable). Statistics are also presented on the maturity profile of debt, the service profile, and placements in foreign and domestic capital markets.

13.2 Approval of debt and guarantees

The best practice for this dimension establishes the existence of legislation that grants authorization to contract loans, issue new debt, and issue loan guarantees on behalf of the Central Government to a single responsible debt management entity. It also establishes the existence of written policies and procedures that provide guidance to this single debt management entity and approval of annual debt levels by the Government or the Legislature.

The authorization process for a credit transaction, whether it is from an external or internal loan of the Nation or a government bond of the Nation, and the granting of guarantees of the Nation, are public knowledge and they are properly regulated by Decree 2681 of 1993, the standard regulating Article 42 of the Public Procurement Act.[67] These provisions provide that to sign the contract and grant credit guarantees (when applicable) requires the authorization of the MFPC, after favorable opinions of NCESP, the DNP, or other agencies as appropriate. The requirements for each type of operation are shown in Annex 4.

With respect to the level of indebtedness, this is analyzed through MTEF when submitting the draft budget law and debt law. The latter law establishes the maximum amount and the general purpose of the external and internal debt operations, the maximum amount of guarantees that can be granted or contracted, and the maximum amount of balance due for the issuance of letters of Treasury bills.

13.3 Debt management strategy

Best practice states that the Central Government publishes a debt management strategy, covering existing debt and that projected to the medium term with a horizon of at least three years. The strategy should include targets for certain indicators, such as interest rates, refinancing, and risks associated with exchange rates; annual reports must be submitted to the Legislature to enable comparison of the objectives of debt management with its results, and the annual plan for contracting government loans should be consistent with the approved debt strategy.

The Risk Department of the DGPCNT prepared in 2013 a public document on Management Strategy for Medium-Term Debt, which operates as a guide or framework to be followed for the purposes of debt composition in terms of currency, interest rate, and maturity profile (deadlines).

[67] Article 42 of Law 80 of 1993.

Under the strategic framework, each year goals and targets are established for the next and the subsequent five years, and tracking is performed biannually and is included in internal reports on the results. Part of the results, such as borrowing for the next year of the Nation and the expected composition of debt in dollars and pesos, and the results regarding the previous year's financial plan, are incorporated into the month of June each year in the MTEF document that is delivered to Congress.

Currently, the DGPCNT implements capacity-building activities strengthen the Medium-Term Debt Management Strategy, so as to (i) better link the strategy with the timelines and review of the annual Financial Plan; (ii) establish groups responsible for monitoring the Medium-Term Debt Management Strategy; and (iii) design management reports for internal and external use.

Indicator	Aggregate (M2)	General Comments
PI-13 Debt management	A	
Dimensions	**Score**	**Explanation of Score**
13.1 Recording and submission of debt and guarantee reports	A	Records of all public credit operations (internal and external) are in a proprietary system that contains complete and updated credit operations data. Reports are produced in quarterly fashion that account for debt service, amortization of capital, and operations performed. Daily reconciliations are made.
13.2 Approval of debt and guarantees	A	The authorization process of a credit transaction, as well as the granting of guarantees on the part of the Nation, are properly regulated and are directed by the MFPC.
13.3 Debt management strategy	A	The government has a medium-term debt management strategy with a five-year horizon, where targets for debt composition are established in terms of currency, interest rates, and maturity profiles (deadlines). The results are incorporated into the MTEF document that the Central Government, through the MFPC, delivers to Congress for approval.

3.4 Policy-Based Fiscal Strategy and Budgeting

The PI-14 to PI-18 indicators jointly assess whether fiscal strategy and budget (annual and multi-year) are prepared after taking account of public policy and priorities defined by the Central Government at the global and sectoral levels.

PI-14 Macroeconomic and fiscal forecasting

This indicator measures the country's ability to develop sound macroeconomic and fiscal projections as a basis for the formulation of a predictable and sustainable fiscal strategy. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. The scope for methodology focuses on the total economy in dimension 14.1 and the Central Government for dimensions 14.2 and 14.3. The critical period builds on the information from the last three completed fiscal years (2012, 2013, and 2014).

14.1 Macroeconomic forecasts

Best practices state that the government must have the capacity to prepare, in the budgeting financial year and the next two fiscal years, integral projections based on assumptions and macroeconomic indicators that undergo a review by a distinct entity from the one that prepared them and that are under consideration by the Legislature in the process of approval of the annual budget.

Since 2003, there exists in Colombia the obligation to prepare and submit with the draft annual budget the MTFF for a recursive period of 10 years, including the following budgeting financial year. This instrument guides the preparation of annual budgets and the preparation of other instruments, such as the Medium-Term Expenditure Framework, the Investments Plan of the Draft Bill of the National Development Plan, the annual Financial Plan, and Annual Investments Operating Plan (AIOP).

The content of the MTFF is legally regulated and includes an analysis of macroeconomic and fiscal results observed in the previous fiscal period and a forecast of what is expected to be the future behavior of the main economic variables and fiscal performance over the medium term.[68] It also contains an analysis of the international macroeconomic context and the effects on national economic activity and the fiscal situation, and a description of the fiscal strategy together with a quantification of tax results.[69]

From 2012, through Law 1473 of 2011, as noted earlier, a fiscal rule was adopted that mandated a declining goal in the structural deficit for the Central Government to reach 1.0 percent of GDP or less for 2022. This fiscal rule is expressed through the MTFF and operates as an automatic stabilizer to maintain levels of public expenditure that are in line with long-term revenue levels.[70]

For the application of the fiscal rule, the law provides for the creation of a committee of an independent technical nature composed of representatives from universities, members of research centers, experts, and consultants of recognized experience and expertise, and chairmen of the committees on economic affairs of the Congress. Among its roles are determining the methodology and basic parameters used for the operation of the fiscal rule, and the detailed report on compliance with the fiscal rule of the previous year that the Central Government provides in June each year to

[68] The MTEF establishes a reference primary surplus target for debt sustainability of the Non-Financial Public Sector.
[69] Established on the basis of assumptions of exogenous and macroeconomic variables, such as oil prices, the growth potential of the economy, the exchange rate, the current account, trade balance, and real growth of the economy.
[70] See Medium-Term Fiscal Framework 2015, Ministry of Finance and Public Credit.

the Economic Committees of Congress. The methodology, estimates, technical details of the design of the fiscal rule, as well as its changes, are published along with its technical justification.

The assumptions used in the projections defined by the MFPC and revised within the framework of the institutions created around the fiscal rule are presented to the Central Bank and the DNP; however, at present there is no review process and unification, as each entity generates its own growth estimates and assumptions with different methodologies.

GoC's comprehensive projections on macroeconomic assumptions, methodologies, and parameters are reviewed by the Advisory Committee on the Fiscal Rule, but not by a fully independent entity that had no part in preparing the projections. The assumptions are submitted to the Congress as part of the discussion and approval of the draft General Budget of the Nation.

14.2 Fiscal forecasts

International best practice states that the government prepares the forecasts of the main fiscal indicators, including income (by type), aggregates of expenditure, and the budgeting balance for the fiscal year and the next two fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in the budget documentation submitted to the Legislature.

As mentioned in the previous dimension of this indicator, in Colombia a new MTFF is prepared every year for a period of 10 years and is submitted together with the draft budget to the Economic Committees of Congress. In this instrument the main results of the close of the previous year, based on the goals that were set for achieving sustainability and fiscal discipline of the Central Government, are described and the observed variations in revenues (fiscal, non-fiscal, and other) in expenditures (current and for investment), in the structural balance, and in financing are noted. The changes observed are taken into account when reviewing the fiscal targets and the financial plan for the following year.

The fiscal strategy is drawn for a 10-year horizon and revenues, expenditures, and deficits are forecast, and should be consistent with the declining trend of the medium-term structural deficit. Projections are designed under scenarios that primarily reflect GDP growth assumptions, imports, and oil prices and production.

For the preparation of the projection of tax revenue, the Office of the Director, Macroeconomic Policy of the MFPC, and the Coordination Office of Economic Studies of the Office of Deputy Director of Operational Analysis of the Office of Deputy Director of National Taxes and Customs, establish procedures and assumptions explained in working documents for internal use, as well as in the MTFF and in the annex to the presidential message accompanying the draft budget. Among the variables considered are macroeconomic assumptions of real and nominal GDP, domestic inflation at the end of the period, the average exchange rate and that at the end of the period, the growth of imports, and the behavior of prices of export products (oil and coal). Variables are also considered for each tax, among which are the effects of assessed contributions and advances for the different types of taxpayers, the analysis of the impact of tax regulations, the collection expected as a product of management control of evasion and delinquency, and the estimate of the effect of returns used to arrive at a net value of cash or cash expected to be collected.

Monitoring of compliance is performed throughout the year with the estimated annual revenue target based on daily information; at the end of the year the figure is reconciled against information produced by the Office of Deputy Director, Collections and Recovery of the DNTC on returns and payments received. Also during each year, medium-term projections are reviewed and adjusted when preparing a new MTFF.

14.3 Macrofiscal sensitivity analysis

International best practice requires the government to prepare a number of scenarios for alternative fiscal forecasts based on macroeconomic assumptions; these scenarios are published along with the central forecast.

For the formulation of medium-term projections no core or alternative scenarios are presented; instead, two basic growth assumptions are utilized: the potential GDP and observed GDP. The difference between the two represents the output gap that indicates when the observed GDP is below potential GDP, that the economy is not using the most productive factors for maximizing production, or otherwise the economy is producing above its potential with the use of all factors. Also within the MTFF, debt sustainability analysis is performed, where a core scenario and alternative scenarios are defined based on different assumptions of economic growth.

To calculate potential GDP there is an independent technical team and a methodology approved since 2012 and a process of review and adjustment of forecasts through the Fiscal Rule Advisory Committee. As part of the methodology for estimation there are forecasts for long-term oil prices, in which different assumptions and alternative scenarios are used.

Indicator	Aggregate (M2)	General Comments
PI-14 Macroeconomic and fiscal forecasting	B+	
Dimensions	**Score**	**Explanation of Score**
14.1 Macroeconomic forecasts	B	The Central Government prepares forecasts of the main macroeconomic indicators, along with the underlying assumptions, and includes them in the budget documentation submitted to the Legislature. These forecasts are updated at least once a year and cover the budgeting financial year and the next 10 years. The projections are not reviewed by an entity other than the one preparing them.
14.2 Fiscal forecasts	A	The Central Government prepares forecasts of the main fiscal indicators for the budgeting financial year and the next 10 fiscal years. These forecasts, together with the underlying assumptions and an explanation of the main differences from the forecasts made in the previous year's budget, are included in the MTFF that is submitted together with the draft budget bill to the Congress.
14.3 Macro-fiscal sensitivity analysis	B	The Central Government prepares alternative macroeconomic assumptions that are published in the MTFF and the fiscal rule committee minutes, but does not publish core and alternative scenarios, except for those published in the analysis of debt sustainability.

PI-15 Fiscal strategy

This indicator assesses the ability of the Government to develop and implement a clear fiscal strategy. It also measures the ability to develop and evaluate the fiscal impact of proposed revenue and expenditure policies that support the achievement of the fiscal targets of the government. The scope for methodology focuses on the Central Government and the critical period is the three most recently completed fiscal years (2012, 2013, and 2014).

15.1 Fiscal impact of public policy proposals

Best practices state that the Central Government should prepare estimates of the fiscal impact of all changes in revenue and expenditure for the budgeting fiscal year that was submitted to the Legislature and in the following two fiscal years.

In Colombia, the Law on Fiscal Responsibility and Transparency[71] provides that within the MTFF two types of forecasts should be included with respect to the fiscal impacts of regulatory changes: (i) quantifying the fiscal cost of the laws enacted in the previous fiscal year, and (ii) estimates of the fiscal cost of exemptions, deductions, or tax discounts available.

With respect to the former, laws enacted involving expenditure authority are evaluated according to their fiscal impact and the impact they have I fiscal targets. Similarly, during its passage the sources of funding resources are determined and sustainability is queried with reference to the MTFF. In practice these assessments were included in the MTFF that was presented to Congress in 2012, 2013, and 2014. The methodology for estimating the cost of the enacted legislation identifies all those laws mandating a new expenditure or an increase in existing expenditures and separates those which are transient or with a specific implementation period and those that have an indefinite or permanent period. The estimates are developed by the Office of the Director General, National Public Budget of the Ministry of Finance and Public Credit.

With respect to the latter type of forecast, each year forecasts are determined for fiscal expenditures or fiscal costs of tax benefits present in fiscal legislation involving a decline in tax payable by taxpayers and hence lower collections by the State. These preferential treatments may be deductions, exemptions, or special tax treatment. A methodology and assumptions for each benefit are available for the estimate and these are described in the MTFF. The preparation of the estimates is the responsibility of the Office of Coordinator of Economic Studies, Office of Deputy Director, Operations Management, DNTC.

Given the above it can be concluded that standards, instruments, forecasts, and methodologies with assumptions and institutional capacity are in hand to identify annually all the regulations that have a fiscal impact on expenditures or revenue, and which analyze the effects these may have on fiscal sustainability goals.

[71] Law 819 of 2003.

15.2 Fiscal strategy adoption

References to best practices in this dimension state that the government adopts, submits to Congress, and publishes a fiscal strategy, including quantitative targets and fiscal targets, together with qualitative targets for at least the next budgeting fiscal year and the following two fiscal years.

In compliance with the stipulations of the Law on Fiscal Responsibility and Transparency, the Central Government prepares and publishes the fiscal strategy within the MTFF. This instrument reflects and describes fiscal results that are consistent with the expected behavior of exogenous and macroeconomic variables for the next 10 years, actions to strengthen revenues in the short and medium term, and control measures for expenditures and debt.

15.3 Submission of fiscal outcomes reports

Best practices establish that the Government submits to the Legislature, and publishes together with the annual budget describing progress on the fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets previously set. The report should also include the actions planned by the Government to address any deviation, as prescribed by law.

Advances in the results of the fiscal strategy as well as explanations on its implementation, are submitted to Congress in compliance with legal obligations under the fiscal responsibility law and the law of the fiscal rule. Within the MTFF submitted before June 15 of each fiscal year, a report is submitted on macroeconomic and fiscal performance for the previous fiscal year and in the event of breach of the targets of the previous year, an explanation is included regarding the deviations and the necessary measures to correct them. In addition to the information contained in the MTFF, in June of each year, the Government supplies a detailed report to the Economic Committees of Congress, on the implementation of the fiscal rule of the previous year's report.

Indicator	Aggregate (M2)	General Comments
PI-15 Fiscal strategy	A	

Dimensions	Score	Explanation of Score
15.1 Fiscal impact of public policy proposals	A	The Government prepares and submits to Congress estimates of the fiscal impact of all policy changes in revenue and expenditure for the fiscal year and for the following 10 years.
15.2 Fiscal strategy adoption	A	The Government submits to Congress and publishes a fiscal strategy that includes quantitative objectives and fiscal goals and qualitative targets for the fiscal year and the next 10 fiscal years.

Dimensions	Score	Explanation of Score
15.3 Submission of fiscal outcomes reports	A	The Government submits to the Legislature within the MTFF, and the report of compliance with the fiscal rule, the progress made in the fiscal strategy and provides an explanation of the reasons for any deviations from the objectives and targets set out and planned actions to address them.

PI-16 Medium-term perspective in expenditure budgeting

Expenditure policy decisions have multiyear implications and should be aligned with the availability of resources in the medium term. In this sense, this indicator examines the extent to which expenditure budgets and medium-term budgeting expenditure ceilings are produced. It also examines the extent to which the annual budgets are derived from the medium-term forecasts and the degree of alignment between the budget estimates and medium-term strategic plans. The scope of the methodology focuses on the Central Government budget and the critical period takes as reference the last budget submitted to Congress.

The critical period for dimensions 16.1, 16.2, and 16.3 is the last budget submitted to the Legislature and completed (i.e., 2014); for dimension 16.4 it is the current medium-term budget.

16.1 Medium-term expenditure estimates

Best practices for this dimension establish that the annual budget presents estimates of expenditure for the fiscal year and the two following fiscal years, organized according to the administrative, economic, and program (or functional) classification.

Since 2006, pursuant to Decree 4730 of 2005, the Ministry of Finance and Public Credit (MFPC), in coordination with the National Planning Department (NPD), prepare, prior to July 15 of each fiscal year, the Medium-Term Expenditure Framework (MTEF), an instrument that has a four-year perspective and is organized under a sectoral scheme. Approval is rendered at a meeting of the National Council for Economic and Social Policy (NCESP), which is attended by all Cabinet ministers.

The estimates in the MTEF take as a reference point to identify the limit of allocable resources at the sectoral level, the area of spending that is set each year in the Medium-Term Fiscal Framework (MTFF) and which is consistent within the context of sustainability of public finances with the fiscal rule. Sectoral technical committees are formed for the process of discussion and criteria, and procedures and instructions are established to be followed by the bodies that form the General Budget of the Nation during the budget programming process.

Allocations provided under the first year of the MTEF are consistent with the draft GBN, but estimates defined for subsequent years are subject to change in the tax or sector policy, and also to changes in economic conditions or adjustments in the calculation parameters. MTEF allocations for a period of four years, including the proposed budget, include total expenditure aggregated information, operation, and investment and expenditure by sector. No information is presented by economic or administrative classification, or by program or functional rubrics, except that which is included for the following financial year in additional Annexes to the draft GBN.

16.2 Medium-term expenditure ceilings

Best practice requires that aggregate expenditure ceilings and those at the ministerial level for the budget year and the following two fiscal years are approved by the government before the first budget circular is issued.

For programming of the draft budget entities have, from July of the previous year, operating expenditure and investment ceilings by sector contained in the MTEF approved by ministers in a session with NCESP for a period of four years. Preparation of the annual budget starts in February, when a circular is forwarded to GBN entities outlining the goals, policies, and criteria for program staff costs, overheads, transfers, servicing of debt, investment, and other information necessary for the preparation of the preliminary draft budget and the Medium-Term Budget Proposal.

Programming of revenue and expenditure of the draft bill is undertaken by entities directly in IFIS, once the ceilings for each entity are established in the MTEF and budget lines are available within the proposals to be developed by the entities, as well as deadlines for the entities to prepare and submit their formal proposals. Once this process is completed, the drafts are consolidated and sent to the economic committees of the Senate and House in the first week of April, so that they can consider the information that the draft budget may contain.

After the delivery of the draft budget by entities, the provisional programming is revised, and based on the expenditure space that is specified in the new MTFF, a new MTEF is drafted with the final ceilings for the first year and indications for the following three, to be used for programming the draft budget. In the event of changes in tax or sectoral policy, or in the economic climate or even in the calculation parameters, the ceiling initially allocated can change at this stage of the programming of the draft budget.

16.3 Alignment of strategic plans and medium-term budgets

The reference best practice for this dimension establishes the preparation and publication of medium-term strategic plans for most ministries, and an alignment between most expenditure policy proposals in the medium term with budgetary estimates of strategic plans.

The Organic Law of the Development Plan[72] states that public entities should prepare, based on the National Development Plan and their functions, a four-year reference plan with annual action plans which will allow further assessment of results. The methodology for the implementation of the Integrated Planning and Management Model[73] formulated by the Civil Service Administration Department (CSAD), articulates the following three planning instruments: the Sector Strategic Plan, the Institutional Strategic Plan, and the Annual Action Plan. These plans must collect the

[72] Article 26 and 29 of Law 152 of 1994.
[73] Decree 2482 of 2012, whereby the general guidelines for the integration of planning and management are established.

policies, strategies, and initiatives of sector ministries and serve as inputs for annual budget programming.

An example of the preparation of such plans was evident in the Ministry of Transport; this entity took as its essential inputs the NDP, the Institutional Strategic Plan, and previous Sector Strategic Plans and the estimate of the budget allocated to the entity, to align Government policies to the budget and the constraints of the resources allocated in the MTEF. Strategic issues were linked in their formulation and the objectives to be achieved by the ministry for a period of four years, along with the goals, projects, and budget resources needed for execution (to be adjusted every year through the Institutional Action Plans).

In practice, most of the ministries comply with the preparation of the Institutional Strategic Plan, and Sector Strategic Plan, although their submissions lack a standardized format and only some of them signal the resources needed to achieve medium- and long-term goals and the products and results planned[74] (see Annex 5). It should be noted that in Colombia planning and budgeting exercises are complemented by the MTEF, with which strategic planning, policy design, and macroeconomic and fiscal planning are linked over the medium term and with annual budgeting programming. Moreover, entities during preparation estimate the shortfall of resources to meet the demands and costs for recursive cycles of four years, both for recurring costs (operation) as well as capital, and provide for the effects on sources of funding and resources available.

16.4 Consistency of budgets with previous year's estimates

Good practice states that in the budget documents an explanation of all changes to the estimates of expenditure between the last medium-term budgeting financial year and the current medium-term budget at the ministry level should be provided.

In MTEF documents explanations are included about the prospects of the Colombian economy and its main sectors, changes in macroeconomic projections, fiscal medium-term goals, and some variations in expenses that arise at the sectoral level over four years (although in some social programs, this applies for only one year). A detailed explanation of the changes at the ministry level of expenditures allows revealing and reconciling the differences that may arise between a new exercise and its predecessor, or between the second year of the previous fiscal year with the first year of the new MTEF. It should be noted that in the application of the MTEF, the ceilings fixed for four years at the sectoral level do not contain information disaggregated by ministry designed to reveal and analyze variations that may arise.

Indicator	Aggregate (M2)	General Comments
PI-16 Medium-term perspective in expenditure budgeting	C+	

[74] For example, the ministries of Health, Education, and Agriculture.

Dimensions	Score	Explanation of Score
16.1 Medium-term expenditure estimates	D	The allocations in the MTEF are not submitted by economic, administrative, program, or functional classification.
16.2 Medium-term maximum expenditure ceilings	A	When entities are programming their draft budgets (from July of the preceding year—i.e., prior to the issue of the first budget circular) they have available the recurrent and investment ceilings by sector as included in the MTEF approved by the ministries.
16.3 Alignment of strategic plans and medium-term budgets	A	Most ministries have institutional and sector strategic plans, and although only some of them signal the resources needed to achieve medium- to long-term goals and products and planned results, there is the MTEF, an instrument that allows determining the costs of both recurrent and capital expenditures, based on the sources of financing and resources available.
16.4 Consistency of budgets with previous year's estimates	D	A detailed explanation is not made of the changes at the ministry level of expenditures to allow reconciling and exposing the differences that may arise between a new fiscal year and its predecessor.

PI-17 Budget preparation process beginning

The degree of participation of other ministries, public entities, and political authorities in annual budget formulation affects the extent to which the budget reflects macroeconomic, fiscal, and sectoral policies. Ensuring full participation requires an integrated budget process involving all relevant parties in an orderly and timely manner, in accordance with a predetermined budget formulation calendar.

The assessment of this indicator with respect to dimensions 17.1 and 17.2 takes into account the most recent budget approved by Congress (2015); that for dimension 17.3, the last three completed budgets (2013, 2014, 2015).

17.1 Budget calendar

Best practice for this dimension draws on the existence of a clear annual budget calendar, which is observed in general and which grants ministries and public entities at least six weeks from the date of receipt of the budgeting circular (which establishes provisional budgeting ceilings) to complete their detailed estimates.

The regulatory framework governing economic planning and the Colombian budgeting system is established in constitutional provisions (Articles 151 and 342), organizational laws,[75] ordinary laws (such as the Fiscal Rule Law),[76] decrees,[77] and the compilation decree of the laws that compose the organizational statute for the budget.[78] This framework integrates tools such as the MTFF and its financial plan, the MTEF, and the Annual Investments Operating Plan (AIOP); once these are approved by the appropriate bodies, they converge to shape the General Budget bill. The main dates and rules which define the budget programming are set out in the aforementioned regulations, and are in Table 3.11.

Table 3.11. Budget Calendar

Deadline dates	Steps	Effective date
Before July 15	The MTEF containing the forecasts and ceilings by sector for the period 2015-18 is approved.[1] The ceilings are recorded in the Integrated Financial Information System (IFIS) and the recipient entities prepare their drafts on their basis.	July 15, 2013 with the approval of NCESP 3752.
During the second fortnight of February	The Office of the Director General, National Public Budget (DGNPB) of the Ministry of Finance and Public Credit (MFPC) and the Office of the Director, Investment and Public Finance (DIFP) of the National Planning Department (NPD) issue the External Circular setting goals, policies, and criteria to schedule personnel expenditures, general expenditures, transfers, debt servicing, investments, and other information necessary for the scheduling of the draft budget and the Medium-Term Budget Proposal (MTBP) for entities of the GBN.	February 21, 2014, through External Circular 06.
Before the first week of April[2]	The GBN entities should forward the draft budget to the MFPC in accordance to the goals, policies, and criteria for scheduling set forth in the MTEF.	The draft bills were forwarded on March 31, 2014.
In the first week of April	The DGNPB forwards a copy of the draft budget to the Congress of the Republic.	The draft budget was filed for the fiscal period of 2015, on April 4, 2014.
Before June 15.[3]	The National Government, through the MFPC, submitted the MTFF to the economic affairs committees of the Congress.	The MTFF was submitted on June 13, 2014.
Before July 15	Expenditure ceilings are communicated to the entities for the period 2015-2018.	The circular with ceilings was received on July 8, 2014.
Before July 15	The MTEF is approved containing the forecasts and ceilings by sector for the period 2015-2018.[4] The ceilings are recorded in the Integrated Financial Information System (IFIS) and the recipient entities prepare their drafts on their basis.	July 10, 2014.

[75] Laws 38 of 1989, 174 of 1994, and 225 of 1995 (compiled in Decree 111 of 1996), 617 of 2000, and 819 of 2003.
[76] Law 1473 of 2011.
[77] Decree 4730 of 2005, by which organizational rules are set forth for the budget.
[78] Decree 111 of 1996, by which Law 38 of 1989, Law 179 of 1994, and Law 225 of 1995 are compiled and compose the organizational statute of the budget.

Deadline dates	Steps	Effective date
No later than July 15	The AIOP for fiscal period 2015 is submitted for the consideration of the National Council for Economic and Social Policy (NCESP), after analysis and opinion of the High Council for Fiscal Policy (HCFP).[5]	July 10, 2014.
No later than July 29	The draft budget bill is filed before the Congress of the Republic.	The draft budget bill was filed on July 30, 2014.

[1] NCESP Document 3813, MTEF 2015-2018.
[2] Article 12 of Decree Law 4730 of 2005.
[3] Article 1 of Law 819 of 2003.
[4] NCESP Document 3813, MTEF 2015-2018.
[5] NCESP Document 3814, Annual Investments Operating Plan for the Fiscal Period 2015.

Although the calendar is clear and the established dates are generally observed, and despite having been informed from July of the previous year (in the MTEF 2014-2017), about the proposed ceilings corresponding to fiscal 2015, this information is supplied only for reference; the definitive ceilings are communicated in the new MTFF for the 2015-2018 period, after establishing in June 2014 the fiscal constraints contained in the MTFF of 2014-2024, in accordance with the fiscal rule provided in law.[79] These ceilings were communicated to the relevant entities on July 8, 2014 (i.e., only three weeks before the deadline for submitting the draft budget to Congress)

It should be noted that the reference ceilings that were reported in the 2014-2017 MTEF for the year 2015, which the entities used when preparing their draft budgets, suffered substantial adjustments, notably rising in the agricultural and recreation/sports sectors (by 115 percent and 58 percent, respectively) and declining for the Registry (-48 percent), presidency (-30 percent), and statistical information entities (-17 percent). These changes undermined the utility of the detailed schedules contained in the drafts (see Annex 6).

Thus, it was determined that the entities had less than four weeks from the moment that the final ceiling was communicated to them to complete or adjust the detailed budget scheduling.

17.2 Guidance on budget preparation

Best practice establishes that one or more complete and clear circulars should be forwarded to ministries and public entities, covering all budgetary expenditures for the full year, and reflecting the maximum ceilings approved by the Council of Ministers or equivalent body.

Since 2006 the budget scheduling process in Colombia has incorporated an MTEF,[80] a public financial scheduling instrument that seeks to strengthen the medium- and long-term expenditure vision within a context of discipline and fiscal responsibility. This instrument helps coordinate policy design and macroeconomic and fiscal planning over the medium term and in annual programming of the budget.[81]

[79] Law 1473 of 2011.
[80] Decree 4712 of 2005.
[81] See NCESP document 3813 of July 10, 2014.

In the process of drafting the MTEF, technical meetings with the Budget Sectoral Committees are scheduled, attended by the Director General of the National Public Budget, the Investment and Public Finance Directorate of the National Planning Department, and the heads of the agency budgeting divisions of the respective sectors,[82] to discuss sectoral allocations, which are then approved with the issuance of the MTEF in a NCESP session attended by all Cabinet Ministers.

During the budgeting planning process pertinent to fiscal 2015, the following circulars were issued:

- Circular dated July 9, 2013. Informs the reference ceilings for the 2014-2017 period. The second year was used as basis for the preparation of the draft budget for fiscal 2015.
- External Circular 06 of February 21, 2014. By which guidelines and criteria were identified for the scheduling process of the draft budget of the agencies that are part of GBN.
- Circular dated July 8, 2014. Communicated the final ceilings for 2015, which were used as the basis of the draft budget and as reference ceilings until 2018.

In addition to these circulars, in the Ministry of Transportation amendments were communicated in January 2015 to the budget ceilings set out in the MTEF 2014-2017, and for the investment component of the NPD, communications were sent informing the investment quota as a basis for the technical discussions of budget sectoral committees.

During the budgeting scheduling process several circulars are issued in which ceilings are set. A reference ceiling is reported initially in the MTEF for the prior year, which is used to prepare the draft budget; subsequently the final ceiling is communicated corresponding to the new MTEF exercise. This second ceiling is communicated in July after delivery of the first circular for the annual scheduling of the budget (February) and subsequent to the moment in which entities have completed their detailed schedule with the submission of the draft budget (April).

17.3 Budget submission to the Legislature

Reference best practice states that the Executive Branch must have submitted the annual budget proposal to Congress at least two months before the start of the fiscal year in each of the past three years, so that the Legislative Branch has sufficient review time.

The Organizational Budget Statute (OBS)[83] provides that the draft bill to be submitted by the national government for the consideration of Congress, through the Minister of Finance, must be filed during the first 10 days of each legislature (in Colombia's case, no later than July 29). In practice, the last three budgets approved by Congress of the Republic were delivered five months prior to their start, on the following dates.

- For fiscal year 2013 the project was filed on July 27, 2012.
- For fiscal year 2014 the project was filed on July 26, 2013.

[82] Article 9 of Decree 4730 of 2005.
[83] Article 52 of Decree 111 of 1996.

- For fiscal year 2015 the project was filed on July 30, 2014.

In addition to the draft budget bill,[84] the National Government should submit the draft annual budget for revenues and expenditures to the economic committees of the House and Senate each year during the first week of April. This obligation was fulfilled for fiscal year 2015 on April 4, 2014.

Based on the foregoing it is established that the Government meets the legally established timeliness dates for filing the draft budget before the Congress of the Republic.

Indicator	Aggregate (M2)	General Comments
PI-17 Budget preparation process	B	
Dimensions	**Score**	**Explanation of Score**
17.1 Budget calendar	C	The entities actually had less than four weeks to complete or adjust the scheduling of their institutional budgets.
17.2 Guidance on budget preparation	C	During the budgeting scheduling process several clear and comprehensive circulars were issued. The final ceiling is communicated in this process to the entities, which is then approved in a NCESP meeting with the participation of sector authorities headed by the ministers, after the entities have submitted their detailed proposals of the draft budgets.
17.3 Budget submission to the Legislature	A	In the last three years, the draft budget bills were submitted to Congress five months prior to their being opened for discussion.

PI-18 Legislative scrutiny of budgets

This indicator assesses whether the Legislature has sufficient powers and capacity to analyze, review, debate, and authorize the draft budget bills and their amendments. To measure these aspects of management, consideration is given to the nature and scope of the review, the internal procedures of Congress, the timely adoption of the proposed budget, and the rules for budget amendments. The indicator as a reference for dimensions 18.1, 18.2, and 18.4 is the most recent completed fiscal year (2014); for dimension 18.3 it is the last three completed budgets (2012, 2013, and 2014).

[84] Article 51 of Decree 111 of 1996.

18.1 Scope of budget scrutiny

International best practice establishes that the budget examination by the Legislative Branch should cover fiscal policies, the fiscal framework, and medium-term priorities as well as specific details of the estimates of expenditure and revenue.

The consideration of the draft budget bill of 2015 by Congress included review by members of the economic committees of the House and Senate in two stages. The first considered the Medium-Term Fiscal Framework 2014 (MTFF)[85] fiscal policy in areas such as austerity in operating expenditure, major investments, the trend and projected income and expenses,[86] draft tax reforms required to meet the funding shortfall,[87] compliance with fiscal targets set under the Fiscal Rule,[88]and Colombia's economic prospects and growth projections.[89] Consideration was also given to the total amount of the GBN[90] and its consistency against the MTFF; the revenue trend for and its availability; and the general provisions contained in the draft bill and other issues related to the use and management of public resources. All this led to approval of the final budget total.

In a second phase expenditures by sector, entity, and programs and subprograms were examined, although the last with some difficulty because of the level of aggregation in which information is reported. Variations in resource allocations were analyzed by sectors and entities, relevant explanations were requested from the ministers of the various portfolios or the NPD with respect to the technical criteria used for allocations or their variations or of the adjustments. Levels of performance achieved by the entities were also considered, as were the commitments made through contracts and agreements in force, the obligations arising from laws and rulings, the priorities established in the framework of sectoral and cross-cutting policies in force, the fiscal and sustainability goals of the Nation, and regional needs. Proposed changes to the provisions were considered, leading to agreements with the government with respect to financing priority investments, regional needs, and other expenditures.[91]

Thus, it can be determined that the examination by the Congress did indeed cover fiscal policies, the fiscal framework, and medium-term priorities as well as specific details of the estimates of expenditures and revenues.

18.2 Legislative procedures for budget scrutiny

International best practice states that for the consideration of the budget, the Legislature must have legally established procedures, which are respected and include measures for public consultation

[85] The MTFF was presented to Congress by the Executive on June 13, 2014 in compliance with the Law on Fiscal Responsibility and Transparency.
[86] The speakers carefully reviewed the criteria and assumptions used for scheduling the 2015 budget, and considered these reasonable as witnessed second debate report for draft Law 37 of 2014 of the Senate, and 052 of the House.
[87] The tax reform initiative resulted in Law 1739 of 2014.
[88] The Director General of the Central Bank participated in the session.
[89] The Director General of the Central Bank participated in the session.
[90] Pursuant to Article 56 of the Organizational Budget Statute (OBS), the amount of the budget is approved first (for 2015 this was CoP 216.2 billion, including CoP 12.5 billion that is unfunded).
[91] See the list of amendments and discussion in the official report of the first debate on the General Budget 2015.

and for internal organization, such as specialized review committees, technical support, and negotiation procedures.

The Constitution of 1991[92] defines the functions of Congress, among which are reforming the Constitution, making laws, and exercising oversight of the Government and the administration. In its composition the Colombian parliament is bicameral, consisting of the Senate and House of Representatives. The operation of the Legislature is regulated by Law 5 of 1992, which sets the standards governing the meetings and operation of the Senate, the House of Representatives, and the Congress of the Republic in full.

To fulfill its functions, the chambers are organized into four types of committees: permanent constitutional, legal, special, and incidental. Among the permanent committees are the economic committees, which are responsible for debating the bills related to finance and public credit[93] and budget.[94]

The draft bills, as a rule, should be discussed and approved in the first debate of the relevant standing committee and, in the second debate, in each chamber in full; however, in the case of the draft budget bill this can be done in a joint session of the third and fourth standing committees of the two chambers.

With respect to the applicable procedures for consideration of the draft budget bill, Law 5 of 1992[95] establishes the terms and general provisions for the study, discussion, and approval; the process starts with the assignment of one or more speakers to review the particulars and submit a paper that account for the final amount of the GBN, the general context of the scheduling, the standards, and other aspects bill introduces. A list of proposals to be discussed in the first debate is also included.[96]

After the draft bill is studied, discussed, and approved in the commission, a second review is conducted and new papers are developed in each Chamber to be debated in plenary.[97] Requests for amendments are analyzed by the Office of the Director General of the Public Budget of the Nation (DGGBN) and amending letters are submitted to the respective chambers for debate in plenary. In the event the investment budget is affected, a prior opinion from the NPD is required. Finally, once the bill is approved in two debates, it is sent to the Office of the President for endorsement.

During discussion of the draft budget bill, public consultations were conducted through invitations to associations representing sectors, during which explanations on the composition of the budget

[92] Article 114.
[93] The following draft bills were debated: Finance and Public Credit; tax and contributions; tax exemptions; monetary regime; laws on the Central Bank; central banking system; laws on monopolies; borrowing authorization; stock market; economic regulation; National Planning; exchange regime, financial, securities and insurance activities, and collecting savings.
[94] The following draft bills were debated: organizational budget laws; financial fiscal control system; divestitures and destination of domestic goods; regulation of the industrial property regime, patents and trademarks; creation, deletion, alteration, or organization of national public establishments; quality assurance; and prices and administrative contracting.
[95] Article 169 of Law 5 of 1992.
[96] Report on the first debate of the draft law 052 of the House, 2014, and 2014 Chamber, 37 of the Senate, 2014.
[97] See second debate report 052of the House, 2014, and the Senate report and presentation on bill 37 of 2014.

and the incidence of assignments or variations were presented as was information on geographical distribution as was discussed in various regional hearings.

The Chambers have a structure composed of special committees and an administration composed of a General Secretariat and an Administrative Management units. In its internal organization, each member of congress has a Legislative Work Unit to support his or her legislative efforts, composed of staff selected by each member of congress.

Although there are formally established procedures for consideration of the draft budget bill that are respected in practice (formation of committees to study, debate, and adopt the draft budget bill, negotiation procedures, and mechanisms of general application for public consultation) but there is not a technical unit to support the consideration of the draft budget.

18.3 Timing of budget approval

Best practice defines that the budget should be approved before the opening of the fiscal year and that it draws on each of the last three years.

The dates of approval by the Legislature of the budget laws issued in 2012, 2013, and 2014 were:

- Year 2014: Law 1687 of 2013, published in official gazette 49,001.
- Year 2013: Law 1593 of 2012, published in official gazette 48,640.
- Year 2012: Law 1485 of 2011, published in official gazette 48,283.

As can be seen, the last three draft budget bill submitted by the Government, were approved by the Congress before the new fiscal year began.

Rules for budget adjustments by the Executive

International best practice states that to avoid undermining the importance of the original budget, authorization of amendments that concern the Executive branch must be clearly defined and adjusted in line with its scope, to strict rules and procedures are that are always respected.

Generally speaking there are two broad types of amendments in budgetary provisions:[98] those which alter the sums initially approved in the Budget Law and those that do not. The first type of amendments require that the Central Government submit draft bills to Congress for approval, with the prior opinion of the DGNPB, and when the investment budget is affected also from the NPD; while the latter type consider, depending on their scope, different forms of approvals and applicable instances, as indicated immediately below.

- **Amendments requiring law.** Additional resources, transfers between operations, servicing of debt, and investments at the program and subprogram levels, when the source of funding or resource expenditure for a given project, and the total amount of each rent level previously approved by Congress is amended.

[98] Letter (c) of Chapter XI of Decree 111 of 1996 (Articles 76-88).

- **Amendments by government legislative decree under a state of emergency**.[99] Additional credits and transfers to the GBN designed to address expenditures incurred under states of emergency.
- **Amendments by decree.** Additions from donations, reductions, and deferrals and mergers of agencies.
- **Amendments by resolution.** Inter-ministerial Fund transfers, distributions, resource changes without amendments at the revenue level approved by Congress, from clarification of legend or correction of arithmetical errors.
- **By agreement or resolution.** Additions from inter-administrative contracts, internal transfers for operations, servicing of debt, and investment at the program and sub-program levels.
- **By settlement decree or resolution.** Adjustments and authorizations from placement of line items.
- **Ex-officio.** Adjustments and authorizations for change of use, use of authorized external credit, and funding situation changes.

The established rules are clear and procedures, in general, are respected by the Ministry of Finance and Public Credit and other entities, although these might generate some rigidity in investment budgets. During the fiscal year of 2014 amendments were made to the GBN, as follows: through inter-administrative agreements, CoP 179 billion; donations, CoP 10 billion, and budget reductions of CoP 6,228 billion. Considering these amendments, the final appropriation to December 2014 amounted to CoP 196.9 billion, CoP 6 billion less than originally approved by the Legislature.

Indicator	Aggregate (M1)	General Comments
PI-18 Legislative scrutiny of budgets	B+	Each member of congress has a Legislative Work Unit to support his or her specific legislative work, but there is no technical support body for consideration of the draft budget bill.

Dimensions	Score	Explanation of Score
18.1 Scope of budget scrutiny	A	The examination by Congress covers fiscal policies, the fiscal framework, and medium-term priorities as well as specific details of the estimates of expenditure and revenue.
18.2 Legislative procedures for budget scrutiny	B	For consideration of the draft budget bill there are formally established procedures that are respected in practice. They include the creation of specialized commissions for study, discussion, and approval of the draft budget bill, negotiation procedures, and mechanisms for public consultations. There is no technical support body to study the draft budget bill.
18.3 Timing of budget approval	A	The last three draft budget bills submitted by the Government were approved by Congress prior to the start of the new fiscal period.

[99] Chapter VI of Title VII of the Executive Branch of the Political Constitution of Colombia.

Dimensions	Score	Explanation of Score
18.4 Rules for budget adjustments by the Executive	A	Established rules are clear and procedures are respected by the Ministry of Finance and Public Credit and other entities.

3.5 Predictability and Control in Budget Execution

This section presents indicators PI-19 to PI-26 that jointly assess whether the budget is implemented in an orderly and predictable manner, from the perspective of revenue and expenditures, as well as the existence of adequate control mechanisms with respect to the proper use of public funds.

PI-19 Revenue administration

This indicator refers to agencies that manage central government revenue. The capacity to clearly report to the responsible parties their obligations and procedures to be followed, the extent to which risk management methods are used, the extent to which existing controls discourage evasion, and the degree of proper management of late payments are factors that are considered in the assessment.

The critical period for dimensions 19.1 and 19.2 is the current fiscal year; for dimension 19.3 it is the last three completed fiscal years (2012, 2013, and 2014); and for dimension 19.4 it is the most recent completed fiscal year (2014). The information used for the assessment was collected in November and December 2015.

19.1 Rights and obligations for revenue measures

International best practice establishes that agencies that collect most revenues should provide taxpayers with easy access to complete and updated information about their obligations and rights, including administrative procedures that allow them to file claims.

The Directorate of National Taxes and Customs (DNTC), the agency that administers about 84 percent of tax revenues, has different service channels (virtual and physical) by which it informs taxpayers of their obligations, duties, and rights, and provides additional information about the procedures for filing claims, as indicated immediately below.

Onsite service channel. This medium involves direct assistance to taxpayers in places equipped for the provision of services. At the time of the assessment, the agency has the following service points:

- Service centers. Some 63 service points, distributed across 43 cities, provide personalized attention and deliver information, counseling, and assistance related to tax obligations, such as those related to the taxpayer's unique identification number (RUT), digital access, submission of information through files forwarded, and billing. These centers use a shift-based scheduling system to organize citizen services.[100]

- Self-serve points (kiosks). These are physically and technologically suitable service spaces, located in service centers of the Regional Offices of the Director of National Taxes and Customs. While there, taxpayers can self-serve, with the support of officials, information on their tax, customs, and exchange returns, among other procedures.
- Mobile units. These are workspaces that can be located anywhere, to provide information, guidance, and clarification of concerns about the various procedures and services provided by DNTC. It facilitates the performance of campaigns on specific tax reforms and service.

Virtual channel service. Through the Web Portal: www.dian.gov.co, updated information and tools are provided to taxpayers to facilitate compliance with fiscal obligations, including assistance and guidance related to electronic computer services, software support, forums, regulations and doctrinal information, information on procedures for filing claims or appeals, awareness campaigns, information contact points, mailboxes for customer support, and training booklets and videos. Similarly, complaints and claims can be filed by through the quejas@dian.gov.co mailbox and can be accessed through the chat service of the Contact Center, for consultations about digital services that address questions and concerns on deadlines and ceilings for tax declarations and payments and general information.

In addition, informational content has been published on social networks since 2013, fora have been hosted, articles have been published and educational videos distributed in relation to a taxpayer culture, as have educational tutorials and videos about taxes and customs.

Telephone service channel. Support is provided through this service to address questions and provide assistance for the use of electronic information services as well as general information on procedures and services.

Moreover, training campaigns, discussion days, and service fairs are conducted throughout the year, in which citizens are advised on the procedures and services provided in the centers, taxpayer awareness-building, and specific mass-media campaigns for obligations, such as tax returns or enrollment in the RUT. Citizen-customer outreach campaigns are also performed through email.

Because of the complexity of tax issues in Colombia, DNTC works to improve the language used in messages and publications, to render them more immediately comprehensible to taxpayers. Moreover, as an input to improving service and information, service assessments are made and on ways that communications are delivered to citizens. For customs issues, strategies such as traveler's services, strengthening service guidelines, and certificate of origin strategies for customs users are underway.

[100] Between January and June 2015, some 532,340 appointments were allocated through telephone and virtual channels for the following points of contact: Bogota (Customs, International Centre, Bima, Street 75), Bucaramanga, Barranquilla, Cali (Cali-center, Cali-south), Medellin (Alpujarra, country headquarters), Ibagué, Neiva (headquarters, Pitalito), Pereira, Santa Marta, Yopal, Manizales, Valledupar, Arauca, Villavicencio, Cartagena, and Armenia.

In consideration of these efforts, it is evident that DNTC has developed the capability to help taxpayers more clearly learn of their obligations and the procedures for filing complaints.

19.2 Revenue risk management

International best practice states that institutions that raise the bulk of revenues should use a comprehensive, structured, and systematic approach to evaluating and prioritizing compliance risks for all revenue categories and at a minimum for taxpayers with large and medium-sized incomes.

In its organizational structure, DNTC has seven offices of director, including the Office of the Director for Organizational Management, a unit that is responsible for the coordination and administration of customs and tax risk through the Office of the Deputy Director of Operational Analysis Management and coordinating groups for Administration and Risk Profiling and Facilitation Control Programs.

Currently, DNTC has a taxpayer risk model composed of five elements: indicators, basic information, statistical tools, interpretation processes, and a risk scoring module. There are three types of indicators, those for consistency, based on operational logic applied between cross-checking statements; behavior, based on taxpayer history; and the cross-referencing statements. This information is segmented by various criteria (production sector, economic activity, revenue, and other), analyzed with the support of statistical packages, and finally combined and consolidated in a risk model called Single Points Model (SPM).

The SPM is used as a benchmark to prioritize certain customs and exchange processes, and for controls to refunds; however, there is no full connection with a variety of control programs that are designed in parallel. It should also be noted that there are actions that are not derived from the SPM or other programs, which originate for special reasons, such as those from third-party claims,[101] or those selected directly by the administrations. The lack of linkage and the different ways in which controls can lead to inefficiencies and reduce the integrity of revenue risk control are issues of concern.

19.3 Revenue audit and investigation

To ensure the collection of expected fiscal revenues, there is a need for robust systems for audits and investigation, which, once risks are identified, applies effective controls to minimize tax evasion and non-compliance. To assess this, international best practice states that institutions that collect a large share of public revenue complete all fraud investigations and audits under a documented plan aimed at improving compliance with legal obligations.

DNTC has an operating plan and audit and investigations planning for most of the control measures that are defined from the central level in the Office of Deputy Director for Operational Analysis.

[101] For assessment purposes of the indicator, these circumstances have no effect on the treatment of risk management or its integrality.

Other investigations and audits arise in different ways during the course of the year,[102] without prior scheduling.

For 2014 there was no evidence of the existence of a plan that had a definite initial goal for the number of audits and investigations to be conducted, a circumstance that precluded assessing the level of compliance at the end of that year. In contrast, it was seen for 2016 that through the document "Assessment Guidelines for Tax Management" goals were set for the number of actions to be undertaken, a fact to be considered in future measurements. It is important to note that until 2011 the law[103] provided that DNTC should meet a minimum coverage of actions for 20 percent of the total number of filers, but this provision was repealed[104] in the face of certain adverse effects on management efficiency, consequently there is currently no goal in place in terms of the coverage to be performed over the assessment period.

Although DNTC does not have a numerical target for audit and investigation , it has program goals based on an expected return resulting from management control expressed as a monetary value, as shown in Table 3.12.

Table 3.12. DNTC Tax Division Management Targets 2012-2014
(CoP millions)

Opinion	2012	2013	2014
Collection goal	1,400,000	1,600,000	3,200,000
Effective management	2,086,195	4,447,973	4,431,114
% compliance	149	278	138.5

Source: Office of Deputy Director of Operations, DNTC.

This manner of establishing a management goal, as was expressed during the meetings with the Offices of Deputy Directors of Operations and of Enforcement, presents methodological problems as well as constraints to tracking, despite the definitions of indicators and variables used to measure both the potential generated proceeds of enforcement actions such as effective collections that are described in the Tax Management Assessment Guidelines.

Planning in the customs division, unlike that for taxes, included the number of enforcement actions or apprehensions to be completed in the year, in addition to a managed collections goal. The scheduling and the results are shown in Table 3.13.

[102] Including through (i) a control program designed at the central level, (ii) a complaint of a citizen, (iii) a selection made by the Revenue Office to verify a claim for refunds, (iv) a decision of the regional office to include new control measures, and (v) a decision of the Office of Deputy Director for Enforcement at the central level to perform a control action.
[103] Art. 151 of Law 223 of 1995.
[104] Art. 276 of Law 1450 of 2011.

Table 3.13. DNTC Customs Division Management Targets 2012-2014 (CoP millions)

Opinion	2012			2013			2014		
	Goal	Result	% achieved	Goal	Result	% achieved	Goal	Result	% achieved
Effective management									
Effective management	80,000	100,592	125.7	90,000	115,906	128.8	100,000	623,268	623.3
Scheduled actions and results									
Total actions	701,170	875,793	125	808,943	875,793	108	3,479,262	3,784,721	109

Source: Office of Deputy Director, Customs Enforcement, DNTC.

As in the tax division's management goal, represented by a revenue amount to be collected, there are consistency issues reflected in substantial over-execution for the three years, particularly for effective management in 2014, which exceeded the initial target by more than six-fold. With respect to the number of actions scheduled and executed, high average levels of compliance are observed, as was planned for in the last three years.

Given all this, and because it was only possible to establish compliance with the actions or investigations in the customs division, it was necessary to establish their relative weight using the share of external tax revenue to the account of the customs division out of the total DNTC revenue; this amounts to 16.5 percent.[105] Therefore, the conclusion is that less than 50 percent of audits and investigations are completed as planned.

19.4 Revenue arrears monitoring

International best practices establish that fiscal revenue administrations should pay particular attention to managing late payments, to ensure that the amounts owed to the Government are effectively managed and that processes are established that allow accelerating payment of said debt. As a parameter in valuing collections management, revenue in arrears at the close of the last completed fiscal year is set below 10 percent of total collections for the fiscal year, and revenue in arrears for more than 12 months represents less than 25 percent of total arrears for the year.

Table 3.14. Total Value of Arrears 2012-2014 (CoP millions)

Fiscal period	Total value of tax revenues	Total value of debt	Proportion of revenues in arrears
Debt to 31/12/2012	95,265,737	10,408,403	11%
Debt to 31/12/2013	97,817,949	12,354,197	13%
Debt to 31/12/2014	95,783,864	15,181,127	16%

Source: Internally compiled with data provided by DNTC, 2015.

To assess this dimension, final debt values were considered from official acts in respect to tax and customs calculations and unpaid tax returns, with a cut-off to December 31, 2014, and the amount

[105] Data taken from the 2015 DNTC Accountability Report.

collected for fiscal 2014 for all tax revenues. The information sources used were for the value of tax debts, DNTC's Office of Deputy Director for Collections and Recovery, and for revenue collected, the DGPP. Amounts owed and total tax revenues for the years 2013 and 2012 are additionally included (see Table 3.14).

The proportion of revenue in arrears to total revenue is 16 percent, of which 19 percent corresponds to the amount of the debts generated over the past 12 months, with 81 percent of the remaining amount resulting from debts older than one year. It merits highlighting that of the total accumulated debt at the end of 2014, approximately 60 percent corresponds to obligations contained in administrative acts and the remaining 40 percent originates from private filers.

Indicator	Aggregate (M2)	General Comments
PI-19 Revenue administration	C+	

Dimensions	Score	Explanation of Score
19.1 Rights and obligations for revenue measures	A	A variety of in-person and online service channels are available through which taxpayers are provided with information on their obligations, duties, and rights, and additional information is provided regarding procedures for filing claims.
19.2 Revenue risk management	C	The selection for evasion and tax obligation control and for the enforcement actions which are then executed, are risk-based only for certain revenue streams or processes.
19.3 Revenue audit and investigation	C	No coverage goals are defined for the tax division, therefore it is not possible to assess whether the intended results were achieved. For the customs division, high compliance was evidenced in respect to the planned actions, but it is estimated that these account for less than 50% of all actions performed by DNTC.
19.4 Revenue arrears monitoring	D	The proportion of overdue revenues to total revenue is 16%, of which 81% of the amount of arrears relates to debts older than 12 months.

PI-20 Accounting for revenue

The efficiency of the tax system depends largely on the timing and diligence with which collections are made available to the authorities of the National Revenue to finance the provision of public goods and services. This indicator assesses the efficiency of the Central Government's Fiscal Administration in consolidating and analyzing information on revenue collection in a timely fashion. The information used in the evaluation corresponds to the moment of assessment (i.e., November and December 2015, during the field mission).

20.1 Information on revenue collections

This dimension assesses the extent to which information regarding amounts collected is compiled, recorded, and communicated in a timely fashion. Best practices require that the Ministry of Finance receive data regarding the amounts collected from the agencies that generate all central government revenues, disaggregated by type of revenue and consolidated in a report.

The public agencies that collect various revenues use the physical and technological infrastructure of certain financial sector companies that handle collections, to receive tax returns and payments; as valuable consideration for the financial services rendered, the agencies make use of a reciprocity scheme consisting in allowing a float of a number of days in which money is held in the accounts of the financial institution before being deposited to specific Treasury accounts authorized for said purpose in each agency.

Under the existing collections mechanism funds enter weekly for most of the revenues collected by DNTC and monthly for other revenue (e.g., fees collected by other agencies), and is recorded in the information system. Once this information is in hand, the Ministry of Finance and Public Credit conducts a data consistency verification process, after which it produces annual execution reports by type of revenue and period.

At the portal www.pte.gov.co, and through a custom revenue query, access is enabled so any citizen can obtain monthly statistical information on cash collections, refunds, and net collections (cash collection-refunds), disaggregated by type of revenue and periods.

20.2 Transfer of revenue collections

The dimension assesses the frequency of revenue transfers to Treasury accounts or those of other designated agencies. Best practices provide that the revenue be deposited directly into treasury accounts or that it be transferred daily from other accounts to treasury accounts.

In Colombia, as was noted, there is a reciprocity scheme used as valuable consideration for the services provided by financial institutions, consisting in allowing funds to remain at the intermediary financial institution a certain number of days. Currently, and following a gradual reduction process established in the agreement between DNTC and collections agencies,[106] the number of days has progressively declined until arriving as of March 1, 2012 to five calendar days, two of which are fixed and three variable, that are awarded based on factors of quality, timeliness of information, and number of documents.

Under the reciprocity scheme, the revenues collected are transferred after the expiry of the days each financial institution is allowed into treasury accounts.

[106] Agreement performed in application of Ministry Resolution 2166 of 2010.

20.3 Revenue accounts reconciliation

This dimension establishes as a best practice a complete reconciliation of the appraisals (returns), collections, arrears, and transfers of revenue to the treasury be performed at least once a month, within the month following collection.

At present, the reconciliation that takes place between the tax administration (DNTC is the agency that collects most of the revenues of the Central Government) and the Treasury focuses on controlling transfers of revenue from the revenue collection agency and the values entered in the treasury accounts. No reconciliations are made that, in addition to the actual revenue, identify the values unpaid on returns or generated by official acts (appraisals), or the values that are collected or could be collected through better management of collections and arrears.

This limitation prevents fully identifying the resources entering the system and those that could potentially enter in the short term.

Indicator	Aggregate (M1)	General Comments
PI-20 Accounting for revenue	C+	

Dimensions	Score	Explanation of Score
20.1 Information on revenue collections	A	At least once a month, the Ministry of Finance and Public Credit receives revenue data by type and period and consolidates these in an annual report.
20.2 Transfer of revenue collections	B	The agency that generates most of the revenues collected, transfers revenues at least once a week from collections agency receiving accounts to treasury accounts.
20.3 Revenue accounts reconciliation	C	A complete reconciliation is performed of revenues and transfers to the Treasury at least monthly. Appraisals or arrears are not included.

PI-21 Predictability of in-year resource allocation

This indicator assesses the extent to which the Ministry of Finance and Public Credit has the capacity to forecast payment commitments and provide reliable information on the availability of funds to budget units for the provision of services. The scope of the assessment is the Central Government and the critical period for dimension 21.1 is the time of evaluation (November and December 2015), and for dimensions 21.2, 21.3, and 21.4 it is the last completed fiscal year (2014).

21.1 Consolidation of cash balances

Good practice dictates that all bank and central government cash balances are consolidated on a daily basis.

Colombia has a Treasury Single Account (TSA) through which the whole process of collection, transfer, management, and rotation of resources made by the bodies that constitute the General Budget of the Nation, are centralized in the TSA, with the exception of those administering parafiscal income and social security.[107]

A total of 4,873 accounts of different types currently exist under the system as noted in Table 3.15.

Table 3.15.Total Active Accounts (December 2015)

Type of accounts	Total accounts	Description
Cash accounts - National	3	Main accounts managed by the Treasury, where all national resources are consolidated.
Earmarked accounts - Bank of the Republic	53	Account managed by the national treasury to receive resources, specific external credits, and loans.
Esc–ow accounts - TSA	92	Accounts managed by the national treasury that open by law to raise resources directly from the treasury.
National resources authorized accounts for CSF	2,421	Bank accounts opened by the Treasury for management of national resources authorized for executing agencies.
Esc–ow accounts - commercial banks	42	These are authorized agencies to raise equity accounts.
Paying bills TSA	782	These are accounts paying agencies to which resources are moved to directly make payments. They are usually accounts for regional payments.
Petty cash accounts	700	Authorized accounts for petty cash management agencies.
Superintendence for Family Subsidies (SSF) revenues account	780	Accounts that allow some agencies to manage extra-budgetary resources, such as the Solidarity and Guarantee Fund for the Health Sector Warranty Fund resources.
Total accounts	**4,873**	

The balances of the accounts managed directly by the Treasury, corresponding to about 85 percent of the value of the budget, that are transferred to entities are known or consolidated daily; however, there are other accounts called Collection Accounts-Commercial Banks, which collect agency revenues under a reciprocity agreement with the Treasury and hold them for a specified number of days that compensate the banks for their administrative efforts and costs. In these accounts, commercial banks move resources to the TSA once the term granted as payment mechanism for their services has been reached; in most cases, the term as stipulated by the agreement is five days, but occasionally it is up to 30 days.[108] Based on this scheme, all the sums received by these accounts and the available balances are consolidated once the days of reciprocity are met. The revenue

[107] Article 261 of Law 1450 of 2011. Paragraph of Article 149 of Law 1753 of 2015 and Decree 1068 of 2015.
[108] Days vary depending on the financial service bank collection and complexity of the operation; for example payments for military compensation.

managed by DNTC operates under different framework, whereby collecting entities register the monies in their own accounting records (suspense accounts) for subsequent transfer to the TSA. They do not have their own bank accounts linked to the TSA. The concept is known as 'collecting entities with transfer obligations to the Treasury.'

In addition to the these accounts, there are TSA payment accounts for entities to pay directly to beneficiaries when geographical or other limitations prevent TSA from making direct payments to beneficiaries.[109] These transfers of resources to entities must be executed to beneficiaries within a maximum of five days,[110] but the initial, final, and average balances, as well as credits and debits are known monthly as the bank statements are obtained. The control of these accounts is made from the information in the bank statements that are used to calculate the average number of days that the money has stayed in the account (maximum five days), and the agency's rate of execution (minimum 80 percent). These accounts use the commercial banks' reciprocity scheme as a mechanism to determine their financial services fee.

Through TSA operations, all balances are consolidated for both revenue and accounts for monthly expenses.

21.2 Cash forecasting and monitoring

Best practice for this dimension of the indicator uses as a benchmark the preparation by the Government of a cash flow forecast for the fiscal year, which is updated monthly on the basis of actual cash flows.

In Colombia there is a short-term financial instrument for the execution of revenue and expenditures known as the Annual Monthly-Based Cash Program (AMCP),[111] by which the monthly amount of funds available is defined in the Treasury Single Account for payment of commitments made in the course of appropriations incorporated in the Budget and financed with the Nation's resources.

The AMCP is a forecast that assigns monthly quotas that are built from the appropriation of budget resources with a time horizon, annual in principle, but which can be extended for a second fiscal period if the total resource appropriation for the agency cannot be distributed for each line item. Based on this scheduling, agencies can commit expenses up to their total budget for two fiscal periods, one for expenditures made within 12 months, such as wages or overheads, and another for the remaining AMCP resources that were not used and which can be rescheduled in a second period.

Scheduling monthly quotas is dynamic and can be modified by the agency based on actual needs by means of deferrals when there are surplus resources in the AMCP quota assigned or AMCP advances if the agency requires more funds in the month. The former do not require authorization;

[109] Payments which have not identified the account of the final beneficiary as in the case of judgments, court deposits, parafiscal payments that are made through the payroll system (PILA), and credits to the AFC accounts, among others.
[110] Article 15 of Decree 359 of 1995.
[111] Article 73 of Decree 111 of 1996 and Regulatory Decrees 568/96 4730/05.

for the latter, application is required within a deadline set by the Office of the Director General for Public Credit and National Revenue.

For its part, control of cash availability is performed at the beginning of the year through several scenarios of revenue and monthly expenditure forecasts, and throughout the course of the year, monthly monitoring of revenue and payments can identify in advance any treasury deficit or surplus. As a control mechanism, AMCP estimates by expenditure item on the basis of actual execution and the historic lag that has been recorded by agencies, and these are distributed in the last quarter of the year.

21.3 Information on commitment ceilings

A best practice applicable to this dimension is that budgetary units should be able to plan and commit to expenditures at least six months in advance, based on budgeted credits, and information on cash plans and commitments.

The budget execution process in Colombia begins with an appropriation, which corresponds to the maximum authorized amount per commitment by object of expenditure during the fiscal year (the commitment arises from the acts and contracts issued or held by public bodies); following this, a Budget Availability Certificate is issued, guaranteeing that a budget appropriation is available and is unallocated; then the budget record is created through which the appropriation is finally effected; the obligation and the payment reflect the fulfillment of the commitments, and payment is rendered after verification of the requirements provided in the administrative act or contract.

This budget allocation process is effected by the AMCP instrument described in the preceding dimension, in the stages of commitment, obligation, and payment; that is to say, it is not only a cash plan or program, but also includes a payments program based on appropriations and execution trends, so that agencies could be able to program the full period in advance.

21.4 Significance of in-year budget adjustments

A best practice benchmark used for this dimension of the indicator is to take a maximum of two significant adjustments in budget allocations for the year, which are undertaken in a transparent and predictable manner.

During 2014, expenditures and revenues of the budget were modified and the initial appropriation of CoP 203 billion was increased through donations and agreements in the insignificant amount of CoP 189 billion, representing less than 0.1 percent, followed by one significant reduction in the amount of CoP 6.23 billion that was approved by decree[112] issued in application of Articles 76 and 77 of the Organizational Budget Statute (OBS) and pursuant to the authorization granted by the Council of Ministers at its November 26, 2014 session. The final appropriation was CoP 196.96 billion.

Table 3.16. Budget Amendments, 2014
(CoP billions)

[112] Decree 2461 of 2014.

Category	Legal basis	Date	Value
Initial appropriation	Law 1687	December 11, 2013	203,000
Addition	Inter-administrative agreements (Article 28, Decree 3036 of 2013)	January to December 2014	179
Donation	Decree 628 and 1704	March 26 and September 8, 2014	
Reduction	Decree 2461	December 2, 2014	6,228
Final appropriation			**196,961**

Source: Office of the Director General, Budget Office of Deputy Director of Budgetary Analysis and Consolidation.

The reduction of appropriations, as explained in the grounds for the decree, was performed in a transparent manner to adjust the budget to actual implementation capacity, ensure the execution of ongoing projects, and ensure compliance with the main goals of the National Development Plan. Items that were reduced correspond to operating expenditures of CoP 2.3 billion, CoP 1.5 billion for servicing of debt, and CoP 2.4 billion for investment.

It should be noted that the reduction was properly based on the power legally granted to the Government to reduce or defer all or part of the budgetary appropriations in any given month of the fiscal year, upon prior opinion of the Council of Ministers; and that it conformed to the legal norm that such an action can only be undertaken in cases that the law itself sets forth: (i) when revenue collections in the year are lower than total expenditures and obligations to be paid from such funds; (ii) that new funds were not approved by Congress or if those approved were to prove insufficient to cover the expenditures; (iii) when authorized credit funds are not formalized; and (iv) when so mandated by macroeconomic logic.

Indicator	Aggregate (M2)	General Comments
PI-21 Predictability of in-year resource allocation	B+	
Dimensions	**Score**	**Explanation of Score**
21.1 Consolidation of cash balances	C	All balances are consolidated monthly, for revenue accounts and for expenditures.
21.2 Cash forecasting and monitoring	A	Estimates of annual cash flow are prepared for the fiscal year, and updated monthly based on the tracking of revenues and payments.
21.3 Information on commitment ceilings	A	Public agencies are able to plan and commit to expenditures a year in advance thereof, pursuant to the budget appropriations and programming of the PAC.
21.4 Significance of in-year budget adjustments	A	Only one significant increase in budgetary allocations was observed in 2014, and this was undertaken transparently.

PI-22 Expenditure arrears

This indicator measures the volume of arrears, whether such arrears correspond to a systemic problem, and whether arrears are under control. The critical period for dimension 22.1 is the last three completed fiscal years (2012, 2013, and 2014) and for dimension 22.2 the period is the time of assessment (November and December 2015).

Arrears are overdue debts, liabilities, or obligations that constitute a form of non-transparent financing. Arrears can lead to increased costs for the Government because creditors can adjust prices to compensate for the delays in payment. A large volume of arrears can indicate underlying problems, such as inadequate controls on commitments, cash availability issues, inadequate budgeting for goods and services.

22.1 Stock of expenditure arrears

Best practice states that the balance of arrears in expenditures should not be more than 2 percent of total expenditures in at least two of the last three years.

The base used to set the stock of debts payable at the close of each period were the obligations that were left unpaid for the next fiscal year, for goods or services received to satisfaction as of December 31, when down payments were agreed to in the performance of a contract and these advances were not paid. The values of budget reserves are not included because, although they are legally established and have a budget record, their purpose has not yet been fulfilled. For its part, the value of obligations corresponding to the required commitment sums sets the value of total expenditures, equivalent to the value of goods received, services rendered, and other current liabilities awaiting payment, including unpaid advances.

As shown in Table 3.17, for the three years under assessment, the amount of accounts payable, represented more than 6 percent of total expenditure, but less than 10 percent.

Table 3.17. Accounts Payable

<table>
<tr><th colspan="2">Opinion</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td colspan="2">Operations</td><td>7.284</td><td>6.940</td><td>5.775</td></tr>
<tr><td colspan="2">Personnel expenditures</td><td>300</td><td>174</td><td>239</td></tr>
<tr><td colspan="2">General expenses</td><td>634</td><td>624</td><td>754</td></tr>
<tr><td colspan="2">Transfers</td><td>6.219</td><td>5.982</td><td>4.597</td></tr>
<tr><td colspan="2">Commercial Operation</td><td>122</td><td>161</td><td>185</td></tr>
<tr><td colspan="2">Servicing of debt</td><td>90</td><td>561</td><td>667</td></tr>
<tr><td colspan="2">External Debt</td><td>0</td><td>453</td><td>567</td></tr>
<tr><td colspan="2">Amortizations</td><td>-</td><td>56</td><td>70</td></tr>
<tr><td colspan="2">Interest</td><td>0</td><td>397</td><td>497</td></tr>
<tr><td colspan="2">Internal Debt</td><td>90</td><td>108</td><td>100</td></tr>
<tr><td colspan="2">Amortizations</td><td>65</td><td>92</td><td>84</td></tr>
<tr><td colspan="2">Interest</td><td>25</td><td>15</td><td>16</td></tr>
<tr><td colspan="2">Investment</td><td>6.689</td><td>7.737</td><td>6.555</td></tr>
<tr><td colspan="2">Total</td><td>14.064</td><td>15.238</td><td>12.997</td></tr>
<tr><td>157.112</td><td>173.659</td><td>183.535</td><td></td><td></td></tr>
<tr><td>9.0%</td><td>8.8%</td><td>7.1%</td><td></td><td></td></tr>
</table>

Source: Office of the Director General for the National Public Budget, Office of Deputy Director of Budgetary Analysis and Consolidation—IFIS (1) corresponds to the total value of obligations as of December 31, recorded in the budget execution reports.

22.2 Expenditure arrears monitoring

This dimension uses as a best practice benchmark the generation of quarterly reports within the four weeks at the end of each quarter, containing data on the size, ageing, and composition of arrears in payments.

At present, information is produced annually on the volume of arrears and their composition by institution, but not by ageing of accounts payable. Annual budget execution reports, in turn, track the backlogs of accounts receivable from the previous period and accounts payable from the current period.

It is important to note that although a periodic report on Accounts Payable is generated, the IFIS can identify arrears and calculate their ageing, as the PEFA mission team noted in the report processed and delivered by the MFPC.

Indicator	Aggregate (M1)	General Comments
PI-22 Expenditure arrears	C	
Dimensions	**Score**	**Explanation of Score**
22.1 Stock of expenditure arrears	C	In the last three years, the volume of accounts payable was more than 6% but less than 10% of total expenditure.
22.2 Expenditure arrears monitoring	C	Data are included in the annual budget execution reports on the volume and composition of arrears in payments. Ageing on accounts payable is not included.

PI-23 Payroll controls

This indicator solely relates to the administration of the payroll of public servants, with emphasis on change management and consistency with individual records. For dimensions 23.1, 23.2, and 23.3 the critical period is at the time of the assessment; for assessment of dimension 23.4, the period is the three most recently completed fiscal years (2012, 2013, and 2014).

The following ministries and public agencies were selected for this assessment: Ministry of Finance and Public Credit (MFPC), National Ministry of Education, Ministry of Transportation, Ministry of Health and Social Protection, and the National Apprenticeship Service.

23.1 Integration of payroll information and personnel records

Best practices indicate that the approved staff list, database, and payroll are directly linked to ensure budget control, data consistency, and monthly reconciliation.

There is no centrally managed payroll in Colombia for the public sector and an integrated database is not available. Each agency, with support from a human resources unit, is responsible for managing its payroll. They use a variety of technology applications to this end, which process the events that have occurred with their staff. Each agency through its own payroll system is responsible, as a measure to ensure the quality of payroll data, to forward, each month, payroll information to IFIS, to request payments through the TSA.

No reconciliation or verification control whatsoever is performed from the IFIS, except as related to the availability of budget and the accounting records. This indicates a disconnection between the information handled individually and the system that activates payments, the latter of which is subject to the reliability of the information each user agency uploads.

23.2 Management of payroll changes

Best practice indicates that the necessary changes to personnel records and payroll are updated at least monthly, usually in time for the next month's payments. The occurrence of retroactive adjustments should not be common. A maximum number of adjustments, equal to 3 percent of salary payments, is confirmation of the reliability of the data.

As mentioned in dimension 23.1, personnel changes are handled from each agency and given the diversity of applications that are used, there are no statistics regarding retroactive adjustments to enable verification of this best practice at a unified or integrated information level. This information is not available in the ministries and agencies selected for assessment.

23.3 Internal control of payroll

Under best practice, the authority to change records and payroll should be restricted and result in an audit trail that is adequate to ensure complete data integrity.

As mentioned in dimension 23.1, each agency delegates the authority under its responsibility to manage changes in the human resources or equivalent units, always subject to the rules of fiscal responsibility and internal controls based on the Standard Internal Control Model (SICM). In the ministries selected, the Internal Control Offices (ICOs) stated that payroll is reconciled monthly and there are no material retroactive adjustments. However, they did not provide specific statistics.

Some internal audit reports of the agencies selected for assessment reveal inconsistencies in payroll processes, but such exceptions do not involve material amounts or risks. Although there are, in each selected agency, operating and procedures manuals for the human resources and payroll process, there are no assurance reports with respect to the effectiveness of such internal controls by the ICOs or the Central Government.

23.4 Payroll audit

Best practice requires the existence of a strong system of annual payroll audits, to determine the existence of control weaknesses or "ghost" employees.

Three of the sample ministries (MED, MHSP, MT) replied to PEFA mission queries about payroll audits. From their responses it was found that in the last three years, at least three of the OCI performed internal audits of human resources departments, but these were only on with respect to segments of the process or specific points and not on the payroll system as such. The Central Government also lacks specific reports on audit coverage of payroll.

Indicator	Aggregate (M1)	General Comments
PI-23 Payroll controls	D+	
Dimensions	**Score**	**Explanation of Score**
23.1 Integration of payroll information and personnel records	D	There are no integrated records available between individual payrolls of each agency and the system ordering payments.
23.2 Management of payroll changes	B	Personnel records and payroll are updated at least quarterly and require a few retroactive adjustments.
23.3 Internal control of payroll	C	There are internal controls over the payroll process to ensure reasonable integrity of the data.
23.4 Payroll audit	C	In the past three years partial internal audits have been performed on the payroll process.

PI-24 Procurement

This indicator examines the key aspects of management of government procurement. It focuses on the transparency of the arrangements and emphasizes open and competitive procedures, tracking results of procurement and access to appeal and resolution procedures. For all dimensions the last completed fiscal year (2014) is used as the critical period. Given autonomy in contracting available to each agency, the budget executors represented in Table 3.18 were selected (on the basis of the volume of their budgets) as benchmarks to confirm the maturity of contracting.

Table 3.18. Public Procurement in Selected Entities (CoP)

Entity	**Value of Contracts Executed in 2014** (in CoP)
National Apprenticeship Service	1,504,176,191,310
National Ministry of Education	954,689,131,045
Ministry of Social Protection	388,474,049,625
Ministry of Finance and Public Credit	241,518,762,056
Ministry of Transportation	10,888,280,316
Total	3,099,746,414,352

Source: National Public Procurement Agency, 2015.

The following procurement methods are specified in the current legal framework:[113] public tendering, merit-based competition, abridged selection, and direct contracting. Additionally, when

[113] Article 2 of Law 1150 of 2007, through which measures are introduced for efficiency and transparency in Law 80 of 1993 and other general provisions are set forth on contracting with public funds.

there is an exception to the statute on basis of the type of contract (e.g., derived from credit contracts) or of the state agency (e.g., National Fund for Development Projects, Adaptation Fund, or domestic public utilities companies) the Special Regime applies as set out in law, and publication of contracting documents of the procurement process is mandatory.[114]

In 2011, the Government established the National Public Procurement Agency (NPPA) as the governing body for public procurement to develop and promote public policies and strategies targeted at ensuring that the public procurement and contracting system obtains optimum results in terms of the valuation of public money through a transparent process.[115] This agency has designed and implemented the Electronic Public Procurement System (EPPS). This system (now in version EPPS II) ensures that state agencies comply with the disclosure requirements of the different acts issued in contractual processes and that parties interested in participating in the procurement process (including bidders, oversight bodies, and the citizenry in general) can check the status of the various contracting rules and elements.

24.1 Procurement monitoring

Best practices establish that databases or records should be kept in respect to contracting, including data on purchases, the value of contracts, and the successful tenderer thereof. The data must be accurate and complete for all methods of procurement of goods, services, and works.

Overall, in 2014 EPPS recorded CoP 94.5 billion from 760,643 public procurement processes. According to NPPA estimates, in 2014 58 percent of the entities published their annual procurement plans in EPPS. This means that the entry and active use of the system is still pending on the part of a substantial group of public sector agencies. The participation rate is rising, in part because of the legal requirement and the agility of EPPS II. To date, no quantitative study is in hand regarding the annual contracting sums of the Central Government that are not using the EPPS; however, the NPPA estimates that most of the gaps relate to local governments and other non-Central Government agencies.

In Colombia, each agency autonomously conducts its contracting processes, in line with the rule of law and various regulations,[116] and has the responsibility of preserving relevant files and records of all procurement processes. Public agencies are required to publish the documents and administrative acts of the contracting process in the EPPS, within three days of their being issued. (The offer that must be published is that of the winner of the contracting process). State agencies are also required to make public in EPPS in a timely fashion the notice of a call or invitation that meets a minimum threshold and the draft specifications, to enable interested parties to submit comments or request clarifications.[117] In 2012, NPPA modified the design of EPPS and in 2013 it deployed the Colombian Government Virtual Store for consolidated purchases. Finally, in March 2015, it deployed EPPS II.

[114] Decree 1082 of 2015 is a regulatory decree for the administrative sector of national planning.
[115] Decree Law 4170 of 2011.
[116] Law 80 of 1993 or General Contracting of the Public Administration and Decree 1510 of 2013 regulate public procurement and the procurement system in Colombia.
[117] Article 19 of Decree 1510 of 2013, whereby the system of purchasing and public procurement is regulated.

EPPS II advances from a mere notification instrument to a transactional platform that allows buyers and vendors to undertake the contracting process online. From their account, state agencies (buyers) can create and award contracting processes, and record and monitor contract execution. Vendors can also have their own account, find business opportunities, monitor processes, and send comments and submit their tenders. EPPS II is a publicly available "virtual shop"[118] containing information on acquisitions, purchases, the value of contracts, and the successful tenderer thereof.

NPPA annually checks that the registration information matches the process documents published. Once the process is completed, NPPA asks state agencies to correct the registry information that does not match the documents and also shares this information with the Office of the Attorney General of the Republic. Additionally, NPPA forwards a report on activity in EPPS every month to the Secretaries General of 240 state agencies (sector heads at the national level and some decentralized entities and capitals) so they can check information quality.

With respect to technology, NPPA has incorporated and verified the technical safety and data quality requirements at the time of selecting each one of the EPPS platforms. In 2015, it carried out an internal audit on the subject of information security under the ISO 27001 international standard; it also hired a consultant to strengthen the information security management system under the same standard, and it is currently is in the process of implementing the recommendations from both reports.

In particular, EPPS II uses communications through secure protocols and other security mechanisms to ensure data integrity, access to the platform, and the confidentiality of tenders. Additionally, timestamps are incorporated along with a log with all user actions on the platform. Notwithstanding the foregoing, no reports are yet available from the Central Government or external auditors on the security of the EPPS.

24.2 Procurement methods

International best practices indicate that in the last year assessed, the total value of contracts awarded through competitive methods should represent at least 80 percent of total contracting.

Pursuant to the Colombian legal framework, mainly the contracting statute,[119] competitive bidding should be privileged, but there are many exceptions where contracting can be performed directly, including:

- (i) Minor amounts (values determined according to the annual budgets of the agencies to which the law applies and expressed in minimum monthly legal wages)
- (ii) Borrowings
- (iii) Inter-administrative, with the exception of insurance contracts
- (iv) For the delivery of professional services or for the execution of artistic works that can only be awarded to certain natural or legal persons or for the direct performance of scientific or technological activities
- (v) Lease or purchase of buildings
- (vi) Manifest urgency

[118] See, for example, https://www.youtube.com/watch?v=thkENCru6nU
[119] Article 24 in Law 80 of 1993 as amended.

(vii) Declaring void the tender or competition
(viii) When no proposals are submitted or no proposal conforms to the specifications or terms of reference or in general, when there is a lack of will to participate
(ix) Goods and services required for national defense and security
(x) Where there is no plurality of bidders
(xi) Products of an agricultural origin or destination that are offered in legally established public markets.
(xii) Contracts entered into by state agencies for the provision of health services
(xiii) Acts and contracts whose direct object are commercial and industrial activities specific to state-owned companies and mixed-economy companies, with the exception of contracts identified specifically by Article 32 of this Law.

Table 3.19 shows the composition of records and values for public procurement for 2014, according to the contracting methods allowed in the General Contracting Statute of the Public Administration.[120]

Table 3.19. Distribution of Public Procurement Recorded in EPPS, 2014 (CoP millions)

Method	Value	%
Direct Contracting (Law 1150 of 2007)	29,267	31
Contracting via Special Regime (including direct contracting and other modalities)	26,084	28
Tender [1]	28,007	29
Abridged selection [2]	9,294	10
Merit-based competition	1,940	2
Total	**94,592**	**100**

[1] Includes contracting through public-private partnerships.
[2] Includes the auction method and minimum contracting or minor amount.

Source: Internally prepared with data supplied by NPPA, 2014.

According to the NPPA, under the "special regime" modality, which represents 28 percent of contracting, both competitive processes as well as non-competitive processes are recorded. The latter have the quality of direct contracting within the exceptions of the statute noted in the previous paragraph.

At the date of this assessment, no information was available that would enable one to distinguish the amounts within the "special regime" that constitute direct contracting. According to the NPPA, it is very complex to differentiate between each mode because an individual review of contracts is required, and clarification is made that under the "special regime" line there are also competitive methods that are widely used. Although one cannot draw a statistical inference, it is noted that when considering the contracting of the agencies in the sample, most of their contracts (more than over 50 percent) used the direct contracting method, suggesting that uncertainty on this matter is reasonable.

[120] Law 80 of 1993 and Law 1150 of 2013. See contracting amounts in the EPPS; access www.contratos.gov.co/puc/montos.html#.

As can be established from the preceding paragraphs, at the time of this PEFA assessment, it is not possible to ascertain the actual amount of direct contracting in manner to establish the corresponding percentages of competitive methods, and therefore, it is not possible to perform the calibration required by the PEFA framework for this dimension.

24.3 Public access to procurement information

Under best practices, key information should be available for public access, comprising:

- The legal and regulatory framework for public procurement
- Public procurement plans
- Tendering opportunities
- The awarding of contracts (purpose, contractor, and value)
- Data on the resolution of claims or procurement complaints
- Annual contracting statistics.

In EPPS, which is publicly accessible,[121] information can be obtained on the legal and regulatory framework for public procurement, including various circulars issued by NPPA to guide agencies and potential vendors in the use of the system. There is also a feature for entering queries, and responses of the governing body are published. In addition, procurement plans, bidding opportunities, the awarding of contracts (purpose, contractor, and value), including the minutes of award and annual contracting statistics, are available on the public page of EPPS.

The same does not apply to data on the resolution of claims or complaints on procurement. Colombia has no specialized court with respect to procurement and all appeals or their equivalent must to be submitted before ordinary courts administered by the Judiciary; moreover, there is no publicly available database on court judgments on each lawsuit. Such records fall within the regular court publishing process provided in law—a process that typically takes more than one year, largely discouraging interest in making use of such resources.

24.4 Procurement complaints management

Under best practices, claims must be examined by a specially established body that:

- Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions
- Applies no charges (these could make access prohibitive to stakeholders)
- Follows clearly established processes for the submission and resolution of complaints
- Possesses the authority to suspend the procurement process
- Issues decisions within the timeframe specified in the rules/regulations
- Issues decisions that are binding on every party (without precluding subsequent access to an external higher authority).

As noted in discussion of dimension 24.3, in Colombia there is no such specialized body. Claim options need to be submitted to the ordinary courts, which do not use systematic processes targeted

[121] Access www.colombiacompra.gov.co/es/secop.

at establishing the validity and relevance of the cases appealed (i.e., each judge of his or her own accord and without time limits, produces judgments that can lead to a long appeals process, until all instances within the provisions of Colombian law have been exhausted).

In fact, appeals per se do not stop the contracting process or execution of contracts already awarded, which is the reason why judgments are frequently rendered after the contracts have been wound up—a circumstance that often produces significant sentences against the Nation, in claims for damages associated with contract awards. Therefore, the required best practice criteria are not met in Colombia.

Indicator	Aggregate (M2)	General Comments
PI-24 Procurement	C	Procurement by competitive methods could not be specified the time of the assessment, and claim processes are far from best practices.
Dimensions	**Score**	**Explanation of Score**
24.1 Procurement monitoring	B	Databases are kept through EPPS on most Central Government procurement, including data on what was purchased, the value of the contracts, and the awardee.
24.2 Procurement methods	D*	There is no data to accurately calibrate the distribution of direct contracting and competitive methods.
24.3 Public access to procurement information	B	Five of the six elements required in best practice on key information accessibility to the public are available in full.
24.4 Procurement complaints management	D	Performance is lower than that required for a 'C,' because in terms of best practice, a specialized body is not available at the administrative level to decide on complaints in public procurement.

PI-25 Internal controls on non-salary expenditure

This indicator measures the effectiveness of internal controls for non-wage expenditures. The period of analysis used for this assessment is the moment of assessment (November and December 2015).

25.1 Segregation of duties

Best practices indicate that proper segregation of duties is implemented through the expenditures process and when responsibilities are clearly established. The main responsibilities to be segregated are (i) authorization, (ii) recording, (iii) custody of assets, and (iv) reconciliation or audit.

Internal Control in Colombia includes a regulatory framework characterized by the Internal Control Law[122]and the SICM.[123] Similarly, for the budget execution process and for payments there are rules and procedures that safeguard adequate separation of functions.

Within the existing rules, the budget execution process includes mechanisms for segregation of incompatible functions, which at the level of registrations and requests for payment are defined by access profiles to IFIS, which constitutes the means of access to the TSA.[124] Each agency in the Central Government has financial units responsible for managing the modules that initiate operations in which segregation of duties is required. Public agencies, in accordance with the requirements of the internal control standards, have operating manuals and procedures that define the allocation of responsibilities for authorization, registration, safekeeping of assets, and audits of different officials and agency departments. As assessed for the MFPC, Ministry of Health and Social Protection, Ministry of Transportation, and Ministry of National Education, the ICO control manuals and procedures clearly set out the control responsibilities to ensure substantial compliance.

25.2 Effectiveness of expenditure commitment controls

Best practice indicates that comprehensive controls on the commitment of expenditure are effective if they limit the generation of commitments to cash availability and allocations approved by the budget.

In Colombia controls on the commitment of expenditure, in addition to being included in budget rules, are coordinated through compliance with the budgeting process in the IFIS II application, which does not allow altering the budget chain and ensures that the expenditure commitments are limited to the availability provided under the plan and cash scheduling. This fiscal rule, among others, has enabled Colombia access to well-developed debt markets.

All Central Government member institutions comply with budgetary management connected to the Single Account to effect payment. The IFIS securely prevents the recording of sums exceeding the commitment and does not allow proceeding with a payment that exceeds those values. No exceptions or anomalies have been reported by auditors or recorded by the IFIS.

25.3 Compliance with payment rules and procedures

Under best practices, all payments must be made using established procedures, based on available evidence and all exceptions authorized in advance and justified.

[122] Law 87 of 1993 Internal Control Law, with partial amendments in 2000, 2002, and 2011.
[123] Access SICM at https://goo.gl/ixPWOp
[124] Decree 2674 of 2012 (profiles - 27 literal h) and Article 32. External circular 002 of January 8, 2016 on “payment to the final beneficiary through the IFIS Nation” and Decree 1068 of 2015, Single Regulatory Decree for the Treasury and Public Credit Sector.

The payment process is fundamentally standardized by the IFIS II payments module—"treasury/payment macro process"—which controls payments based on the recorded availability of the cash plan and monthly cash payments program.

The five selected agencies have internal systems of accounts payable and payments, aligned with budgeting rules and the Single Account, and it was observed that they retain the payment records. The reports of the ICO do no indicate any objections to individual payment systems. It was also observed that the IFIS in turn produces evidence of the respective payments that are made only by transfer to beneficiaries.

Justified exceptions only occur when the account of a beneficiary for payments has been attached and the procedure established by legal rules regarding attached funds is followed. The budget cycle does not allow entry of a commitment to paying an account without having previously enabled the budget for the payment thereof. In 2014, the Central Government issued a report with a clean opinion on budget execution, which includes the payment cycle.

Indicator	Aggregate (M2)	General Comments
PI-25 Internal controls on non-salary expenditure	A	
Dimensions	**Score**	**Explanation of Score**
25.1 Segregation of duties	A	Adequate separation of functions can be seen in the Central Government throughout the expenditures process. Responsibilities are clearly set out in operating manuals and procedures.
25.2 Effectiveness of expenditure commitment controls	A	The Central Government has comprehensive controls on the commitment of expenditure, which limit in effective fashion the commitments to cash availability and allocations approved by the budget.
25.3 Compliance with payment rules and procedures	A	Rules and payment procedures are in place, which are observed and exceptions are authorized in advance and justified.

PI-26 Internal audit

This indicator assesses the standards and procedures applied in internal audit. Internal audit, when applied under best practices through a systematic and disciplined approach, is an important support for the sustainability of the internal control system.

The critical period for dimensions 26.1, 26.2, and 26.3 is the time of the assessment (November and December 2015), taking into account the preceding year (2014); the critical period for the 26.4 dimension is relevant reports issued in the last three completed fiscal years. Internal audits were selected for this indicator, which in Colombia are produced by Internal Control Offices (ICOs) belonging to the following agencies, which were selected because of the volume of their budget transactions: National Ministry of Education, Ministry of Transportation (MT), Ministry of Health and Social Protection (MHSP), and the National Apprenticeship Service.

26.1 Coverage of internal audit

Under international best practices an internal audit needs to function properly in all agencies of the Central Government.

In Colombia, the legal and technical framework for internal control is governed by the Civil Service Administration Department (CSAD), which the requirement for all ICOs to produce audit plans and work programs, evidentiary documentation, results reports, and follow-up activities to achieve the objectives of the internal audit, as described in international standards.

In accordance with the Internal Control Law[125] and the regulations for Central Government agencies,[126] the Heads of Internal Control are appointed and removed by the President of the Republic, which supports their independence from the highest executive authority of each agency.

The CSAD provides the ICOs with the technical framework for their efforts,[127] assesses the performance of the ICO heads, but it does not comprehensively monitor the work of these offices. Manuals and/or technical guides and reports from the ICOs of selected agencies confirm that, in terms of the work planned and executed, the internal audit function is implemented across the CG.

26.2 Nature of audits and standards applied

Best practices indicate that internal audit activities should focus on the assessment of the adequacy and effectiveness of internal controls. In a similar manner, there should be a quality assurance process within the internal audit function, and audit activities must adhere to professional standards, including risk assessment techniques.

In accordance with the Internal Audits Guide promulgated by the CSAD, ICO efforts include a focus on the adequacy of the Institutional Internal Control System (IICS), which is based on the SICM approved in Colombia, and on the production of annually issued status reports on the state (implementation) of the components of the IICS.[128] However, to date, reports have not been issued that address the effectiveness of the internal controls applied.

The practice of the ICOs reflects much of the International Professional Practices Framework (IPPF), which essentially serves as the Audit Guide for ICOs. However, adjustment of its practice is pending to update this framework. The internal audit plans are prepared based on a risk analysis in accordance with methodologies of acknowledged technical value provided by CSAD. In the case of the ICOs selected for PEFA review, no formal evidence of the existence and operation of a system of quality assurance is found.

[125] Article 11 of Law 83 of 1993, Internal Control Law.
[126] Article 8 of Law 1474 of 2011—Anti-Corruption Statute.
[127] The technical framework for internal audits in the public sector is aligned with the International Professional Practices Framework (IPPF) for audits prior to the most recent update by the Institute of Internal Auditors (IIA) in 2015.
[128] Decree 2145 of 1999, whereby rules (and other provisions) are set forth on the National Internal Control System of Public Administration Agencies and Organs at the National and Territorial-Levels. Circular 100-01 of 2015 from CSAD with respect to the annual executive report on internal control.

26.3 Implementation of internal audits and reporting

Under international best practice, annual audits programs should be in place and accordingly executed, and the internal audit reports should be produced.

OCI reports are sent to the highest executive authority of the respective agency and to the authority responsible for the area audited.

According to the detailed assessment of the ICOs selected for this assessment, it has been established that the plans and programs compared to results reports exceed 88 percent efficiency. Table 3.20 indicates the level of compliance with stated internal audit plans. (The Table draws on CSAD records that are based on reports produced by 219 national agencies—roughly comparable to the Central Government—and that are summarized in the Annual Executive Report for Internal Control for the 2014 period.)

Table 3.20. Level of Compliance of Internal Audit Plans, 2014

Number of agencies	% compliance
193	90-100
24	60-89
2	60

Source: Information recorded in CSAD, 2014.

26.4 Response to internal audits

Under best practice, for all auditees, the administration provides a complete response to the recommendations within the 12 months following the issuance of the internal audit report.

In accordance with current regulations, the authorities of the agencies under internal audit in the Central Government are obliged to answer for the findings and recommendations reported by ICOs.

According to the detailed assessment of the ICOs selected for this assessment, it has been established that for reports issued in the last three years (2013, 2014, and 2015), the institutional authorities have responded to the ICO findings and have done so in a period not exceeding 12 months after the date of delivery of the reports.

Indicator	Aggregate (M1)	General Comments
PI-26 Internal audit	C+	

Dimensions	Score	Explanation of Score
26.1 Coverage of internal audit	B	The internal audit is working in the CG agencies that represent most of the expenditure and budgeted revenues.
26.2 Nature of audits and standards applied	C	The ICOs use risk-based plans and rely on local professional standards, which are partially adjusted to the IPPF. It is a general practice that the ICOs issued comprehensive annual reports on the effectiveness of the

Dimensions	Score	Explanation of Score
		IICS, although they perform partial assessments of compliance with internal controls. There is no evidence on quality systems for internal audits of the Central Government.
26.3 Implementation of internal audits and reporting	B	Most (88%) of scheduled audits are completed.
26.4 Response to internal audits	B	The administration provides information on actions taken based on audit recommendations, but these are only partially executed, but are done so within 12 months after the submission of reports.

3.6 Accounting and Reporting

This section describes indicators PI-27 to PI-29 to assess whether relevant information is recorded properly to provide timely information for decision-making.

PI-27 Financial data integrity

This indicator assesses the extent to which the bank accounts of the Treasury, the provisional accounts, and advances are regularly reconciled, and whether operational processes support the integrity of financial data. The critical period for the assessment of dimensions 27.1, 27.2, and 27.3 is 2014 (with information provided at the time of assessment, while that for dimension 27.4 is the information applicable as of the time of the assessment (November and December 2015).

The following agencies of the Central Government were selected for this indicator: MFPC, MED, MT, MHSP, and the National Apprenticeship Service (NAS).

27.1 Bank account reconciliation

Under best practices, reconciliation of all active bank accounts of the CG should be performed at least weekly at the aggregate and detailed levels, within the week following the weekly period to which they refer.

Reconciliation processes as regulated by the General Accounting Office (GAO), in the Public Accounting Framework (PAF), correspond to each Public Accounting Agency,[129] based on Resolution 357 of 2008, which sets forth that these agencies shall internally establish their own procedure wherein they shall determine the frequency and person responsible for the said activity, as well as setting forth the actions of an administrative, budgetary, accounting, and fiscal type that could be derived therefrom (Law 87 of 1993).

[129] Resolution 357 of July 23, 2008, by which the procedure is adopted for internal accounting control and delivery of the annual assessment report to the General Accounting Office.

Reconciliations of the TSA under Treasury control are performed at the detailed level within three weeks after the closing to which they refer. In the case of the closing ended December 31, 2014, these were available on January 15, 2015.

With respect to bank accounts authorized for public sector agencies, which are not under the direct control of the Treasury, the CG has reported objections regarding weaknesses in their cash accounts amounting to CoP 1.81 billion,[130] including problems with bank reconciliations. Of the agencies selected for this PEFA assessment, NAS was challenged by the CG because of persisting debit reconciling items on its records totaling CoP 979,322 million, and CoP 493,592 million pending crediting, aged up to 16 years, from fiscal 1999 until 2014 (i.e., pending adjustment in subsidiary ledgers). In addition to the PEFA sample set, other national agencies, such as the National Penitentiary and Prisons Institute and the Agricultural Guarantee Fund, also received material objections in the handling of their bank accounts and reconciliations. Therefore, timeliness in preparing reconciliations cannot be generalized, especially for accounts outside the control of the Treasury.

27.2 Suspense accounts

Best practices indicate that the reconciliation of transitional or interim accounts should be prepared at least monthly, within the month following the period to which it relates. Transitional accounts are cleared in timely fashion, no later than the end of the fiscal year unless duly justified.

As indicated in the discussion of 27.1, account reconciliations in general are regulated according to the Public Accounting Framework (PAF) and regulations for the closing of the current accounting period.[131] In accordance with established deadlines, reconciliations of these accounts must be made on a monthly basis and, by the end of the fiscal year, they have a 45-day window after the closing to which they refer.

The DGPCNR confirmed it does not manage suspense accounts; however, footnote 5 of Table 3.9 of the 2014 Report of the GAO on the balance sheet, indicates that there are funds in transit for CoP 1.5 billion at the end of 2014. This account includes transferred securities pending confirmation by the receiving public accounting agency, including monies collected under agreements with financial institutions pending transfer to the accounts of the respective treasuries. These accounts are transient or temporary and must be reconciled at least monthly. During the assessment no evidence of reconciliation of these balances was found.

27.3 Advance accounts

Under best practices, the reconciliation of advance accounts is conducted at least monthly, in the month following the closing to which they refer. All advance accounts are cleared in timely manner.

In accordance with current regulations, the closing activity of the accounting period includes reconciliation and cancellation of advance payments made or received should be performed within

[130] Page 35 of the Audit Report to the Public Finance General Balance.
[131] Number 3.16 of Resolution 357 of July 23, 2008.

two months after the closing of the accounting period (in accordance with the entities deadline of annual reporting—i.e., February 15 of the following year). Contractual rules require that for each specific contract, accounts are created to ensure transparent management of resources, and these accounts register all advances.

In the agencies selected for assessment, it was established that this rule is observed, most probably because there are specific sanctions to maintain balances pending regularization, outside the limits established in the contracts or equivalent thereof. Moreover, there are special controls for handling advances.[132]

27.4 Financial data integrity processes

Under best practices, access to records and the introduction of changes to them are restricted and registered, and an audit trail of changes is produced. There should be an operational body, unit, or team in charge of verifying financial data integrity.

The security of integrated public sector financial information is regulated by the rules on IFIS, under which they mainly register operations for budgets, treasury and accounting. There are policies established by the IFIS Steering Committee to ensure information security,[133] including with respect to who can access the system and the creation of passwords.[134]

Security policies identify responsibilities and set objectives for the appropriate and consistent protection of information assets. The implementation of policies aims to reduce the risk of spreading, modifying, destroying, or improperly using information assets or modifying critical processes, whether accidentally or intentionally. Policies are also established to guide and improve security management of information assets, and these provide the basis for monitoring throughout the organization.

In the case of the Consolidator of Finance and Public Investment application used for the consolidation of equity financial statements, there are audit records available for all changes in permissions, identifying the changes and the date they were made.

Although there is no specific unit responsible for oversight of information and technology security, the internal audit office of each entity has the authority to exercise this function, as does the Office of the Comptroller General.

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[132] According to Article 35 of Decree 1510 of 2013 (free-standing fund for handling advances in the cases provided by law), the contractor shall sign a commercial trust contract to create a free-standing fund, with a trust company authorized for this purpose by the Financial Superintendence, to which the State Agency must deliver the value of the advance.

[133] Policy of the GAO No. GTI02-POL02 of September 24, 2014, "Management of technology platform, Information security policy."

[134] Policy of the GAO No. GTI02-POL01 of September 18, 2014, Users and/or password management policy.

Indicator	Aggregate (M2)	General Comments
PI-27 Financial data integrity	D+	
Dimensions	**Score**	**Explanation of Score**
27.1 Bank account reconciliation	D	Although the accounts managed by the Treasury are reconciled within three weeks following the closing, this is not the case for some Central Government agencies, which have accounts unreconciled for several years; this led the Central Government to issue objections in 2014.
27.2 Suspense accounts	D	There is no information on the treatment of funds in transit that accumulate material figures at the close of fiscal 2014.
27.3 Advance accounts	C	The reconciliation of advances is held annually within the two months following the fiscal closing to which they refer.
27.4 Financial data integrity processes	B	Access and changes to records is restricted and a trace of such access is kept for audit purposes.

PI-28 In-year budget reports

This indicator assesses the completeness, accuracy, and timeliness of information on budget execution. Periodic budget reports must be aligned with the coverage and budget classification to allow monitoring of their implementation and, if necessary, to take timely corrective action. The analysis period is the last completed fiscal year (2014).

28.1 Coverage and comparability of reports

Under international best practices, coverage and classification of data allow direct comparison to the original budget. The information includes all budget items and expenditure transfers to decentralized units of the CG.

Budget Execution Reports (BERs) prepared by the Office of Deputy Director of Budgetary Analysis and Consolidation of the DGNPB of the MFPC are issued during the year showing expenses and current income compared to the approved budgets.[135] They are structured in such a way as to reveal the budget execution by sectors, agencies, types of expenditure, accounts as transfers, sub-accounts, sources of funding, changes during the period, commitments, obligations and payments, the effective date, and the current lag. The classification of the BER is the same used in the Law of GBN.[136]

Additionally, the Economic Transparency Portal (www.pte.gov.co) shows the implementation of expenditure since 2000 and of revenue since 2013, where the initial budget, the current or final

[135] The IEPs can be seen in the section on execution at https://goo.gl/tJxh9K and https://goo.gl/8sPR2l
[136] The General Budget of the Nation for 2014 was approved by Law No. 1687 of 2013.

one, and the budget execution compared with indicators is compared with the best year of execution and the average of recent years.

28.2 Timing of in-year budget reports

Best practices indicate that budget execution reports should be prepared monthly and submitted within two weeks of completion of the period to which they relate. Monthly BERs are issued and published for expenditures, and quarterly for revenue. There is no express rule governing the deadlines for submitting and publishing the BER.

In Colombia, BERs are issued and published for expenditures monthly, and quarterly for revenue. In the case of expenditure BERs, the time elapsed between the closing date to which the report refers and the date it is published on the website is two weeks; for revenue BERs, it is eight weeks (two months) after the close of the calendar quarter to which it relates.

28.3 Accuracy of in-year budget reports

Under best practices, there are no material concerns about the accuracy of the data. The reports provide an analysis of the implementation of the budget according to the budget classifications that are in use and expenditure information in the stages of commitment and payment.

In Colombia, BERs include the entire budget that is approved in the Law of the GBN, and the Settlement Decree at the level of revenue and expenditure and their execution. The reports reflect the records made by agencies of their budget management in the IFIS system and state and compare the current budget or current appropriation, commitments, obligations (accrued, paid, and uncommitted appropriations). The regulations state that IFIS is the only source of information for recording, monitoring, and control. Reports include analysis and comments related to execution.

No reports are known with material objections of from internal auditors of the four agencies selected for assessment, or from the CGC in general for the Central Government, with respect to coverage, quality, or timeliness of the data included in the BERs. For the year 2014, the CG issued a clean opinion on the budget execution.

Indicator	Aggregate (M1)	General Comments
PI-28 In-year budget reports	C+	

Dimensions	Score	Explanation of Score
28.1 Coverage and comparability reports	A	Coverage and classification facilitates comparison of the implementation with the approved and modified budget, using the same classifications, including transfers to other levels of government and deconcentrated agencies.

Dimensions	Score	Explanation of Score
28.2 Timing of in-year budget reports	C	Revenue BERs are prepared and published quarterly, within eight weeks after the close to which they refer.
28.3 Accuracy of in-year budget reports	A	The quality of budget information is reasonable, which is guaranteed by the CG, which issued a clean opinion on the 2014 budget execution. An analysis of the implementation of the budget is provided, monthly and quarterly, covering expenditure information in the stages of appropriation, commitments, obligations (accrued, paid, and uncommitted appropriations).

PI-29 Annual financial reports

This indicator assesses the extent to which the annual Financial Statements (FS) are complete, timely, and consistent with the principles and generally accepted accounting standards. This is crucial for accountability and transparency in the PFM system.

Critical periods are distributed as follows: dimension 29.1, the most recent completed fiscal year (2014); dimension 29.2, the latest financial statements submitted for audit purposes; and dimension 29.3, the financial reports for the last 3 years (2012, 2013, and 2014).

29.1 Completeness of annual financial reports

Best practices indicate that the financial reports of the Central Government (CG) budget be prepared annually, that they be comparable with the approved budget, contain all information about revenue, expenses, financial assets, nonfinancial obligations, guarantees, and long-term obligations, and that they be backed by a reconciled cash-flow statement.

In Colombia there are two types of annual financial reports related to the CG:

1. The report on the General Account of the Budget and Treasury, whose data are obtained from IFIS by the CG for purposes of the audit of the budget execution and Treasury accounts.[137] This report, which includes all information on budget execution in the IFIS (and thus is considered complete), analyzes scheduling and budget execution and cash flows throughout treasury management.
2. The consolidated Public Finance Equity FS, prepared by the General Accounting Office (GAO),[138] includes the national central administration, decentralized agencies, and state-owned companies, and is composed of the report on the Financial Condition and Results at the national level (including the Balance Sheet, the Statement of Financial Activities, the Economic, Social and Environmental Statement of revenue, expenses, and costs, the

[137] Required by Articles 268 and 354 of the Constitution, Articles 38, 39, and 40 of Law 42 of 1993, and Article 310 of Law 5 of 1992.
[138] Accrual accounting in Colombia is governed mainly by the Public Accounting Framework (PAF) under Resolution 354 of 2007.

Statement of Changes in Equity, and Notes to Financial Statements. Additionally, similar statements are prepared for all subnational governments and the entire public sector). It should be noted that a cash flow statement is not prepared, as is required under best practices.

Agencies at the central and decentralized level are part of IFIS, which, based on budget execution, feeds equity financial information automatically, thus providing consistency between the financial accounting and reporting of budget execution for revenue and expenditure. At the CG level, all agencies are part of the consolidation, for which the GAO receives accounting information and consolidates it through the Consolidator FS through the Revenue and Public Investment Consolidator (RPIC). All assets of public agencies are incorporated in the accounting information as of December 31, 2014.[139]

The CG in its 2014 report on the General Account of the Budget and Treasury considers that it has presented the budget's execution and treasury management fairly and without material objections. This is not the case with respect to consolidated FSs, which received a qualified opinion for the year 2014 because of underestimates and overestimates documented by the CG in its report, which reveals uncertainty about the integrity of their data.

29.2 Submission of reports for external audit

Best practices indicate that the financial reports of the budgetary CG should be submitted for external audit within three months after the end of the fiscal year.

The legal framework that supports and underpins the submission of the CG Financial Balance Sheet[140] provides that before July 1 of each year, the CG shall audit and certify the balance of the finances or general balance sheet of the immediately preceding fiscal year, which shall be submitted to the Accountant General by May 15 each year. For the year 2014, the FSs were submitted for external audit by the GAO on that date (i.e., within the five months following the fiscal closing ended December 31, 2014).

29.3 Accounting standards

Under best practices, accounting standards consistent with international standards should be applied to all financial reporting. Therefore, most of the national standards should incorporate international standards. If there are variations between national and international standards the differences should be disclosed and explained. The standards used in the preparation of annual financial reports should be disclosed in notes to such reports.

For the years 2012, 2013, and 2014 FSs were prepared observing the Public Accounting Framework (PAF), consisting of the General Plan of Public Accounting, the Procedures Manual, and Public Accounting Doctrine, harmonized with certain International Public Sector Accounting Standards (IPSAS) in force in 2006. In the year 2013, the GAO began the process of convergence to International Financial Reporting Standards (IFRS) and IPSAS for all agencies of the

[139] See evidence at www.contaduria.gov.co, at the link: General National Balance Sheet.
[140] According to the sole paragraph of Article 354 of the Constitution and Article 47 (paragraph 2) of Law 42 of 1993.

Colombian public sector. Shortly before the PEFA assessment visit, the GAO issued a regulation[141] for government agencies with respect to convergence through adaptation to IPSAS, which would have a period of application from January 1, 2017.

Although the accounting standards used are disclosed in notes to the FSs, no report or explanatory notes are available on the consistency between the standards in the PAF and International Public Sector Accounting Standards (IPSAS) PAF that have been implemented to the date of such statements. The CG in its opinion refers to the verification of compliance with the rules, principles, and procedures set out in the Public Accounting Framework and norms, principles, and procedures governing the technical process of consolidation.

The accounting standards in the Colombian public sector have been enunciated by the GAO through various media, including through institutional training programs to external customers, publication on the GAO's website, in the PAF, and in hard copy publications.

Indicator	Aggregate (M1)	General Comments
PI-29 Annual financial reports	C+	
Dimensions	**Score**	**Explanation of Score**
29.1 Completeness of annual financial reports	C	Financial reports are prepared annually on the CG; they are comparable with the original budget approved and include information on revenue, expenditure, and cash balances. The CG has challenged the integrity of equity FS from material over/under estimations identified in 2014.
29.2 Submission of reports for external audit	B	The CG's FSs are submitted for external audit within the five months following the annual closing of 2014.
29.3 Accounting standards	C	The rules that apply to FS are consistent with local rules that are partially harmonized with IPSAS, but there is no gap analysis of that applied to the preceding years of 2012 and 2013 with 2014. Such standards are disclosed in notes to the FSs.

3.7 External Scrutiny and Audit

The results for the assessment of the indicators PI-30 and PI-31 are presented, which jointly assess the application of scrutiny and accountability mechanisms for public finances.

[141] Resolution 533 of October 8, 2015 on the conceptual framework for the preparation and submission of financial information.

PI-30 External audit

This indicator examines the characteristics of external audits. The critical evaluation period is the three most recent completed fiscal years (2012, 2013, and 2014).

30.1 Audit coverage and standards

Under best practices financial reports, including of income, expenses, assets, and liabilities of the agencies of the Central Government, should be audited using the Auditing Guidelines (ISSAI) of the International Organization of Supreme Audit Institutions and the International Standards on Auditing (ISA) or national standards in line with such standards, for the last three completed fiscal years ended. Audits should highlight important issues and systemic and control risks.

Table 3.21 displays the audit coverage of the budget executed by the CG for 2012, 2013, and 2014, for which the CG used government auditing standards that were partially consistent with international standards. To date an analysis is not in hand that reveals in detail the differences between these standards, although the Government indicated in its opinion that such standards were partly consistent with the ISSAI.

According the CG, a recent independent assessment of its audit performance, based on the INTOSAI methodology, found that the financial audit is about 75 percent in line with international standards, the compliance audit is at 60 percent, and the performance audit yielded the lowest score, at around 25 percent. Currently, the CG is moving forward with a strengthening process to adjust its practice to such standards.

Table 3.21. CG Audit Coverage on the Annual Budget
(CoP billions)

Description	2012	2013	2014	Average
Expenditure budget of the nation	165.6	189.0	196.9	183.8
Coverage of CG audits (%)	88.1	89.7	85	87.6

Source: Internally prepared with data provided by the CG.

CG reports for the three years evaluated reveal important issues about weakness in the reliability of financial statements that have produced adverse opinion on fiscal year 2013 and with qualifications for 2012 and 2014. In this sense, it can be said that the audits highlighted material relevant issues and systemic and control risks.

30.2 Submission of audit reports to the legislature

Best practices indicate that external audit reports should be submitted to the Legislature within three months of receipt of financial reports by the Supreme Audit Institution (SAI).

The relevant law[142] provides that before July 1 each year, the CG shall audit and certify the Financial Balance or General Balance of the fiscal year immediately preceding, which shall be

[142] 126 Article 47 of Law 42 of 1993, on the organization of the fiscal control system and controlling entities.

submitted to the Accountant General by May 15 each year. The General Account of the Budget and Treasury, which includes the Statement of Public Debt,[143] is sent no later than July 31 of each year.

Table 3.22 shows the dates of submission of annual audit reports sent by the CG to the House of Representatives.

Table 3.22. Audited Financial Statements, 2012-2014

Year	Financial General Balance (Consolidated Financial Statements)		
	Reception by the CG	**Submission to Congress**	**Months elapsed**
2012	May 15, 2013	June 28, 2013	1.5
2013	May 15, 2014	June 27, 2014	1.5
2014	May 15, 2015	June 30, 2015	1.5

Source: Prepared internally based on information from GAO, 2014.

Individual audit reports of agencies are not sent to Congress, but the Financial General Balance compiles the results of individual audits performed on agencies subject to control.

30.3 External audit follow-up

Under best practice, where applicable, clear evidence should be available on effective and timely tracking by the Executive or audited agency.

The CG does not make recommendations. The audit findings on agencies are forwarded to the highest authorities of the audited agencies, which have a legal obligation[144] to formulate an improvement plan to address them. With respect to the audit of the Public Finance General Balance, although important findings are noted that affect the opinion of the CG, and in some cases these findings may be reiterated for the three years assessed, no improvement plan is requested nor are recommendations made.

Improvement plans for each agency should be issued by their highest executive authority, within the term established in the control action report by the competent department of the CG. There are no uniform terms or deadlines. The time limits begin to take effect for each control subject, from the effective date of receipt of the report. The competent department of the CG verifies that the subject of fiscal control submitted an improvement plan within the term provided from receipt of the report. With respect to reporting on the progress of the improvement plan, the frequency is biannual, with cut-off dates of June 30 and December 31.

[143] This is not a statement produced by the GAO or the MFPC budget report. It is information obtained directly by the CGC from the Integrated Financial Information System (IFIS); this budgetary information is directly used by CGC for its audits.

[144] Organizational Resolution No. 7350 of November 29, 2013 establishes the Electronic Accountability and Reporting System (EARS), which should be used by fiscal control subjects for the submission of accountability and reporting to the CGC.

For the findings reported at the level of individual audits and which are part of the improvement plans, the Electronic Accountability and Reporting System (EARS) application is used, a tool through which agencies record these plans and their progress. The monitoring is done by the CG through subsequent audits and the results are reflected in the individual audit reports. However, no evidence is available of statistics or reports that reveal the actions taken in each agency to overcome or respond to the findings identified in the audits and subsequent actions resulting from weak or no reaction from the authorities.

Because of this gap, an institutional strengthening project is underway, which includes planning, implementation, and monitoring of control measures.

30.4 Supreme Audit Institution (SAI) independence

Under best practices, the SAI should function independently of the executive branch, regarding the procedures for appointing and removing the Director of the SAI, planning audit engagements, mechanisms for disseminating reports, and the approval and implementation of the budget of the SAI. This independence is guaranteed by law. The SAI has unrestricted and timely access to records, documents, and information.

According to Colombia's Constitution:[145] "The comptroller is an agency of a technical nature, with administrative and budgetary autonomy." It also provides that the Comptroller be elected by the full Congress in the first month of its sessions for a period equal to that of the President of the Republic, from a slate of three candidates submitted, one each by the Constitutional Court, the Supreme Court of Justice, and the Council of State, and only the Legislature may remove this person, for serious offenses set out in the existing legal framework.

Delegated sector comptrollers, the deputy comptroller, and office heads are appointed and removed by the Comptroller General of Colombia.

The legal framework guarantees the independence of the CGC to decide on its plans and other necessary external control interventions and there are no restrictions with respect to practicing said control, except in cases of national defense and others identified under the law, which although they do not prevent access, do require compliance with certain protocols, such as in the case of defense and security.

Indicator	Aggregate (M1)	General Comments
PI-30 External audit	C+	

Dimensions	Score	Explanation of Score
30.1 Audit coverage and standards	B	For the years 2012, 2013, and 2014, external control of the CG has covered revenue, expenditures, assets, and liabilities of most of the implementation of the CG budget, and the reports have highlighted significant issues on the financial situation of the CG. The audits are

[145] Article 267 of the Constitution of Colombia.

Dimensions	Score	Explanation of Score
		based on local auditing standards, which are not fully harmonized with the ISSAI.
30.2 Submission of audit reports to the legislature	A	For the three years assessed, audited financial reports were sent to the Legislature within three months after the date on which they were received for consideration.
30.3 External audit follow-up	C	The CG receives a formal reply from auditees to its reports with findings of internal accounting control, but not on the findings reported as part of the reservations and objections in their professional opinions. No comprehensive reports are issued on the degree of assimilation of external control. In fact, there are repeated objections of the CG on the financial reports showing an uncertain process of correction by those audited.
30.4 Supreme Audit Institution independence	A	The SAI (CGC) is independent from the CG with respect to appointment and removal of its staff and its budget (which is approved by the Legislature), and it has access to all such records, systems, and public facilities it deems necessary. The appointment of the Comptroller General complies with the legal provisions.

PI-31 Legislative scrutiny of audit reports

This indicator focuses on the legislative scrutiny of audit reports on the FS of the CG, including institutional units, insofar as these (i) are required by law to submit audit reports to the Legislature, or (ii) the 'parent' of controlling units must answer questions and take action on their behalf. The critical period for analysis is the three most recent completed fiscal years (2012, 2013, and 2014).

31.1 Timing of audit report scrutiny

Under best practices, scrutiny of audit reports on the annual financial reports should be completed by the Legislature within three months of receipt. The critical period for analysis is the three most recent completed fiscal years (2012, 2013, and 2014)

In accordance with the existing legal framework,[146] the Legislature, through the House of Representatives' Legal Accounts Committee (LAC), examines the audit reports of the annual financial reports of the Central Government, submitted to it by Comptroller General (CGC), within the legal time limits specified in Indicator PI-30.

Once the LAC examines these reports, it recommends that the Plenary of the House of Representatives to close and file or not to close the General Account of the Budget and Treasury

[146] Article 178, paragraph 2, of the Constitution and Article 310 of Law 5 of 1992 "Organizational Regulation of Congress."

and the General Balance of the Nation. Table 3.23 indicates various relevant process dates and the elapsed time for the consideration of the Legislature.

Table 3.23. Dates for Scrutiny of Annual Audit Reports, 2012-2014

Year	Delivery Date for the CGC	Date of Closing Minutes of the House of Representatives	Resolution of the House of Representatives (in plenary) No.	Elapsed Time from Submission of Reports by the CGC (months)
2012	June 28, 2013	October 10, 2013	MD 3027	5
2013	June 27, 2014	October 12, 2014	MD 3275	5
2014	June 30, 2015	January 12, 2015	MD 2457	5

Source: Prepared by the LAC, 2015.

31.2 Hearings on audit findings

Best practices indicate how frequently in-depth hearings should be conducted on the results reported in audit reports, with officials responsible for all audited agencies receiving an audit opinion that is qualified or adverse, or a disclosure or disclaimer, and with key officials involved in the preparation of financial information and internal control reports[147] and representatives of the SAI to explain the findings.

As part of LAC's work, documentary evidence is made available of explanations offered by agencies to account for audit reports that have drawn a Comptroller General (CGC) response that withheld, denied, or offered a qualified opinion with to aspects of agency FSs or budget execution. In addition, such agencies have the right to challenge CGC reports before LAC. All such events are recorded in the LAC meeting minutes.[148]

Moreover, LAC hearings are also held with other authorities, such as the Minister of Finance and other ministers, the Comptroller General of the Republic, the Accountant General, and the Budget Director, among others. There are no statistics to establish a percentage of such hearings measured against the potential set; however, they appear to be rare.

As part of their review, LAC has the authority to obtain additional information directly from public agencies. For example, during the scrutiny of CGC reports for 2014, it requested and obtained from 347 agencies budget, accounting, administrative, internal accounting control, and implementation information as well as update of SICM, reports of the statutory auditors (where so mandated in law), and compliance improvement plans.

[147] See minutes of the Legal Accounts Commission No. 17 of August 26, 2015 on hearings of the Accountant General, the Director of the Civil Service, and the Attorney General, and Minutes No. 18 of September 2, 2015 of the hearing of the Comptroller General of Colombia.
[148] See examples in the minutes published in the Congressional Gazette and Resolution 001 of November 13, 2015, pages 4 to 7, and Chapter 2, page 412 and beyond.

31.3 Recommendations on audit by the Legislature

Under best practices, the Legislature should produce recommendations for actions to be implemented by the Executive, and should systematically monitor their implementation.

However, in Colombia, the Legislature does not issue recommendations to the Executive and therefore does no monitoring. The House's LAC has the primary function of submitting the draft resolution, by which it proposes to the Plenary of the House of Representatives the Closing of the General Account of the Budget and Treasury (without producing recommendations to the Executive); additionally it has the function of developing and promoting Congress's oversight capacity.

All LAC comments on the financial, accounting, and budgetary performances, and on internal accounting control and SICM, are recorded in the Closing Resolution, which, after approval by the Plenary of the House, is forwarded to the President of the Republic, all Cabinet ministers, control entities, the Office of the Accountant General, and other CG-level agencies, to take measures to correct and rectify those comments, give clarity to the management of public finances, according to the Constitution, laws and international financial reporting standards. Although, as noted, this presentation does not entail recommendations to, or tracking of, any Executive response, members of LAC in the next period, as recorded in the proceedings thereof, frequently question the lack of such follow-up.

31.4 Transparency of legislative scrutiny of audit reports

Under best practices, all hearings should be conducted in public except in strictly limited circumstances, such as discussions related to national security or similarly sensitive matters. The Commission reports should be debated in plenary of the Legislature and published on an official website or through any other publicly accessible medium.

LAC hearings are not public, but those of the House of Representatives are and there is a television channel that broadcasts many of the plenary sessions. The Institutional Channel is an open public television with national coverage, created in September 2003 by the National Television Commission to inform citizens about the development of draft bills, promote the social policy of the State, and disseminate public information on programs and projects. Its programming comprises live broadcasts of committee (exclusive of LAC) and Plenary Sessions of the Congress.

As illustrated by the examples cited in discussion of dimension 31.2, the analysis and results of legislative scrutiny, which are discussed in the plenary chambers of the House of Representatives, are published in records that are publicly available (with some limitations with respect to the House website).

Indicator	Aggregate (M1)	General Comments
PI-31 Legislative scrutiny of audit reports	D+	

Dimensions	Score	Explanation of Score
31.1 Timing of audit report scrutiny	B	Scrutiny of the annual audit reports by the Legislature is completed within six months after receiving them from CGC.
31.2 Hearings on audit findings	C	Hearings with the authorities of agencies whose financial statements have drawn CGC objections are rare. However, LAC obtains formal explanations related to the CGC objections from said agencies, and it is customary to convene the Minister of Finance and his or her officials and those of the Comptroller General regarding the submission and scrutiny performed.
31.3 Recommendations on audit by the Legislature	D	Performance is less than that warranting a 'C.' The Legislature does not issue recommendations to the Executive.
31.4 Transparency of legislative scrutiny of audit reports	C	LAC reports are published on the website of the House of Representatives, so that they are easily accessible to the public.

4. ANALYSIS OF PFM SYSTEMS

4.1 Integral Assessment of Performance Indicators

An assessment is presented below of the results of the PEFA Colombia Assessment 2015, based on the seven pillars that structure the Performance Indicator framework for PFM measurement, with particular attention given to identifying the main strengths and weaknesses that affect the achievement of expected fiscal and budgetary performance.

Reliability of the budget (PI-1 to PI-3)

The reliability of the budget is one of the strengths of Colombia's PFM system. The General Budget of the Nation (GBN), which is approved annually by Congress, in its component of spending (or appropriations bill) does not undergo significant changes during the implementation phase, both generally and as disaggregated by administrative, sectoral, and economic categories. In no year of the analysis period (2012-2014) did the deviation between the budget as approved and executed exceed the 10 percent limit set for achieving a 'B' standard.

Changes that can be introduced by the Executive during the budget exercise are clearly defined, limited, and strictly respected, leaving those changes that require altering the initial values approved in the budget law subject to review and legislative authorization. It is also remarkable that the contingency budget items are not used to affect sectoral spending priorities established.

Revenues are projected properly and, consequently, the securities registered in the component on rents and capital resources of the GBN do not suffer significant deviations at the aggregate level during the implementation phase. In none of the years between 2012 and 2014, are substantive changes experienced in relation to international best practices. The institutional arrangements for preparing fiscal forecasts, including the preparation of a 10-year Medium-Term Fiscal Framework by the MFPC are appropriate and work in practice.

The variance in the composition of revenue as planned and actually executed shows high levels relative to international best practices, and was modified in each year of the analysis period by more than 10 percent. This result adversely affects the budget reliability, but does not detract significantly from the overall performance.

Transparency of public finances (PI-4 to PI-9)

The PFM system in Colombia has mixed performance in terms of universality and fiscal transparency. Indicators measuring compliance with international standards of budget transparency show better performance than indicators that more closely measure universality, comprehensiveness, and results-based management of the budget.

The first indicator set measures (i) the adequacy of the information sent by the Executive to Congress, together with the draft budget, to support the latter's analysis and scrutiny during the approval process; (ii) public access to key tax information, in timely manner and through appropriate media; and (iii) the existence of clear rules on the transfer of resources to subnational governments. In all these indicators, PFM practices in Colombia show solid performance.

Indicators associated with the comprehensiveness and universality of the budget also stand out as an important strength, and include in the regular financial reports of revenue and expenditure, operations undertaken by agencies that are not included in the GBN.

The General Accounting Office reported that with few exceptions, extra-budgetary agencies report their budgetary and financial statements for consolidation into the Nation's General Balance.

This is not the case for indicators related to (i) budget classification and (ii) performance information for the delivery of services. In the first case, the budget classifiers system is not aligned with international standards, and although the budget document presented to Congress is organized by sectoral, functional, and economic classifications, the budget itself is not formulated, executed, or reported with these classifiers. Additionally, the link between the budget classifiers and the chart of accounts is still weak.

Moreover, the budget in Colombia still does not include consistent and complete performance information for resources allocated to major ministries for the provision of goods and services in the form of "products" or "results" with goals and measurable indicators. (This deficiency is being addressed in the MFPC reform plan.) A notable exception to this general proposition are the assessments conducted by the NPD to ensure the proper functioning of sectoral programs included in the National Development Plan, 2014-2018.

Management of assets and liabilities (PI-10 to PI-13)

Asset management and public liabilities is a newly incorporated pillar in the PEFA methodology, and Colombia's performance is generally in line with international best practices.

In first instance, management of public debt stands out with (i) all public credit operations (internal and external) and their records being contained in a proprietary system; (ii) control over servicing of debt is daily and ongoing for the obligations of agencies in charge of operations that have sovereign guarantees; (iii) quarterly reports are produced that account for the amounts disbursed, amortization, the balance of the debt, and the debt composition between internal and external; and (iv) the procedures for granting loans and guarantees meet clear criteria that are properly regulated and are public knowledge. In addition, the Central Government has a medium-term debt management strategy that operates as a guide or framework to be followed regarding the composition of debt in terms of currency, interest rate, and maturity profile (deadlines). Under this framework objectives and goals are set each year for the next fiscal period and the five following years, and tracking is performed and is included in internal reports and in the MTFF document that is delivered to Congress.

The national system of public investment in Colombia also complies with international best practices with respect to conducting economic, financial, and social evaluations on the basis of a uniform methodology, Adjusted General Methodology, that facilitates the process of formulation and allows recording of the most important investment projects during the progress of the phases for identification, preparation, evaluation and scheduling, as well as physical, financial, and management tracking and monitoring for each project. However, the system has weaknesses in linking investment and operating costs with the documents that are part of the annual and medium-term budget system.

Public asset management shows a mixed performance, to the extent that an integrated annual performance report has not yet been published and inconsistencies in accounting and reporting of material values of financial assets (other than the treasury single account) and nonfinancial assets have contributed to the Comptroller General (CGC) issuing a qualified opinion on the financial statements for fiscal year 2014. Records of nonfinancial public assets are deconcentrated in each executor and an integrated database is not available where coincidence with consolidated IFIS records can be verified. Moreover, a physical inventory of the Central Government's fixed assets or of the public sector in general is not available, reconciled with accounting records. However, these weaknesses are mitigated to some extent by the transparency with which the transfer or divestitures of financial and nonfinancial public assets is managed.

Finally, the greatest weakness in relation to international best practices is still present as regards the preparation and reporting of fiscal risks affecting the Central Government. At the time of the assessment, beyond the risks analyzed in the medium-term fiscal framework, a comprehensive report of fiscal risk is not available to analyze the manner in which the operations of state-owned enterprises and subnational governments can affect fiscal stability. However, the advances that have occurred in recent years to identify and quantify the most significant contingent liabilities mitigate these weaknesses.

Policy-based fiscal strategy and budgeting (PI-14 to PI-18)

The Government complies with international best practice, because it has the institutional capacity to perform sound macroeconomic and fiscal forecasts and instruments and fiscal rules that support a sustainable fiscal strategy. For the preparation of annual budgets and estimates of revenue and expenditures over the medium term, the Central Government prepares and presents— together with the annual draft budget bill— the MTFF, a legally regulated instrument since 2003.

This document provides a detailed analysis of macroeconomic and fiscal performance observed over the previous period and a description of the expected future behavior of the main economic variables and fiscal outcomes for the next term and over the medium term (the next ten years). The fiscal strategy, which is also part of the MTFF establishes quantifiable objectives within the framework of the fiscal rule adopted since 2012, which establishes a declining trend for the structural deficit path for the national government, with goals through 2022 that are the object of tracking and accountability to Congress.

The medium-term projections are made on the basis of well-founded and explained macroeconomic and fiscal assumptions; however, there may be differences in the process of formulating these, since there is no review and unification with other agencies on estimates and methodologies used, and no central or alternative scenarios of fiscal forecasts are submitted, except those made for the analysis of debt sustainability.

Revenue forecasts meet the standards of international best practices, given they have procedures and assumptions by revenue that are explained in documents such as the MTFF and more detailed annexes accompanying the draft budget bill. There are also standards and methodologies to annually identify all laws that have a fiscal impact on both expenditures and revenues, and analyze the effects these may have on fiscal sustainability goals.

A Medium-Term Expenditure Framework (MTEF) has been prepared since 2006. This instrument has a four-year timeframe and is organized under a sectoral scheme. Its estimates use the expenditure space established in the Medium-Term Fiscal Framework (MTFF), in line with the fiscal rule. The appropriations approved by the Central Government over the medium term are made known to agencies prior to the start of the budgeting process, with those for the first year coinciding with the draft General Budget of the Nation, but not the estimates defined for the following years, which are only for reference purposes and are subject to changes in fiscal or sector policy and also to changes in the economic outlook or adjustments in the calculation parameters. The submission of allocations does not comply with best practice, because budgeting documents do not include disaggregation by ministry and are not submitted by economic or administrative classification, or by program or function. Nor is there a detailed explanation of changes at the ministry level of expenditures that would enable reconciling and exposing differences that may arise between a new fiscal period and its predecessor, or between the second year of the previous fiscal year with the first year of the new MTEF.

A clear timetable is available for scheduling of the budget that, in general, is observed. However, the final ceilings to schedule the draft budget bill are only known three weeks in advance to being submitted to Congress, which strays from best practices, because the time for completing or adjusting the detailed budget scheduling is limited. However, Congress has five months prior to its opening to examine the draft budget bill, time that may even increase if counted from the time the preliminary draft budget is delivered to the economic committees of the Legislature.

The congressional examination of the draft budget bill follows international best practices given it encompasses fiscal policies, the fiscal framework and medium-term priorities, as well as specific details of expenditure and revenue estimates. Formally established procedures are in place for its scrutiny that are respected in practice and which include (i) the creation of specialized commissions for study of the draft budget, (ii) discussion and approval of the draft budget bill, (iii) negotiation procedures, and (iv) application mechanisms for public consultations.

However, the scrutiny process does not fully comply with best practice because Congress lacks a technical support body to provide advice during the review process of the draft budget bill. Finally, the rules established authorizing amendments to the budget that concern the Executive branch, are clear and the procedures are generally respected by the MFPC and other relevant institutions.

Predictability and control in budget execution (PI-19 to PI-26)

The management of revenues is partly adjusted to international best practices. Taxpayers have updated and timely information at their disposal regarding their obligations and procedures for filing claims through the DNTC webpage, telephone help services, and on-site support, as well as tax culture-generation events. Moreover, DNTC performs selection processes and enforcement actions based on risk management processes for statements, payment, tax records, and customs duties. The weaknesses are associated primarily with the practices of planning, implementation, and monitoring of audits and enforcement, given expected results have not been achieved in terms of additional revenue and coverage, and in the complete absence of regular and systematic reconciliation with the Treasury of data such as statements or official acts (appraisals), the values collected from collections management efforts, or the state of arrears.

In Colombia the Treasury Single Account system that centralizes—through the entire process of collection, transfer, management, and drawing of funds—resources generated by the agencies that are part of the General Budget of the Nation. Within this system, balances on accounts managed directly by the Treasury are known or consolidated daily, although there are authorized collections and payments accounts at agencies over which it is only possible to consolidate the available balances on a monthly basis.

The Central Government has the capacity to forecast payment commitments and to provide reliable information on the availability of funds to the budgetary entities through the short-term financial instrument for the execution of revenue and expenditures known as the Annual Monthly-Based Cash Program (AMCP), by which the monthly amount of funds available is defined in the Treasury Single Account for payment of commitments made in the course of the budgetary appropriations incorporated in the Budget and financed with the Nation's resources. However, for the three years under assessment, the amount of accounts payable is significant, representing between 7.1 percent and 9.0 percent of total expenditures.

The administration, authorization, and registration of new products, the organization of payroll, and related internal controls are deconcentrated in the executing agencies, which use different applications that are not integrated with the IFIS's payment system which, through the TSA, disburses payments to each employee. In this sense, there is no comprehensive reconciliation of the information, and if the data from each agency yields mistakes, they cannot be detected before payment by the central system. Reconciliations between individual records and payroll depend on each agency, and there is no certainty that this is done regularly. In fact, payroll audits are partial and there is no assurance reporting on internal audits or of the CGC on the reliability of the multiple applications in operation.

The public procurement system has improved significantly, with considerable alignment with international best practices. However, a significant amount of contracting is still performed through the direct method, which reduces security in the use of public funds. EPPS, the system which should record all procurement plans, the contracting process, and the results of contracts, may not include all contracts; thus, NPPA, as lead procurement agency, carries out tasks intended to achieve full integration of data and the production of reliable and useful information about procurement processes. The indicator on government procurement is further affected by the absence of an administrative complaints or appeals process, with a specialized court to intervene and speedily settle disputes. Thus, the public is limited to seeking complaint resolution through the ordinary courts, a process that may well take several years, with final resolution long after the applicable work of `contested contracts has been completed.

At the level of the structure and adequacy of internal control systems, SICM displays considerable consistency with international best practices. The Civil Service Administration Department (CSAD), as the governing body for internal control, annually publishes a maturity report at the public sector level; in the period of analysis, this was scored as "satisfactory maturity." These reports, however, are the result of surveys sent by agencies and are not subject to external verification of their quality (quality assurance), thus leading to uncertainty about systemic reliability. Moreover, an annual report is not produced on the effectiveness of the controls, which appear properly designed according to the agency surveys.

Notwithstanding the foregoing, at the level of internal controls for non-salary expenditure, and especially that of IFIS, which has automated controls, there is reasonable security with respect to the prevention of arbitrary use of expenditure commitments and, in general, the overall payment system, especially that of the TSA. The internal audit also has adequate coverage and execution in relation to planned activities, although the efforts only partially align with international best practices. There is a need for a more comprehensive development of a quality assurance system that would, among other things, generate assurance reports on the effectiveness of internal control. The response of institutions to the recommendations of individual internal audits is reasonable and no major setbacks are observed.

Accounting and reporting (PI-27 to PI-29)

Budget execution reports are comprehensive and go some way to meeting best practices. Public spending reports are prepared and published monthly in a timely manner, but the earnings reports are prepared and published quarterly, within eight weeks after the closing to which they refer.

Overall access to and records changes in budget, budget execution, accounting ,and management of payments under the Central Government is restricted and an access print is kept for audit purposes.

Bank accounts managed directly by the Treasury are reconciled promptly in accordance with the best practices, but this is uncertain, as reported by CGC, for other bank accounts that are managed by public agencies, some of which the Central Government has challenged, with amounts of considerable magnitude pending clarification. Moreover, no information is available about reconciliations, legalization, or compliance with other rules for funds in transit reported in the financial statements for amounts considered material, and reconciliation of advances is only performed annually, with some delay.

The consolidated financial statements, in which the Central Government is included, are prepared annually, according to local accounting standards (IPSAS as partially adjusted) and are subject to scrutiny by CGC within five months of the annual closing. At the close of 2014, the CGC issued qualifications on the financial statements with respect to their completeness due to over- and under-estimations.

Scrutiny and external audit (PI-30 to PI-31)

The CGC submits their reports for scrutiny of the Legislature in timely fashion. Its professional practice is partially adjusted to international best practices. Although the CGC does not issue recommendations, it presents findings; moreover, there are no reports on the degree of assimilation of external control by the Executive branch. In fact, recurring shortcomings persist in the opinion of the Comptroller General (CGC), without being overcome.

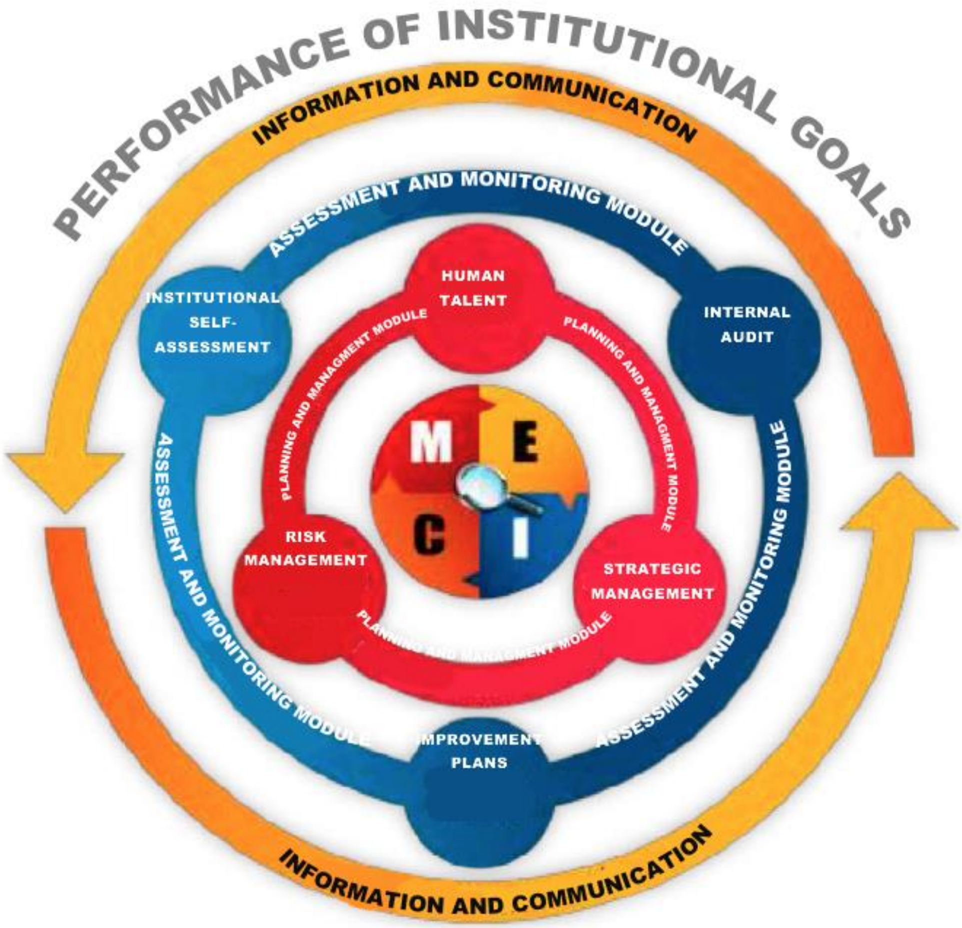
For its part, the Legislature examines reports of the CGC within six months after receiving them. Hearings are not often held with the authorities of those agencies to which the CGC entered objections with respect to their financial information, and no conclusions to close or not close accounts has been rendered with respect to fiscal year 2014. Given that the Legislature does not make recommendations for follow-up implementation to address audit finding it is uncertain how effective such scrutiny can be.

4.2 Effectiveness of the Internal Control Framework

As indicated in Section 2.3, the legal and regulatory internal control framework is supports a wide range of standards, including those of the Internal Control Act, the National System of Internal Control, and the Standard Internal Control Model (SICM), the last of which is based on standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Internal Control Guide of the International Organization of Supreme Audit Institutions (INTOSAI), which represent best practice.

Although the SICM was updated[149] in 2014, and it refers in its technical manual to the principles of internal control from the COSO 2013 document, its consistency with international standards is partial. Figure 4.1 illustrates the SICM structure.

Figure 4.1 Structure of the Standard Internal Control Model



The SICM is structured with (i) two modules: Planning and Management Control, and Assessment and Monitoring Control, (ii) six components, (iii) 13 elements, and (iv) a cross-cutting axis focused on information and communication. The comparative analysis outlined in Tables 4.1 and 4.2, reveals the inconsistencies of the SICM with best practices.

[149] Decree 943 of 2014, whereby the SICM is updated.

Table 4.1. Comparison of COSO/INTOSAI and SICM Internal Control Components

COSO/INTOSAI Components	SICM Components	Observations
	1. Human Talent	In the COSO/INTOSAI model, this is not shown as a separate component but as part of the Control Environment.
1. Control Environment		Not shown in the SICM as a component.
2. Risk assessment	2. Risk Management	Basically consistent.
3. Control activities		Not shown in the SICM as a component.
4. Information and communication		In SICM it is defined as a transverse axis.
5. Monitoring		Not shown in the SICM as a component.
	3. Strategic Management	In the COSO/INTOSAI model, this is not shown as separate component, although it is part of the Control Environment.
	4. Institutional Self-Assessment	In SICM they are included as components, areas that correspond to COSO Principles.
	5. Internal Audit	
	6. Improvement Plans	

Source: Prepared by the evaluator based on the SICM Technical Manual.

In summary, (i) the COSO/INTOSAI standard does not consider the definition of modules as set forth in the SICM, and (ii) of the six SICM components, the only consistency is reflected in risk management. Moreover, the SICM includes 13 elements, which are partially consistent with the 17 new principles provided in the COSO document (2013) of best practices. Table 4.2 provides a schematic of the comparative analysis of the elements of the SICM against the principles of the COSO document:

Table 4.2. Internal Principles or Elements COSO/INTOSAI vs. SICM Elements

COSO/INTOSAI Components	SICM Components	Observations
1. The organization demonstrates a commitment to integrity and ethical values.	1. Agreements, commitments, or ethical protocols	Basically consistent.
2. The Board or equivalent demonstrates independence from management and exercises oversight of the development and performance of internal control.		This is not is specifically carried out in the SICM.
	2. Development of human talent	Not specifically developed in the COSO/INTOSAI model, it is part of the Control Environment component.
	3. Plans, programs, and projects	It is not specifically carried out in the COSO/INTOSAI model.
	4. Process-based operation model	Not specifically carried out in the COSO/INTOSAI model.

COSO/INTOSAI Components	SICM Components	Observations
3. The administration establishes, under the supervision of the Board or equivalent, the structure, line of reporting, and appropriate authority and responsibility for achieving the objectives.	5. Organizational structure	Basically consistent.
4. The organization demonstrates a commitment to attracting, developing, and retaining competent individuals in consistency with or aligned with the objectives.		The SICM, though not explicitly, starts off from this principle. Discussed in development of human talent.
5. The organization requires its employees to be accountable for their internal control responsibilities in achieving the objectives.		The demand for accountability for internal control is not explicit in the SICM.
6. The organization develops the objectives clearly, so it is possible to identify and assess the risks related to these objectives.		Covered generally in relation to development objectives in the element Plans, Programs, and Projects. However, in SICM risk analysis is done at the process level and not from the objectives as established by the international standard.
	6. Risk management policies	It is not specifically carried out in the COSO/INTOSAI model.
7. The organization identifies risks to the achievement of its goals throughout the organization and analyzes to provide a basis for determining how they should be managed.	7. Risk identification	Consistent overall level, although SICM are treated separately and risk assessment is done at the process level.
	8. Analysis and Assessment of Risks	
8. In assessing the risks, the organization considers potential fraud.		It is not specifically mentioned in SICM.
9. The organization identifies and assesses changes that could significantly impact the internal control system.		It is not specifically mentioned in SICM.
10. The organization selects and develops control activities that contribute to mitigating risks to the achievement of the objectives at acceptable levels.		Identifying controls in SICM is part of the Analysis and Risk Assessment element, understanding that controls for processes are performed.
	9. Management Indicators	Not developed specifically in the COSO/INTOSAI model; the indicators and operating policies (manual) are presented as actions to mitigate risks that may be embedded in processes or separate from them.
	10. Operating Policies	

COSO/INTOSAI Components	SICM Components	Observations
11. The organization selects and develops general control activities over technology to support the achievement of the objectives.		In the SICM, in the transverse axis Information and Communication, reference is made to information systems as a means of communication; this it is not the approach set out in COSO/INTOSAI.
12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.		In SICM they directly relate to operating policies, but the best practice is focused on specific control activities.
13. The organization obtains or generates and uses relevant quality information to support the operation of internal controls		Partly consistent. In SICM it is treated as part of the transverse axis called Information and Communication in the Information and Communication internal and external element. The difference between the two models is that the scope of the SICM goes beyond communications on internal control and generalizes the concept.
14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the operation of internal control.		
15. The organization communicates with external parties on matters affecting the operation of the internal control.		
16. The organization selects, develops, and performs ongoing or separate evaluations to determine whether internal control components are present and functioning.	11. Control of self-assessment and management	Not specifically developed in accordance with the COSO/INTOSAI model. In the context of best practices, ongoing evaluations are understood, but not exactly as self-assessments.
	12. Internal audit	Consistent
17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board of Directors or equivalent as appropriate.	13. Improvement plans	These categories of improvement plans are not raised as such in the COSO/INTOSAI model. Under best practices, prior to requesting improvement plans there is the step of communicating assessment results to the appropriate level at which remedial action should be taken, and to third parties (e.g., MFPC).

The differences between the models suggest variances from best practices, arising from a particular interpretation that is not generally accepted. There appears to be a blend between administrative practices and internal control practices, which can impede the identification of control components and principles, and therefore the implementation and subsequent evaluation of the internal control system.

As for the effectiveness of internal control, it should be noted that, in general, it is still not a practice in Colombia that either internal auditors, or the highest executive authorities of public institutions, or the Comptroller General the Republic (CGC) periodically issue comprehensive reports on how appropriate and effective the internal control system is at the Central Government or institutional levels. The only report that is issued by CSAD is based on surveys, without an independent assurance.

The CGC prepares an annual report, *only* related to internal accounting controls, that indicates a satisfactory level of control assurance; however, it is only based on the sample of agencies that were audited and the assurance is not supported by a methodology of recognized technical value from which a valid conclusion could be derived. The parameters used are different from those of the CSAD survey-based report referred to in the preceding paragraph. The CGC 'satisfactory' conclusion is not in line with the type of opinion issued in the last three years, which keeps CGC far from international standards.

At the time of the evaluation, a formal study of the degree of maturity of internal control in the public sector and lessons learned in the years since the last update of 2014 was not available.[150] In fact progress is uncertain, since from SICM's implementation, no progress is observed in the reliability of financial information (CGC objected to the financial statements in 2012 and 2014 and issued an adverse opinion in 2013). Meanwhile, during this period there has been frequent evidence of ongoing cases and cases tried for corruption in procurement and other areas of public administration, which also suggests uncertainty about the effectiveness of internal control, particularly in terms of prevention of fraud risks.

In terms of internal controls for budget spending and public procurement, there are a significant number of rules and regulations, some of which are specifically identified in the analysis of indicators in Section 3 of this report. The rules governing the Treasury and, in particular, budget execution and the Treasury Single Account, together with the specific mechanisms of information technology incorporated into IFIS, provide assurance regarding compliance with the commitment control on cash allowances under the cash program.

The payment system is well defined and controlled from registration of receipt of goods and services that should be registered as accrued. Each agency linked to the TSA must meet established protocols on documentation, segregation of incompatible functions, and chart of accounts for registration provided for in the PAF, so that payment is accepted by the IFIS and, consequently, the transfer is made within the TSA module.

Registered commitments that have not resulted in closing tax obligations generate budgetary reserves to be executed during the next fiscal year. Accounts not paid at the end of the fiscal year continue as accounts payable and must be paid during the following year. These items are treated as budgetary backlogs and do not affect the budget for the current year.

[150] In Annex 3 of the technical manual, the changes in SICM between the previous and new versions are identified.

In short, the degree of effectiveness of internal controls in the public sector in Colombia shows relative progress with two pending tasks: (i) accountability for internal control, and (ii) the implementation and effective monitoring by the authorities and the internal auditors of each agency, with respect to assurance of the adequacy and effectiveness of the system. At the level of internal accounting controls, pending the measures to be taken, both in entities and in GAO, are to avoid inconsistencies in (i) the application of accounting standards, (ii) the determination of account balances, and (iii) accounts' disclosures.

As for the internal control structure, the SICM differs from the international standard of COSO/INTOSAI mainly in the following aspects: (i) the establishment of modules, (ii) the components are only consistent in risk management (SICM does not cover control activities), and information and communication and other components may be immersed in the categories set out in best practice, and (iii) the 13 elements are partially consistent with the principles set out in the COSO document and appear to be redundant with components.

4.3 Conclusions of the Analysis of PFM Systems

Sound PFM performance is a prerequisite for achieving the objectives that it pursues in (i) aggregate fiscal discipline, (ii) the strategic allocation of resources, and (iii) the efficient delivery of public services. In this section, an account of the strengths and weaknesses of the PFM system in Colombia is noted, including their impact on the achievement of these objectives.

Overall, Colombia's PFM system exhibits reasonable alignment with international best practices: the scores achieved for the 2015 PEFA assessment indicators show that 15/31 (48.4 percent) have ratings between 'A' and 'B,' while 16/31 (51.6 percent) are below 'C +.'

A detailed analysis shows that the pillars I "reliability of the budget," III "management of assets and liabilities," and IV "fiscal strategy and policy-based budgeting" show significant strengths and are in line with international standards. Pillars II "transparency of public finances" and V "predictability and control of budget execution" show some strengths, but generally have a mixed performance. Finally, pillars VI "accounting and reporting" and VII "external scrutiny and audit" exhibit systemic weaknesses and are far from meeting international best practices.

It is also important to draw attention to the composition of the dimensions evaluated within each of the indicators presented. In rare cases, the indicators evaluated show homogeneous behavior (i.e., their dimensions consist only of strengths or of weaknesses compared to international standards). In most cases, the qualified performance is a combination of strengths and weaknesses, which forces a careful reading of the diagnosis and the impact these may have on the fulfillment of the objectives of the PFM system.

A brief summary of the potential impact of these general and specific strengths and weaknesses on these goals is presented below.

Aggregate Fiscal Discipline

The components of the PFM system that contribute to aggregate fiscal discipline are (i) a clearly defined fiscal strategy, together with the tracking and assessment of its results;(ii) the capacity to prepare robust macroeconomic forecasts and those for fiscal performance; (iii) budget reliability, particularly the limited variation between budgeted and actual expenditures, both globally and as disaggregated by administrative, functional, and economic categories; (iv) robust projection of aggregate annual revenue, which does not suffer significant deviations during budget execution; (v) proper reporting of revenue and expenditure operations that are outside the GBN; (vi) management of fiscal and non-fiscal revenues; (vii) the administration of public assets and liabilities; (viii) the predictability of resources to commit expenditures during the exercise, and (ix) effective management of internal controls.

These positive factors are partially offset by the few weaknesses that are still prevalent in the PFM system, particularly (i) the reduced capacity of fiscal risk oversight generated by public sector agencies as a whole; (ii) late payments; (iii) the difficulties remaining in the scheduling of medium-term expenditures; (vi) the weak link between investment expenditures and the future recurring expenditures they generate; and (vii) limitations in coverage and comparability of budget execution reports and accounting records to inform timely decision-making.

Strategic Allocation of Resources

The strengths of the PFM system in Colombia with respect to the strategic allocation of resources are (i) the existence of budgeting guidelines that assign credible budgeting ceilings, over the short and medium term; (ii) the timely submission of the draft budget for consideration by the Legislature; (iii) the delivery of complete and relevant information to Congress for analysis of the draft budget; (iv) regular and timely approval of the budget law before the effective date of the corresponding fiscal year; (v) the preparation and adoption of a National Development Plan (NDP) every four years, which focuses on priorities in the allocation of public funds between institutions; (vi) monitoring and assessment of NDP performance information; and (vii) assessment and regular monitoring of public investment projects.

These strengths are counterbalanced by the following weaknesses:(i) the difficulty of aligning planning and budget and ensuring consistency with budgetary spending ceilings in the medium term; (ii) a budget classification that is not comparable with international standards; (iii) the absence of performance information across the whole budget; (iv) the weak mechanisms of costing investment projects (v) reporting of budget execution; (vi) preparation of financial and budgetary statements; (vii) limited follow-up of the recommendations of external control; and (viii) the meager overall assessment of the results of fiscal management by Congress.

Efficient Service Delivery

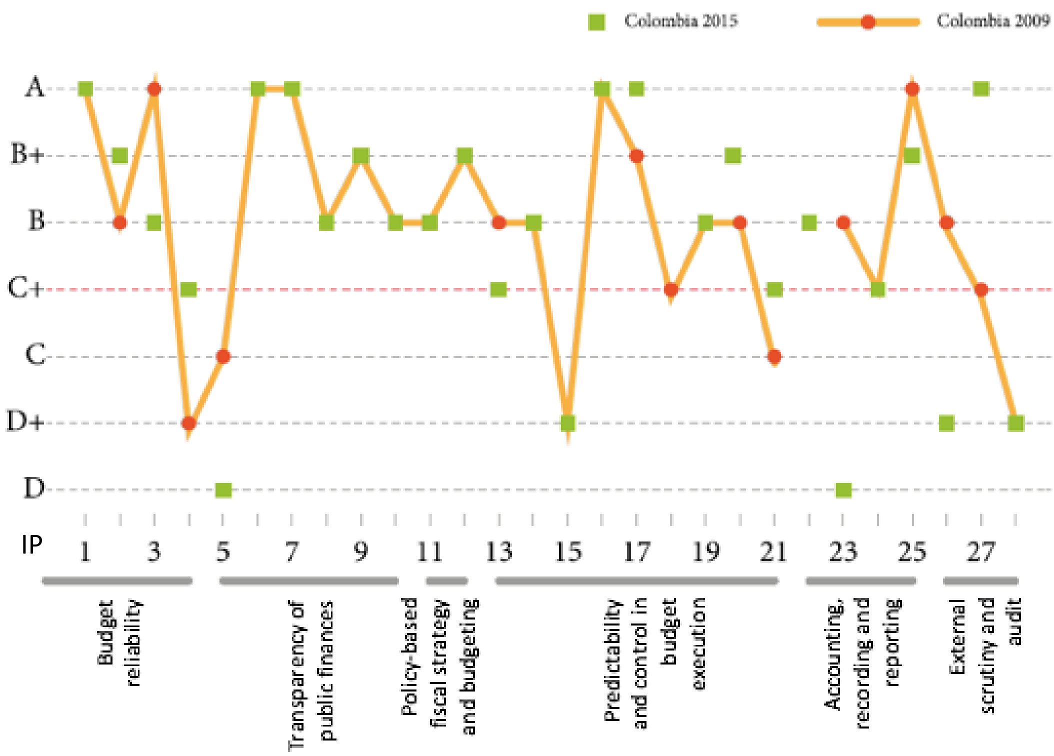
Efficient (and effective) delivery of public services is an important objective of Colombia's PFM system, and is driven by (i) proper budgeting of revenue and fiscal impact analysis of economic and social policies; (ii) the availability of funds for commitment to expenditures, facilitated by the use of the Treasury Single Account system; (iii) the prompt transfer of tax collections to the Treasury Single Account; and (iv) the transparency of key budgeting and fiscal information.

In 2015, however, there were weaknesses that undermined the system's capacity to deliver public services efficiently, the most notable being poorly integrated management of payroll, purchasing, and the public procurement system. Internal auditing and monitoring of budgeting reports on the expenditures incurred by the frontline service delivery units are also important weaknesses.

4.4 Evolution of Colombia's PFM System, 2009 through 2015

Finally, for purposes of demonstrating the evolution of the PFM system in the country, the PEFA Colombia 2015 exercise prepared an annex that compares the results obtained in the 2009 PEFA assessment with the results of the exercise performed in 2015, using the original PEFA methodology in its 2011 version. Applying the same methodology at two different times can generate direct comparability between the indicators and ensures a clearer reading of the progress made during the period.

The results presented in Annex 7 of this report are reflected in the following graph.

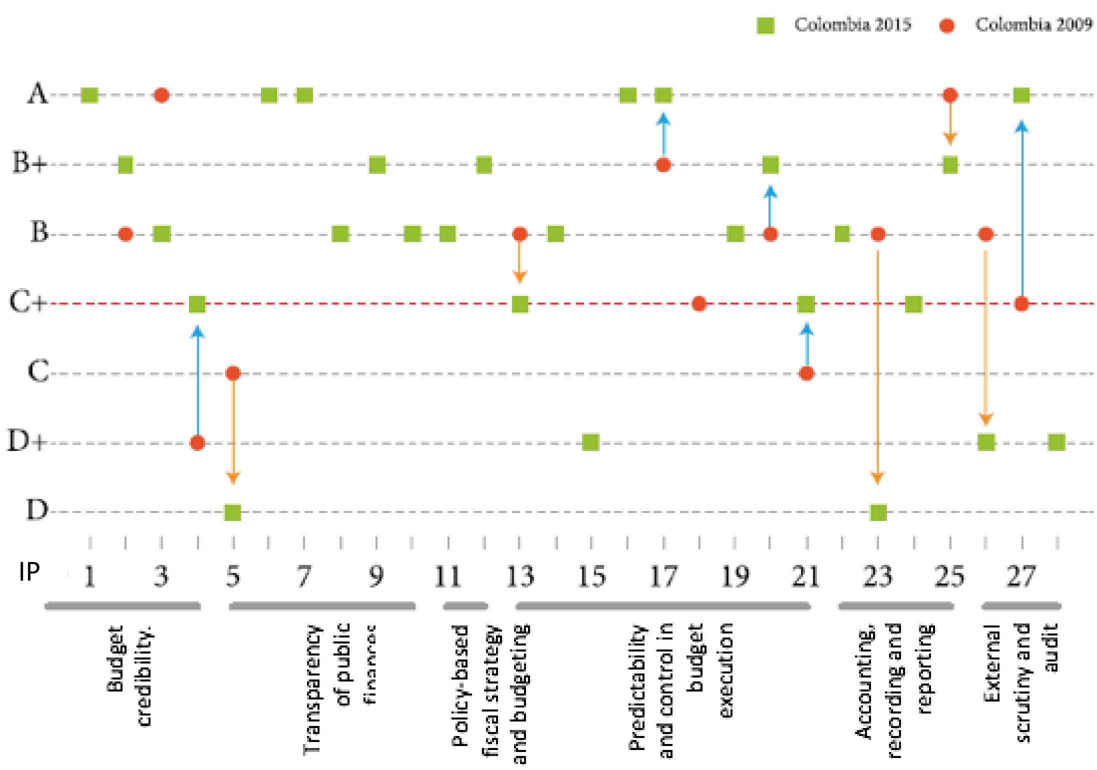


In the first instance, it is necessary to note that there are several caveats with respect to comparability of data sets. The set of PEFA performance indicators in the 2011 methodology numbers 28, unlike the 31 used for the 2016 version. In 2009, the PEFA assessment could not access information to score PI-22, on reconciling accounts, which explains of the discontinuity of the line (above). In 2015, PI-18, on managing payroll, could not be scored, so the graph does not display a score for the indicator in that year. Finally, the 2011 methodology modified the evaluation criteria on the PI-2, PI-3, and PI-19 indicators, affecting direct comparability with the version of the 2005 PEFA methodology used in the assessment of the PFM system in Colombia in 2009.

The organization of the PIs in the 2011 methodology by strategic dimension is as follows:

i. Budget reliability (PI-1 to PI-4)
ii. Transparency of public finances (PI-5 to PI-10)
iii. Policy-based budgeting (PI-11 to PI-12)
iv. Predictability and control in budget execution (PI-13 to PI-21)
v. Accounting, recording, and reporting (PI-22 to PI-25)
vi. Scrutiny and external audit (PI-26 to PI-28).

As indicated in the following graph, the management of public finances in Colombia shows several changes between 2009 and 2015; 12/28 indicators (42.8 percent) changed their level of performance between the two periods. However, the overall system performance is very similar, particularly taking into account PIs rated 'A' or 'B,' with 18/27 (66.7 percent) in 2015 compared to 20/27 (74.1 percent) in 2009. In short, while individual PIs showed variations, the overall performance level (and hence compatibility with international best practices) has not altered significantly.



Of the five indicators that improved their performance between 2009 and 2015, three are linked to the strategic dimension of "predictability and control in budget execution," and more specifically to the records of public credit operations (PI-17) and the effectiveness of internal controls for non-salary expenditure and internal audit (PI-20 and PI-21, respectively). The improvement in the last two indicators is particularly important to the extent they show a strengthening of assurance levels in Colombia's PFM, as measured by international best practices. The other two indicators with positive movements in measured performance are expenditure arrears (PI-4) and legislative scrutiny of the draft before its formal approval by Congress (PI-27). All these variations experienced do not alter the balance between systemic strengths and weaknesses, except for PI-27, which was transformed from a weakness in 2009 to a superlative in 2015.

There are five PIs that lost ground in recent years in relation to internationally recognized standards: (i) the budget classification system (PI-5); (ii) the processes and procedures of revenue collection (PI-13); (iii) management of information on resources received by the units providing frontline services, especially schools and primary health care (PI-23); (iv) the integrity of financial statements (PI-25); and (v) external control, particularly in relation to monitoring of recommendations issued on the findings identified in audit reports (PI-26). Given that these declines occur at different strategic dimensions, there appears to be no systemic effect on these results. However, it is noted that the decline of performance in these five indicators has some effect on the system, because three of the five indicators were strengths in 2009 but are weaknesses in 2015.

5. PFM REFORM PROCESS

This section provides a brief overview of the progress of the reform process undertaken by the Government of Colombia in an attempt to improve PFM performance, offers a perspective on recent and ongoing reforms, and discusses the institutional factors that will likely influence reform developments in the near future.

5.1 General Strategy of the Reform

Following the enactment of the Constitution of Colombia in 1991, a major reform effort was initiated by public institutions to adapt PFM systems to the new constitutional requirements and to changes in the administrative organization of State, particularly with respect to decentralization and Colombian fiscal institutions. Examples include the introduction of mechanisms to transfer resources to local authorities, review and compilation of the budget legislation (culminating in 1996 with the approval of the Organizational Budget Statute), passage of the Organic Law of Planning and preparation of a National Development Plan for each period of government, and the creation of the General Accounting Office, attached to MFPC.

A second important stage in the PFM reform process aimed to modernize and strengthen accountability, transparency, and fiscal sustainability so as to consolidate the national economy, foster opportunities for private investment, and revive the national productive apparatus. Some of emblematic reforms implemented were (i) the rationalization of expenditure of local authorities to stabilize their finances and improve horizontal allocation of resource transfer through the General Participation System (GPS) and, more recently, the rules for the use and distribution of resources from the General Royalties System (GRS); (ii) the introduction of a Medium-Term Fiscal Framework (MTFF) and the subsequent application of the fiscal rule, to foster fiscal discipline; and (iii) the adoption of a Medium-Term Expenditure Framework (MTEF) and the introduction of the Treasury Single Account (TSA) and the integration of a financial information system (IFIS) as instruments to improve and better control the allocation and execution of public funds.

Today a third stage begins for the reform process, which will be conditioned by the consolidation of the peace process and post-conflict challenges, but also by the requirement that the country better adapt to a more challenging international context, to positively channel a broader and more varied set of opportunities for economic growth. Finally, the request for access as a full member of the Organization for Economic Cooperation and Development (OECD) will promote greater alignment of regulations, systems, processes, and procedures to international best practices, both in terms of PFM and other areas of State action.

5.2 Reforms, Recent and Underway

The diagnosis of the Colombia's PFM situation would not be complete without a review of the reform efforts carried out by the country to meet the challenges outlined in the previous section, efforts which would potentially have positive impacts on performance of GFP in the future:

- The creation of the Inter-sector Commission on Government Finance Statistics (CIEFP), formed by the MFPC, the GAO, the NSD, the National Planning Department

(NPD), the Central Bank, and the Comptroller General of the Republic (CGC) for the unification of concepts and methodologies in defining operations registries, with a view to harmonizing the various processes of generation of government financial statistics.

- The development of the draft Annual Survey of Government Finance Statistics to generate a quantitative tool to tailor reports of fiscal statistics to the standards defined by the IMF GFSM in its 2014 version.
- Sectorization of public agencies in Colombia under the Single Institutional Code (SIC), compatible with the accounting criteria, national accounts, and institutional financing. This zoning allows grouping and/or consolidating government agencies for purposes of disclosure of fiscal, financial, and credit operations of the public sector and to project the impact of fiscal policy on the national economy.
- The design, organization, and implementation of an Information System of the Public Financial Management for harmonized production of timely and high quality budgetary, fiscal accounting, and management information, automatically (in real time), to strengthen the decision-making processes and transparency. The project has completed the preparation phase of a diagnosis on technical and operating regulatory issues, in addition to the preparation of an action plan to guide its implementation. Today, it is in the project implementation process in regard to its nine main objectives: (i) develop a conceptual model of an integrated information system to manage public finances (SIGFP), (ii) harmonize planning with budgeting, (iii) harmonize budgeting with accounting, (iv) integrate public debt and other financing operations in IFIS, (v) integrate the SIGFP with IFIS, (vi) generate GBN accounting consolidation in IFIS, (vii) harmonize territorial information with national information, (viii) generate accounting consolidation in RPIC, and (ix) generate budgeting, accounting, tax, and economic information in a timely, automatic, and quality-based manner.

The main goals of projects currently underway are:

- Improve RPIC system to consolidate accounting information with international standards (GAO).
- System implementation of budget consolidation accounting (CGC).
- Catalog budget for decentralized territorial agency-level services (CGC).
- Develop instruments for monitoring the regionalization of investments of the National Development Plan (NPD).
- Complement the classifier by object of expenditure for investment in harmony with the operating expenditure (NPD).
- Develop strategies to improve the information recorded in the Territorial Single Form (NPD).
- Design and implement tools to improve the quality of monitoring of spending (MFPC).
- Develop a model of fiscal monitoring based on accrual (MFPC).
- Budget modeling and monitoring of industrial and commercial levies and State agencies (MFPC).
- Harmonize budget/accounting (MFPC).
- Develop budget plan accounts and financial sorters of territorial agencies (MFPC).
- Design and implement a System Analysis and Evaluation of Public Policies, including performance audits, to support efforts by the Comptroller General of the Republic to

improve the effectiveness of fiscal control, measured in terms of impact on the management of public administration.

- Strengthen CGC fiscal control activities through (i) the design of an observatory of public spending, aimed at better preventing fraud and corruption, (ii) strengthening the risk management approach in their strategic institutional processes, and (iii) the adoption and harmonization of standards and international best practices to the principal activities of the institution.
- Undertake a situation analysis of the Offices of Internal Control at the subnational level organized by municipal categories for the purpose of generating a proposal for capacity building and basic competencies for better operability.
- Develop of operational actions for improving access to information available to the public procurement and contracting systems (SECOPII).
- Computer support to IFIS so that the accounting and reporting system disaggregates information on public investment at the component and category levels.

5.3 Institutional Factors Supporting the Reform

The three fundamental factors supporting the reform process are (i) the leadership of the process by the Ministry of Finance and Public Credit, (ii) the clarity of the reform strategy, particularly in relation to the challenges generated post-conflict for the country, and (iii) the expressed will of the international cooperators in supporting the Government of Colombia in this process with technical and financial resources. Colombia PEFA 2015 can be an important input to guide a broad reflection in the context of a high-level political dialogue on the PFM priorities within this process of reforms.

ANNEX 1. LIST OF PERSONS INTERVIEWED

No.	Entity	Agency department	Person	Position
1.	DNTC	Office of Deputy Director, Operational Analysis Management	Pedro Bejarano	Deputy Director
2.	DNTC	Office of Deputy Director, Operational Analysis Management	Pastor Sierra	Coordinator of Economic Studies
3.	DNTC	Office of Deputy Director, Taxpayer Assistance	Adriana Solano	Deputy Director for customer support
4.	DNTC	Office of Deputy Director, Taxpayer Assistance	Maria Teresa Riveros	Officer, Office of the Director, revenue office
5.	DNTC	Office of Deputy Director, Taxpayer Assistance	Iraida Isara	Officer, Office of the Director, revenue office
6.	DNTC	Office of Deputy Director, Enforcement	Luis Bill Céspedes	Deputy Director, Enforcement
7.	DNTC	Office of Deputy Director, Collections and Recovery	Enrique Javier Bravo	Deputy Director, collections and recovery
8.	DNTCN	Office of Deputy Director, Collections and Recovery	Miguel Hernández	Staff, Office of Deputy Director, Collections and Recovery
9.	DNTC	Office of Deputy Director, Operational Analysis Management	Erika Acosta Gómez	Coordinator, risk profiling
10.	DNTC	Office of Deputy Director, Operational Analysis Management	Henry Alberto Cadena Ostos	Officer, risk coordination, management and profiling
11.	DNTC	Office of Deputy Director, Operational Analysis Management	Jhon Lenin Bautista Guzmán	Office of Coordinator for planning an– assessment - SDG operational analysis DNTC
12.	DNTC	Office of Deputy Director, Operational Analysis Management	Jorge Alberto Ortiz	Planning and assessment officer - SDG operational analysis DNTC

No.	Entity	Agency department	Person	Position
13.	DNTC	Office of Deputy Director, Operational Analysis Management	Efrén Leonardo Mejia Acosta	Officer, office of coordinator for control and facilitation programs
14.	DNTC	Office of the Director, Lega– Management - Central Level	Liliana Andrés Forero Gómez	Advisor, Office of legal director
15.	DNTC	Office of the Director, Lega– Management - Central Level	Pedro Pablo Contreras	Director, legal management
16.	DNTC	Office of Deputy Director, Customer Care	Juan Guillermo Caicedo Useche	Officer, Office of the Coordinator, RUT administration, Office of Deputy Director customer care
17.	DNTC	Office of Deputy Director, Customs Enforcement Management	Luis Carlos Quevedo Cerpa	Deputy Director, Customs Enforcement Management
18.	DNTC	Office of the Director, Customs Management	Claudia María Gaviria	Director Customs Management
19.	House of Representatives	Legal Accounts Committeee	Jaime Sepúlveda	Secretary General
20	Central de Inversores SA	Legal business management	Liliana Cuellar	Manager
21.	NPPA	Office of the Director General	Maria Margarita Zuleta	Director
22.	NPPA	Office of Deputy Director Business	Nicolás Penagos	Deputy Director
23.	NPPA	Office of the Director General	Camilo Gutiérrez	Expert Advisor
24.	Comptroller General of Colombia	Office of Deputy Comptroller for Economy and Public Finance	Gloria Patricia Rincon Mazo	Deputy Comptroller for Economy and Public Finance
25.	Comptroller General of Colombia	Office of Deputy Comptroller for Economy and Public Finance	Libia Poveda	Director of accounts and fiscal statistics
26.	Congress of the Republic	Economic Committee, House of Representatives	Armando Zabarín	Vice President, Economic Committee,

No.	Entity	Agency department	Person	Position
				House of Representatives
27.	Congress of the Republic	Economic Committee, Senate	Margarita Sanabria Ramírez	Adviser to the Vice President of the Economic Committee, Senate
28.	Congress of the Republic	Economic Committee, Senate	Arleth Casado de López	Senator
29.	Congress of the Republic	Economic Committee, Senate	Carlos Merchan	Advisor to the Economic Committee, Senate
30.	Ministry of Finance and Public Credit	General Accounting Office	Pedro Bohórquez	Chief Accountant
31.	Ministry of Finance and Public Credit	General Accounting Office	Liliana Andrés Forero Gómez	Assistant Accountant, Consolidation
32.	Ministry of Finance and Public Credit	Internal Control Office	Marisol Tafur	Head, Internal Control Office
33.	Ministry of Finance and Public Credit	Office of the Director, Macroeconomic Policy	Juan Carlos Thomas Bohórquez	Advisor, Office of the Director, Macroeconomic Policy
34.	Ministry of Finance and Public Credit	Office of the Director, Macroeconomic Policy	Santiago Pulido	Professional Advisor, Office of the Director, Macroeconomic Policy
35.	Ministry of Finance and Public Credit	Directorate for Fiscal Support	Edgar Antonio Guio	Contractor, territorial finance division
36.	Ministry of Finance and Public Credit	Directorate for Fiscal Support	Andrés Felipe Urrea	Contractor, territorial finance division
37.	Ministry of Finance and Public Credit	Directorate for Fiscal Support	Yeny Paola Suarez	Contractor, territorial finance division
38.	Ministry of Finance and Public Credit	Directorate for Fiscal Support	Hernán Rico Barbosa	Specialized Staff
39.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	Eddy Shirley Herreño	Coordinator, budgetary consolidation group

No.	Entity	Agency department	Person	Position
40.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	Carlos Arturo Zambrano	Coordinator, treasury and planning group
41.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	Claudia Patricia Navas	Attorney at Law
42.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	Ángela Gabriela Degiovanni Mejía	Professional of the DGPP
43.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	Claudia Marcela Numa	Deputy Director of analysis and consolidation
44.	Ministry of Finance and Public Credit	Office of the Director General, Public Budget	José Luis Rodriguez	, communications and transportation group
45.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Ricardo Rincón	Advisor
46.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Moisés Arturo Ramos	Deputy Director, treasury
47.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Nathaly Grass	Advisor
48.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Efraín Ortega Rosero	Management professional
49.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Yolanda Dueñas	Specialized staff
50.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Guillermo Serrano	Advisor
51.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Omar Alfonso Sánchez Céspedes	PAC Coordinator
52.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Carolina Thomas	Advisor, Office of Deputy Director, national internal financing

No.	Entity	Agency department	Person	Position
53.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Edgar German Sanabria	Deputy Director, financing other entities settlement and receivables
54.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Jorge Alberto Calderón Cárdenas	Deputy Director of operations
55.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Lina María Mondragón	Deputy Director, funding from multilateral agencies and governments
56.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Fabián Díaz	Coordinator, disbursements group
57.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Ivan Villa	Coordinator, negotiations group
58.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Nohora Agudelo Negro	Group coordinator, payments and compliance
59.	Ministry of Finance and Public Credit	Office of the Director General, Public Credit and Treasury	Adriana Hernández	Coordinator, debt servicing
60.	Ministry of Finance and Public Credit	General Vice Ministry of Finance	Wilson Alejandro Rojas Sandino	Contractor
61.	Ministry of Finance and Public Credit	General Vice Ministry of Finance	David Fernando Morales Domínguez	National IFIS administrator
62.	Ministry of Finance and Public Credit	Office of the Administrative Director	Danery Buitrago Gómez	Administrative director
63.	Ministry of Finance and Public Credit	Office of the Administrative Director	Marcial Gilberto Grueso	Deputy Administrative Director
64.	Ministry of Finance and Public Credit	Office of Deputy Director, Risk	Andrés Ricardo Quevedo	Deputy Director
65.	Ministry of Finance and Public Credit	Office of Deputy Director, Risk	Juan Guillermo Vélez Carmona	Advisor

No.	Entity	Agency department	Person	Position
66.	Ministry of Finance and Public Credit	Office of Deputy Director, Risk	Hermides Efraín Ortega Rosero	Professional, Institutional Management, contingent liabilities group
67.	Ministry of Health and Social Protection	Advisory Office for Planning and Sectoral Studies	Mario Fernando Cruz Vargas	Head, Advisory Office for Planning and Sectoral Studies
68.	Ministry of Health and Social Protection	Internal Control Office	Sandra Liliana Silva	Head, Internal Control Office
69.	Civil Service Administration Department	Office of the Director, Internal Control and Streamlining Procedures	María del Pilar García	Director, Internal Control and Streamlining Procedures
70.	Civil Service Administration Department	Public Employment	Francisco Camargo Salas	Director
71.	National Planning Department	Office of the Director, Monitoring and Assessment of Public Policy	Felipe Castro	Director, Monitoring and Assessment of Public Policy
72.	National Planning Department	Office of the Director, Monitoring and Assessment of Public Policy	Andrés Salazar	Professional, Office of the Director, public policy monitoring
73.	National Planning Department	Office of the Director, Monitoring and Assessment of Public Policy	Paula Rojas	Professional, Office of the Director, public policy monitoring
74.	National Planning Department	Office of the Director, Investment and Public Finance	Ana Yaneth Gonzalez	Director, Investment and Public Finance
75.	National Planning Department	Office of the Director, Investment and Public Finance	Camilo Cortes Mora	Contractor, Office of the Director, Investment and Public Finance
76.	National Planning Department	Office of the Director, Economic Studies	Gabriel Piraquive	Director, Economic Studies

No.	Entity	Agency department	Person	Position
77.	Ministry of Education	Professional, planning and finance office of the Ministry of Education	Ana Cecilia Tamayo	Professional, planning and finance office
78.	Ministry of Education	Professional, planning and finance office of the Ministry of Education	Andrés Vergara	Professional, planning and finance office
79.	Ministry of Education	Internal Control Office	María Helena Ordoñez	Head, Internal Control Office
80.	Ministry of Transportation	Head, planning advisory office	Claudia Milena Salcedo	Head, planning advisory office
81.	Ministry of Transportation	Internal Control Office	Luz Stella Conde	Head, Internal Control Office
82.	Bogota Chamber of Commerce	Office of the Director, Knowledge Management	Ricardo Ayala	Office of the Director, Knowledge Management
83.	Bogota Chamber of Commerce	Office of the Director, Knowledge Management	Jhon Wilson Buitrago	Knowledge Management Coordinator
84.	Bogota Chamber of Commerce	Office of the Director, Knowledge Management	Maria Teresa González	Attorney at Law

ANNEX 2. DATA USED FOR SELECTED PERFORMANCE INDICATORS

Data used for PI-2.1

Data for the year:	2012	Currency	CoP Million			
Administrative or Functional Category	Budget	Execution	Adjusted Budget	Deviation	Absolute Deviation	Percentage
Health, Social Protection and Labor	28,787,706	28,743,356	27,488,377.8	1,254,978.2	1,254,978.2	4.6
Defense and Police	23,136,232	23,208,071	22,091,982.3	1,116,089.0	1,116,089.0	5.1
Education	23,135,903	22,687,118	22,091,667.9	595,450.3	595,450.3	2.7
Treasury	11,665,810	9,389,411	11,139,276.0	- 1,749,864.6	1,749,864.6	15.7
Social Inclusion and Reconciliation	8,250,179	7,909,046	7,877,808.7	31,236.9	31,236.9	0.4
Transportation	7,929,542	7,472,963	7,571,643.3	- 98,680.1	98,680.1	1.3
Mining and Energy	3,451,649	9,559,667	3,295,859.8	- 736,192.9	736,192.9	22.3
Housing, City and Territory	2,601,394	3,011,096	2,483,980.9	527,115.1	527,115.1	21.2
Interior and Justice	2,440,490	2,245,772	2,330,339.0	- 84,566.7	84,566.7	3.6
Judicial Branch	2,397,266	2,245,867	2,289,065.8	- 43,199.0	43,199.0	1.9
Office of the Prosecutor	2,010,396	1,863,721	1,919,657.3	- 55,936.1	55,936.1	2.9
Agricultural	2,002,605	1,924,860	1,912,218.0	- 12,641.5	12,641.5	0.7
Communications	1,762,360	1,405,914	1,682,816.0	- 276,901.7	276,901.7	16.5
Oversight Agencies	1,183,732	1,028,078	1,130,304.2	- 102,225.9	102,225.9	9.0
Planning	1,124,536	572,044	1,073,780.6	- 501,736.3	501,736.3	46.7
Office of the President of the Republic	847,690	834,650	809,429.3	25,220.7	25,220.7	3.1
Commerce, Industry and Tourism	775,098	744,315	740,113.7	4,201.7	4,201.7	0.6
Foreign Affairs	618,843	614,287	590,911.9	23,375.5	23,375.5	4.0
Congress of the Republic	410,742	373,406	392,203.4	- 18,797.5	18,797.5	4.8
Office of the Registrar	406,592	430,758	388,240.1	42,517.5	42,517.5	11.0
Other	1,970,451	1,916,790	1,881,515.2	35,274.4	35,274.4	1.9
Expenses allocated	126,909,216	121,181,191	121,181,191.2	0.0	7,336,201.8	
Contingencies	-	-				
Total expenditures	126,909,216	121,181,191				
Global variance (PI-1)						4.5

Data for the year:	2012	Currency	CoP Million			
Administrative or Functional Category	**Budget**	**Execution**	**Adjusted Budget**	**Deviation**	**Absolute Deviation**	**Percentage**
Composition variance (PI-2)						6.1
Budget contingency fee						0.0

Data for the year:	2013	Currency	CoP Million			
Administrative or Functional Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Health, Social Protection and Labor	30,680,912	30,286,207	29,749,268.4	536,939.0	536,939.0	1.80
Defense and Police	25,569,006	25,632,512	24,792,588.0	839,923.5	839,923.5	3.39
Education	24,956,762	25,125,034	24,198,935.5	926,098.7	926,098.7	3.83
Treasury	15,147,737	12,122,540	14,687,767.0	-2,565,226.5	2,565,226.5	17.47
Social Inclusion and Reconciliation	9,058,659	8,695,892	8,783,587.8	-87,695.4	87,695.4	1.00
Transportation	8,086,721	8,176,364	7,841,162.5	335,201.2	335,201.2	4.27
Mining and Energy	3,571,565	3,180,044	3,463,112.6	-283,068.6	283,068.6	8.17
Housing, City and Territory	3,561,799	3,478,036	3,453,642.7	24,392.9	24,392.9	0.71
Interior and Justice	3,173,613	3,004,992	3,077,244.0	-72,251.7	72,251.7	2.35
Judicial Branch	2,674,046	2,665,001	2,592,847.2	72,153.9	72,153.9	2.78
Office of the Prosecutor	2,622,442	3,292,808	2,542,810.1	749,997.5	749,997.5	29.49
Agricultural	2,222,392	2,147,216	2,154,908.2	-7,692.4	7,692.4	0.36
Communications	1,441,274	1,310,158	1,397,508.8	-87,351.0	87,351.0	6.25
Oversight Agencies	1,319,011	1,163,275	1,278,958.5	-115,683.0	115,683.0	9.05
Planning	958,538	421,370	929,431.7	-508,062.1	508,062.1	54.66
Office of the President of the Republic	902,481	1,015,652	875,077.1	140,574.6	140,574.6	16.06

Data for the year:	2013	Currency	CoP Million			
Administrative or Functional Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Commerce, Industry and Tourism	598,495	626,526	580,321.4	46,204.6	46,204.6	7.96
Foreign Affairs	521,640	589,261	505,800.3	83,461.2	83,461.2	16.50
Congress of the Republic	472,022	406,015	457,688.8	-51,674.2	51,674.2	11.29
Office of the Registrar	454,577	423,266	440,773.8	-17,508.3	17,508.3	3.97
Other	2,421,741	2,389,470	2,348,203.9	41,266.1	41,266.1	1.76
Expenses allocated	140,415,435	136,151,638	136,151,638.2	0.0	7,592,426 .3	
Contingencies	-	-				
Total expenditures	140,415,435	136,151,638				
Global variance (PI-1)						3.0
Composition variance (PI-2)						5.6
Budget contingency fee						0.0

Data for the year:	2014	Currency	CoP Million			
Administrative or Functional Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentag e**
Health, Social Protection and Labor	36,743,416	34,699,192	32,857,655.9	1,841,536.2	1,841,536.2	5.6
Defense and Police	27,280,760	26,141,403	24,395,713.1	1,745,689.5	1,745,689.5	7.2
Education	26,987,272	26,844,817	24,133,262.0	2,711,554.5	2,711,554.5	11.2
Treasury	23,910,530	12,027,827	21,381,897.7	- 9,354,070.4	9,354,070.4	43.7
Social Inclusion and Reconciliation	9,367,531	9,095,056	8,376,877.7	718,178.6	718,178.6	8.6
Transportation	8,243,052	7,006,191	7,371,316.9	-365,125.7	365,125.7	5.0
Mining and Energy	3,673,757	3,668,242	3,285,243.0	382,998.9	382,998.9	11.7
Housing, City and Territory	3,560,688	3,203,385	3,184,131.3	19,254.1	19,254.1	0.6
Interior and Justice	3,123,412	2,863,668	2,793,099.0	70,569.3	70,569.3	2.5

Data for the year:	2014	Currency	CoP Million			
Administrative or Functional Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Judicial Branch	2,863,230	2,936,891	2,560,432.1	376,458.5	376,458.5	14.7
Office of the Prosecutor	2,706,070	2,432,823	2,419,892.1	12,930.6	12,930.6	0.5
Agricultural	2,088,879	1,857,761	1,867,972.2	-10,211.7	10,211.7	0.5
Communications	1,816,578	3,161,236	1,624,467.3	1,536,768.8	1,536,768.8	94.6
Oversight Agencies	1,422,175	1,289,417	1,271,774.2	17,642.7	17,642.7	1.4
Planning	882,485	433,097	789,158.8	-356,061.4	356,061.4	45.1
Office of the President of the Republic	848,015	832,583	758,333.8	74,249.6	74,249.6	9.8
Commerce, Industry and Tourism	828,640	1,113,655	741,008.1	372,647.0	372,647.0	50.3
Foreign Affairs	643,944	651,574	575,844.0	75,729.5	75,729.5	13.2
Congress of the Republic	618,364	445,360	552,969.3	-107,609.5	107,609.5	19.5
Office of the Registrar	582,782	653,851	521,150.5	132,701.0	132,701.0	25.5
Other	2,538,369	2,374,097	2,269,926.9	104,169.9	104,169.9	4.6
Expenses allocated	160,729,948	143,732,126	143,732,125.9	0.0	20,386,157.5	
Contingencies	-	-				
Total expenditures	160.729.948	143.732.126				
Global variance (PI-1)						10.6
Composition variance (PI-2)						14.2
Budget contingency fee						0.0

Data used for PI-2.2

Data for the year:	2012	Currency	CoP Million			
Economic category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Personnel Expenditures	18,315	17,972	17,410.3	561.7	561.7	3.2
General Expenses	6,040	6,065	5,741.6	323.4	323.4	5.6
Transfers	63,873	62,796	6,717.9	2,078.1	2,078.1	3.4
Commercial Operations	1,540	1,251	1,463.9	-212.9	212.9	14.5
External Debt Service	7,882	6,474	7,492.7	-1,018.7	1,018.7	13.6
Domestic Debt Service	30,833	29,765	29,310.0	455.0	455.0	1.6
Investment	36,794	32,790	34,976.5	-2,186.5	2,186.5	6.3

			0.0	0.0	0.0	
Total expenditures	165,277	157,113	157,113.0	0.0	6,836.2	
Global variance						95.1
Composition variance						4.4

Data for the year:	2013	Currency		CoP Million		
Economic Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Personnel Expenditures	20,083	19,931	18,798.4	1,132.6	1,132.6	6.0
General Expenses	6,642	7,042	6,217.1	824.9	824.9	13.3
Transfers	68,866	68,783	64,461.0	4,322.0	4,322.0	6.7
Commercial Operation	1,524	1,287	1,426.5	-139.5	139.5	9.8
External Debt Service	6,955	6,857	6,510.1	346.9	346.9	5.3
Domestic Debt Service	38,512	30,958	36,048.6	-5,090.6	5,090.6	14.1
Investment	42,943	38,800	40,196.2	-1,396.2	1,396.2	3.5
			0.0	0.0	0.0	
Total expenditures	185,525	173,658	173,658.0	0.0	13,252.6	
Global variance						93.6
Composition variance						7.6

Data for the year:	2014	Currency		CoP Million		
Economic Category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Personnel Expenditures	23,086	22,110	20,872.5	1,237.5	1,237.5	5.9
General Expenses	7,477	7,393	6,760.1	632.9	632.9	9.4
Transfers	81,539	73,695	73,720.9	-25.9	25.9	0.0
Commercial Operation	1,698	1,391	1,535.2	-144.2	144.2	9.4
External Debt Service	8,821	8,840	7,975.2	864.8	864.8	10.8
Domestic Debt Service	33,631	31,146	30,406.4	739.6	739.6	2.4
Investment	46,748	38,961	42,265.7	-3,304.7	3,304.7	7.8
			0.0	0.0	0.0	
Total expenditures	203,000	183,536	183,536.0	0.0	6,949.6	
Global variance						90.4
Composition variance						3.8

Data used for PI-3.2

Data for the year:	2012	Currency	Billion Colombian Pesos			
Economic category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Tax revenue						
Income and Complementary	36,322.2	43,365.7	34,950.4	8,415.3	8,415.3	24.1
Equity	3,269.0	4,181.9	3,145.5	1,036.4	1,036.4	32.9
Customs and Surcharges	4,104.4	15,702.8	3,949.4	11,753.4	11,753.4	297.6
Added Value	34,572.8	24,737.2	33,267.1	(8,529.9)	8,529.9	25.6
Financial Transactions	4,991.6	5,304.5	4,803.1	501.4	501.4	10.4
Remaining	2,895.1	1,973.6	2,785.8	(812.2)	812.2	29.2
Other revenue						
Non Tax Revenue	577.9	1,194.7	556.1	638.6	638.6	114.8
Capital inflows	55,287.7	40,469.3	53,199.6	(12,730.3)	12,730.3	23.9
Parafiscal	1,034.3	1,079.7	995.2	84.5	84.5	8.5
Special Funds	8,089.7	7,921.3	7,784.2	137.1	137.1	1.8
Decentralized Entities	14,131.7	13,103.5	13,598.0	(494.5)	494.5	3.6
Total revenue	165,276.4	159,034.3	159,034.3	0.0	45,133.5	
Global Variance						96.2
Composition variance						28.4

Data for the year:	2013	Currency	Billion Colombian Pesos			
Economic category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Tax revenue						
Income and Complementary	44,357.3	44,665.3	43,080.4	1,584.9	1,584.9	3.7
Equity	3,140.4	3,220.5	3,050.0	170.5	170.5	5.6
Customs and Surcharges	4,719.6	4,719.6	4,583.7	135.9	135.9	3.0
Added Value	40,926.5	33,886.6	39,748.4	(5,861.8)	5,861.8	14.7
Financial Transactions	5,554.0	5,930.7	5,394.1	536.6	536.6	9.9
Remaining	2,995.3	5,395.2	2,909.1	2,486.1	2,486.1	85.5
Other revenue						
Non-Tax Revenue	518.8	984.4	503.9	480.5	480.5	95.4
Capital Inflows	60,624.9	54,883.3	58,879.8	(3,996.4)	3,996.4	6.8

Data for the year:	2013	Currency	Billion Colombian Pesos			
Economic category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Parafiscal	1,211.4	1,225.6	1,176.5	49.1	49.1	4.2
Special Funds	7,131.6	11,365.0	6,926.3	4,438.7	4,438.7	64.1
Decentralized Entities	14,345.6	13,908.7	13,932.7	(24.0)	24.0	0.2
Total revenue	185,525.4	180,185.0	180,185.0	(0.0)	19,764.4	
Global variance						97.1
Composition variance						11.0

Data for the year:	2014	Currency	CoP Billion			
Economic category	**Budget**	**Execution**	**Adjusted budget**	**Deviation**	**Absolute deviation**	**Percentage**
Tax revenue						
Income and Complementary	47,219.2	37,274.5	44,217.9	-6,943.4	6,943.4	15.7
Equity	3,245.0	3,153.3	3,038.7	114.6	114.6	3.8
Customs and Surcharges	3,602.2	4,078.2	3,373.2	705.0	705.0	20.9
Added Value	39,152.0	38,868.2	36,663.4	2,204.8	2,204.8	6.0
Financial Transactions	2,950.4	6,447.7	2,762.9	3,684.8	3,684.8	133.4
Remaining	5,962.6	5,962.0	5,583.6	378.4	378.4	6.8
Other revenue						
Non-Tax Revenue	559.9	615.6	524.3	91.3	91.3	0.2
Capital Inflows	62,269.0	56,542.4	58,311.1	(1,768.7)	1,768.7	0.0
Parafiscal	1,281.9	1,994.6	1,200.4	794.2	794.2	0.7
Special Funds	21,766.9	19,482.3	20,383.4	(901.0)	901.0	0.0
Decentralized Entities	11,838.1	12,725.8	11,085.7	1,640.1	1,640.1	0.1
Total revenue	199,847.2	187,144.6	187,144.6	0.0	19,226.2	
Global variance						93.6
Composition variance						10.3

ANNEX 3. EXTRA BUDGETARY ENTITIES

1. Administrator, E.I.C.E. Games of Chance Rents Monopoly
2. Correctional and Penitentiary Services Unit
3. Colegio Mayor de Cundinamarca
4. National Architecture Council
5. National Professional Economics Council
6. National Professional Engineering Council
7. Regional Autonomous Corporation of Boyacá
8. Regional Autonomous Corporation of Caldas
9. Regional Autonomous Corporation of Chivor
10. Regional Autonomous Corporation of Cundinamarca
11. Regional Autonomous Corporation for the Defense of the Bucaramanga Plateau
12. Regional Autonomous Corporation of North Eastern Border
13. Regional Autonomous Corporation of Guajira
14. Regional Autonomous Corporation of the Orinoco Region
15. Regional Autonomous Corporation of the Rionegro and Nare River Basins
16. Regional Autonomous Corporation of the Sinú and San Jorge Valleys
17. Regional Autonomous Corporation of Nariño
18. Regional Autonomous Corporation of Risaralda
19. Regional Autonomous Corporation of Santander
20. Regional Autonomous Corporation of Sucre
21. Regional Autonomous Corporation of the Upper Magdalena
22. Regional Autonomous Corporation of Atlántico
23. Regional Autonomous Corporation of the Canal del Dique
24. Regional Autonomous Corporation of Cauca
25. Regional Autonomous Corporation of Central Antioquia

26. Regional Autonomous Corporation of Cesar
27. Regional Autonomous Corporation of Guavio
28. Regional Autonomous Corporation of the Magdalena
29. Regional Autonomous Corporation of Quindío
30. Regional Autonomous Corporation of the Rio Grande de la Magdalena
31. Regional Autonomous Corporation of Southern Bolívar
32. Regional Autonomous Corporation of Tolima
33. Regional Autonomous Corporation of Valle del Cauca
34. Regional Autonomous Corporation for the Sustainable Development of Choco
35. Colombian Agricultural Research Corporation
36. National Corporation for the Reconstruction of the Paez River and Nasa Ki Wi Environs
37. Corporation for the Sustainable Development of La Macarena
38. Corporation for the Sustainable Development of the Mojana and San Jorge
39. Corporation for the Sustainable Development of Utrabá
40. Corporation for the Sustainable Development of the San Andrés, Providencia and Santa Catalina Archipelago
41. Corporation for the Sustainable Development of the North and East Amazon
42. Corporation for the Sustainable Development of Southern Amazon
43. Colombian Civil Defense
44. School of Public Administration
45. INSFOPAL Management Trust
46. Proexport Trust
47. Contranal Social Welfare Fund
48. Co-financing Fund for Urban Investment
49. Co-financing Fund for Social Investment
50. Co-financing Fund for Road Investment
51. Information and Communications Technologies Fund
52. National Environmental Fund

53. National Calamity Fund
54. National Housing Fund
55. National Coffee Fund
56. Fund for Participation and Strengthening of Democracy
57. Social Housing Fund of the National Civil Registry
58. Amazon Institute of Scientific Research
59. Caro y Cuervo Institute
60. Colombian Agricultural Institute
61. Colombian Institute of Anthropology and History
62. Colombian Family Welfare Institute
63. Colombian Institute for Rural Development
64. Colombian Institute of Geology and Mining
65. Armed Forces Public Housing Institute
66. Institute of Hydrology, Meteorology and Environmental Studies
67. John Von Newman Pacific Environmental Research Institute
68. Jose Benito Vives De Andreis Institute for Coastal and Marine Research
69. Alexander Von Humboldt Biological Resources Research Institute
70. Institute for Energy Solutions Planning and Promotion
71. Institute of Food and Drug Monitoring
72. Agustín Codazzi Geographical Institute
73. National Institute of Vocational Technical Education of San Andres and Providencia
74. National Institute of Vocational Technical Education of San Juan Del Cesar
75. National Institute of Legal Medicine and Forensic Sciences
76. National Institute of Health
77. National Roads Institute
78. National Institute for the Blind
79. National Institute for the Deaf

80. National Penitentiaries and Prisons Institute
81. Central Technical Intermediate Careers Institute
82. Simon Rodriguez National Technical Institute for Trade
83. Technological Institute of Soledad Atlántico
84. Tolima Institute of Vocational Technical Training
85. National Radio Television of Colombia RTVC
86. National Apprenticeship Service
87. Colombia Geographic Society - Academy of Geographic Sciences
88. National Medical Ethics Tribunal
89. University of Caldas
90. University of Amazonia
91. University of Los Llanos
92. University of Cauca
93. University of the Pacific
94. Nueva Granada Military University
95. National Open and Distance University
96. National University of Colombia
97. National University of Córdoba
98. National Pedagogic University
99. Pedagogical and Technological University of Colombia
100. Popular University of Cesar
101. South Colombian University
102. Technological University of Pereira
103. Technological University of Choco Diego Luis Cordoba

ANNEX 4. REQUIREMENTS FOR CREDIT OPERATIONS

Type of operation	Authorization to open negotiations	Authorization to execute contracts	Authorization to provide guarantees	Items
External borrowing of the Nation	Ministry of Finance and Public Credit Resolution	Authorization to execute the contract issued by the Ministry of Finance and Public Credit based on the final contract.	Not applicable	• Positive opinion of the National Council for Economic and Social Policy (NCESP). • Opinion from the Public Credit Commission if the loan has a term greater than one year.
Internal Borrowings of the Nation	Not applicable	Authorization to execute the contract, given by order of the Ministry of Finance and Public Credit.	Not applicable	• Positive opinion of the National Planning Department, in the case of investment projects.
External borrowing of decentralized national entities and territorial entities and their decentralized agencies	Ministry of Finance and Public Credit Resolution	Authorization to execute the contract issued by the Ministry of Finance and Public Credit based on the final contract.	Authorization to provide guarantees to the lender, provided by the Ministry of Finance and Public Credit.	• Positive opinion of the National Planning Department.
Internal loans of decentralized national entities	Not applicable	Authorization to execute the contract, imparted by order of the Ministry of Finance and Public Credit.	Authorization to provide guarantees to the lender, provided by Resolution of the Ministry of Finance and Public Credit.	• Positive opinion of the National Planning Department.
Borrowings of entities with a government share above 50 percent and less than 90 percent of its capital	Not applicable	Authorization to execute contract from the Ministry of Finance and Public Credit.	Not applicable	• Positive opinion of the National Planning Department.
Budget credits	Not applicable	Loans entered into by state entities with the Nation charged to budgetary appropriations under the terms of the Organizational Statute of the General Budget of the Nation require authorization from the Ministry of Finance and Public Credit.	Not applicable	• Positive opinion of the National Planning Department when such loans are made to finance capital expenditures.

Type of operation	Authorization to open negotiations	Authorization to execute contracts	Authorization to provide guarantees	Items
Short-term loans[1]	Not applicable	Authorization of the Ministry of Finance and Public Credit.	Not applicable	• NCESP opinion in the case of financing projects of social interest or investment in priority sectors or there is evident urgency in obtaining such funding.
1. Short-term loans are loans entered into by state entities with terms equal to or under one year. Short-term loans may be transient or cash.				
Public debt securities of the Nation	Not applicable	The issue and placement of government bonds on behalf of the Nation requires authorization, imparted by resolution of the Ministry of Finance and Public Credit.	Not applicable	• Positive opinion of NCESP. • Opinion of the Public Credit Commission in the case of external public debt with durations higher than one year.
External debt securities of decentralized national entities and territorial entities and their decentralized agencies	Authorization to commence efforts, imparted by resolution from the Ministry of Finance and Public Credit.	Authorization of the issuance and placement, including the signing of the corresponding contracts, imparted resolution of the Ministry of Finance and Public Credit, wherein determining the convenience, characteristics and conditions of the placement in accordance with market conditions.	Not applicable	• Positive opinion of the National Planning Department. • It may provide that, upon prior placement, the assessments made thereon by the Technical Deputy Minister of the Ministry of Finance and Public Credit be taken into account.
Internal debt securities of decentralized national entities	Not applicable	The issue and placement of internal public debt require authorization imparted by resolution of the Ministry of Finance and Public Credit, wherein the convenience, characteristics, and conditions of placement are determined.	Not applicable	• Positive opinion of the National Planning Department.

Type of operation	Authorization to open negotiations	Authorization to execute contracts	Authorization to provide guarantees	Items
Internal debt securities of territorial entities and their decentralized agencies	Not applicable	The issue and placement of internal public debt shall require authorization imparted by resolution of the Ministry of Finance and Public Credit, wherein the convenience, characteristics and conditions of placement are determined pursuant to market conditions.	Not applicable	• Positive opinions of departmental or district planning agencies

ANNEX 5. CEILINGS REPORTED FOR FISCAL 2015 IN THE MTEF 2014-2017 AND MTEF 2015-2018

Sector	MTEF 2014- 2017 (1)	MTEF 2015-2018 (2)	Variation	Weighting of adjustment	Communicated fee
Agricultural	2.090	4.499	2.409	115%	3.878
Environment and Sustainable Development	73	548	76	16%	545
Science and Technology	323	379	56	17%	313
Commerce, Industry and Tourism	791	797	6	1%	767
Communications	1.472	1.811	339	23%	1.718
Congress of the Republic	438	421	(17)	-4%	421
Culture	314	367	53	17%	352
Defense and Police	28.408	28.283	(125)	0%	27.750
Sports and Recreation	220	349	129	58%	320
Education	28.976	28.939	(37)	0%	28.373
Public Employment	226	259	33	15%	247
Office of the Prosecutor	2.661	3.158	497	19%	3.147
Treasury	21.490	16.123	(5.367)	-25%	20.332
Social Inclusion and Reconciliation	8.011	9.972	1.961	24%	10.262
Statistical Information	485	405	(80)	-17%	415
Intelligence	101	97	3	-3%	93
Interior	801	814	14	2%	828
Justice and Law	2.686	2.612	(74)	-3%	2.757
Mining and Energy	3.013	3.628	615	20%	3.529
Oversight Agencies	1.492	1.499	7	0%	1.494
Planning	986	925	(61)	-6%	942
Office of the President of the Republic	692	482	(210)	-30%	467
Judicial Branch	2.998	3.323	325	11%	3.343
Office of the Registrar	811				
Foreign Affairs	650	694	43	7%	701
Health and Social Protection	12.570	18.998	6.428	51%	12.670
Labor	25.700	26.589	889	3%	26.213
Housing, City and Territory	3.676	3.850	174	5%	3.849
Total	**159.493**	**167.255**	**7.762**	**5%**	**163.109**

Source: Budgetary Consolidation Group of the Office of the Director General, National Public Budget.
(1) Taken from NCESP 3752/2013. | (2) Taken from NCESP 3813/2014.

ANNEX 6. INSTITUTIONAL AND SECTOR STRATEGIC PLANS

No.	Ministry	Plan exists	Does the plan include the costs of the implications of current commitments, including possible funding gaps? YES/NO	Costs include		
				Recurring expenditures (YES/NO)	Capital expenditures (YES/NO)	The future implications in investment commitments and sources of financing (YES / NO)
1.	Ministry of Finance	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
2.	Ministry of Defense	Institutional Strategic Plan 2015-2018	NO	NO	NO	NO
3.	Ministry of Agriculture	Sector Strategic Plan 2014-2018	NO	NO	NO	NO
4.	Ministry Health and Protection	Sector Strategic Plan 2014-2018	YES	NO	NO	NO
5.	Ministry of Mines	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
6.	Ministry of Education	Sector Strategic Plan 2016	NO	NO	NO	NO
7.	Ministry of Information and Communications Technology	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
8.	Ministry of Environment	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
9.	Ministry of Culture	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
10.	Ministry of Trade	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
11.	Ministry of Labor	Sector Strategic Plan 2015-2018	NO	NO	NO	NO

No.	Ministry	Plan exists	Does the plan include the costs of the implications of current commitments, including possible funding gaps? YES/NO	Costs include		
				Recurring expenditures (YES/NO)	Capital expenditures (YES/NO)	The future implications in investment commitments and sources of financing (YES / NO)
12.	Ministry of Interior	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
13.	Ministry of Housing	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
14.	Ministry of Transportation	Sector Strategic Plan 2015-2018	YES	NO	NO	NO
15.	Ministry of Foreign Affairs	Sector Strategic Plan 2015-2018	NO	NO	NO	NO
16.	Ministry of Justice and Law	Sector Strategic Plan 2015-2018	NO	NO	NO	NO

Source: Websites of each ministry.

ANNEX 7. COMPARATIVE RESULTS PEFA ASSESSMENT 2009 AND 2015 (APPLYING 2011 PEFA METHODOLOGY)

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
I. Budget credibility				
Aggregate expenditure outturn compared with the original approved budget (M1)				
PI-1	A	A	No changes in performance.	
(i)	A	A	Data for primary expenditure deviation (without external financing) between programmed and executed were 3% for 2012, 2.7% for 2013, and 10.9% in 2014.	
Deviations in budgeting expenditures compared with original approved budget (M1)				
PI-2	B	B+	Performance is not comparable.	The score is not comparable, because the 2011 version includes a second dimension to the indicator, which did not exist in the 2005 version.
(i)	B	B	The variance of expenditure per sector category between programmed and executed is 6.0% for 2012, 5.7% for 2013, and 13.8% for 2014	The calibration used in 2009 was different in the 2011 version of the methodology. With the 2009 data and 2011 calibration, the result would have been A.
(ii)	--	A	Actual expenditure charged to the contingency item is negligible	Added dimension in the review of the 2011 methodology.
Deviations in total revenue compared with original approved budget (M1)				
PI-3	A	B	The indicator is not comparable.	Calibration of the indicator was affected in the 2011 methodology
(i)	A	B	Deviations from the aggregate revenue between programmed and executed are 96.2% for 2012, 97.1% for 2013, and 93.6% for 2014.	With the data for the 2009 assessment and the 2011 methodology, the rating would have been B, so there is no change in performance.
Balance and monitoring of expenditure payment arrears (M1)				
PI-4	D+	C+	Improved performance relative to monitoring of arrears	

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
(i)	C	C	No changes are seen in management, as the weight of the balance of arrears to the total expenditure, * at the close of the last three fiscal periods, was greater than 2% and less than 10% (between 7.1% and 9.0%). Additionally, between 2013 and 2014 the balance of arrears was reduced 15%, a percentage lower than the 25% required to raise the 'C' score obtained.	The state of arrears observed in 2009 was similar, although the weighting of arrears was less than that observed in 2015, with weighting that was between 3% and 4% of total expenditure.
(ii)	D	B	Balances identified in arrears are complete and presented in annual reports are disaggregated by type of expenditure and by type of entity. These reports do not include ageing profile information, although this information can be obtained from the information system.	The DGNPB regularly monitors accounts payable pending or lagging during the next fiscal period. Similarly, the Comptroller General of the Republic performs an identification of accounts payable in the report of the Annual General Budget and Treasury Account.
II. Comprehensiveness and transparency				
Budget classification (M1)				
PI-5	C	D	Direct score with caution (depending on the previous judgment at the level of Government Financial Statistics).	
(i)	C	C	No changes are seen in management, as the weight of the balance of arrears to the total expenditure,* at the close of the last three fiscal periods, was greater than 2% and less than 10% (between 7.1% and 9.0%). Additionally, between 2013 and 2014 the balance of arrears was reduced 15%, a percentage lower than the 25% required to improve the 'C' score obtained. * The required amount of commitments at the end of the term was taken.	The state of arrears observed in 2009 was similar, although the weighting of arrears was less than that observed in 2015, with weighting that was between 3% and 4% of total expenditure.
Comprehensiveness of information included in budget documentation (M1)				
PI-6	A	A	No performance modifications.	
(i)	A	A	8 of the 9 the elements required by the PEFA methodology are sent to Congress.	
Magnitude of government operations included in budget reports (M1)				
PI-7	A	A	No performance modifications.	
(i)	A	A	The level of undeclared extra-budgetary expenditures is insignificant.	
(ii)	A	A	Complete information is included in fiscal reports (at least 90%) on projects funded by international cooperation funds.	
Transparency of intergovernmental fiscal relations (M2)				
PI-8	B	B	There is no significant change in performance.	

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
(i)	A	A	The horizontal allocation is based on clear rules and specific formulas that take into account population and poverty criteria.	
(ii)	B	B	Reliable information is provided to subnational governments on transfers after budget preparation processes initiated; however, there is still the possibility of introducing amendments.	
(iii)	D	C	Fiscal information is collected, at least later (ex post), of the GSN, tax information compatible with the Central Government regarding 60% of expenditures of GSNs and is consolidated into annual reports within the 24 months following the end of the fiscal year.	
Aggregate fiscal risk oversight, caused by other public sector entities (M1)				
PI-9	B+	B+	At a general level, the score remains, but in 2015 it was determined in conjunction with the Office of Deputy Director, Risk, that while there are documents on monitoring of risks, especially for public debt, there is effectively no consolidated risk report for corporations and public enterprises as required in best practices.	
(i)	A	C	It could not be confirmed, as was done in 2009, that there was a consolidated fiscal risk report. Most major corporations and public enterprises send fiscal reports at least annually to the central Government, but a consolidated overview is not prepared of the financial performance of the same or the fiscal risk added to the CG.	
(ii)	B	B	Monitoring of the net fiscal position for the most important level of GSN is performed at least annually, and the Central Government consolidates information in a report on the overall fiscal risk of the GSNs.	
Public access to key fiscal information (M1)				
PI-10	B	B	No significant change in performance.	
(i)	B	B	4 of the 6 documents assessed by the methodology are made available and should be available to the public in timely manner and through appropriate means. These are (i) documentation regarding the annual budget, (ii) in-year budget execution reports, (iii) fiscal year financial statements, and (iv) external audit reports.	
III. Policy-based budgeting				
Orderliness and participation in the annual budgeting process (M2)				
PI-11	B	B	No change is evident in the overall performance.	
(i)	A	C	The entities have a term of three weeks from the moment the budget ceiling is communicated to them to complete detailed estimates.	The 2009 assessment considered the time entities have to prepare detailed estimates, from receipt of the budget circular to formulate an annual budget.

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
(ii)	D	C	Entities know, from July of the year prior to the start of budgeting programming, the ceilings established in the MTEF, which are approved by the Council for Economic and Social Policy (NCESP), in a meeting in which sector authorities headed by the ministers participate. However, the final ceilings become known when entities have submitted draft budgets.	
(iii)	A	A	In the last three years budgets were approved before the start of the fiscal year.	
Multi-year perspective in fiscal planning, expenditure policy and budgeting (M2)				
PI-12	B+	B+	There is no significant change in performance.	
(i)	A	A	Fiscal forecasts for the next 10 years are prepared annually through MTFFs. The fiscal space which the MTEF is prepared is established each year and the budget ceiling for the following year is set.	
(ii)	A	A	A sustainability analysis of external and internal debt is incorporated each year in the MTFF.	
(iii)	A	A	Most ministries have an institutional strategic plan and a sector strategic plan, and although only some of them signal the resources needed to achieve medium- to long-term goals and products and planned results, there is the MTEF, an instrument that allows determining the costs of both recurrent and investment expenditures.	
(iv)	C	D	No information was evidenced of the recurrent costs of investment projects that were included in the budgeting documents.	
IV. Predictability and control in budge execution				
Transparency of taxpayer obligations and liabilities (M2)				
PI-13	B	C+	The deterioration in management is a function of delays that occur in decisions about resources that taxpayers filed under administrative law.	
(i)	D	D	Procedures and legislation on taxes are comprehensive and powers of the administration are clearly defined. The system is complex and difficult to apply for taxpayers.	
(ii)	A	A	Taxpayers have access to comprehensive, updated information that is easy to use through different channels. Education campaigns are conducted to aid taxpayers	
(iii)	B	C	There is access to mechanisms for tax revenue, but significant delays occur in decisions in administrative legislation, which undercut its effectiveness.	
Effectiveness of measures for taxpayer registration and tax base estimate (M2)				
PI-14	B	B	No significant changes in performance.	
(i)	B	B	Taxpayers are registered in a complete database system, which has some links with other government registration systems and financial sector regulations.	
(ii)	B	B	There are regulated penalties for noncompliance with tax obligations, but its administration is not uniform among the various branches.	
(iii)	B	B	Information and administration regarding audits and investigations is based on documented plans with risk-based criteria for some of the areas where self-assessment is applied.	

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
Effectiveness in tax collection (M1)				
PI-15	D+	D+	The overall rating remains the same.	
(i)	D	D	The aggregate amount of tax arrears is significant (between 11% and 16% in the last three years) and the recovered value is less than 60% (between 28% and 30%).	
(ii)	A	C	As a result of the days of reciprocity that are granted to financial institutions, as a mechanism of recognition for the financial services rendered, revenues are transferred, in the case of taxes collected by the DNTC, weekly and, for the rest of revenues collected by other entities, it is often monthly.	
(iii)	D	D	Complete reconciliations on transfers to the Treasury are not complete, because they do not include assessments, collections, and arrears.	
Predictability in the availability of funds for commitment of expenditures (M1)				
PI-16	A	A	Management effort/focus observed in 2009 is maintained.	
(i)	A	A	Estimates of annual cash flow are prepared for the fiscal year, which are updated monthly based on the tracking of revenues and payments	
(ii)	A	A	Public entities are able to plan and commit expenditures a year in advance thereof, pursuant to the budget appropriations and programming of the PAC.	
(iii)	A	A	A significant increase in budgetary allocations was only observed in 2014 and this was undertaken transparently.	
Recording and management of cash balances, debt and guarantees (M2)				
PI-17	B+	A	An improvement is seen in internal and external debt records.	
(i)	B	A	Records of all public credit operations (internal and external) are in a proprietary system that contains complete and updated credit operations data. Reports are produced in quarterly fashion providing an accounting on debt servicing, capital, and operations.	
(ii)	B	B	Most of the balances are calculated and consolidated daily; however, there are balances authorized to receive revenue or to make payments from entities, which are consolidated monthly.	
(iii)	A	A	The authorization process of a credit transaction and the granting of guarantees on the part of the Nation is properly regulated and is headed by the Ministry of Finance and Public Credit.	
Effectiveness of payroll controls (M1)				
PI-18	C+	NC	De-concentration of the payroll process does not allow establishing from the IFIS where payment is made or the existence of retroactive adjustments. This circumstance is under the purview of each entity and no statistical information is available for assessment.	

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
(i)	C	C	The same condition of the above assessment is maintained. A unified Central Government database is not available. Institutions process their payrolls in different applications and transmit the information to IFIS, which depends on the reliability of multiple applications to prevent improper payments and there is no assurance that payroll data are reconciled with personnel records, given it is a decision of each entity.	
(ii)	A	NC	Because of the de-concentration of payroll and lack of integration with IFIS (which is the means of payment) there is greater uncertainty because there is no statistical information or data to establish the degree of retroactive adjustments for the sample of entities selected and, in general, for the Central Government.	
(iii)	A	A	Best practices reported in 2009 are retained. Authority to change records and payroll is restricted and gives rise to an audit trail.	
(iv)	C	C	The same condition of the above assessment is maintained. In the past three years partial internal audits have been performed on the payroll process.	
Competition, value for money and controls in procurement (M2)				
PI-19	B	B	No changes in performance.	
(i)	B	B	Available data on public procurement show that more than 50%, but less than 75%, of the number of contracts above the threshold are awarded on the basis of competitive bidding; but the data may not be accurate.	
(ii)	A	A	When contracts are awarded by methods other than competitive bidding, they are justified in accordance with legal requirements.	
(iii)	C	C	There is a process defined by legislation to present and discuss hiring complaints, but it does not work in a way that allows the timely resolution of complaints. In 2015 it is noted that an independent administrative review system is not available to examine procurement-related claims. All claims, whether formalized before the judiciary, are likely to receive a response.	
Effectiveness of internal controls for non-salary expenditure (M1)				
PI-20	B	B+	Improvement is identified through the development of IFIS controls on expenditure commitments.	
(i)	B	A	Extensive controls are applied on expenditure commitments, which effectively limit the commitments to actual cash availability and approved budgeting allocations.	
(ii)	B	B	Other rules and internal control procedures incorporate a comprehensive set of controls that are widely understood, but although annual reports on internal control are submitted, they still do not represent an assurance of existence and effectiveness of internal controls.	
(iii)	B	B	Compliance with standards is satisfactory, but there are still weaknesses in internal accounting control originating objections in the reports of the CGC and the ICOs.	
Effectiveness of internal audit (M1)				

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
PI-21	C	C+	A slight improvement is recorded with respect to adopting professional standards and effectiveness of actions regarding the recommendations in ICO reports.	
(i)	C	B	For the 2015 assessment, the internal audit conforms to the standards for professional practice, based on the International Framework for Internal Audit Professional Practice of the technical guidelines implemented with the support of Institute of Internal Auditors.	
(ii)	C	C	In the case of most Central Government entities, the reports are issued periodically, but not submitted to the Ministry of Finance and Public Credit.	
(iii)	C	B	Compared to 2009, an improvement is observed, according to monitoring reports reported by the internal audit units interviewed. Most Central Government authorities take swift and complete action.	
V. Accounting, recording and reporting				
Timeliness and regularity of accounts reconciliation (M2)				
PI-22	NR	B		Was not evaluated in 2009 (in 2011 methodology, Not Rated/NR).
(i)	B	B	Reconciliation for all bank accounts managed by the treasury takes place at least monthly, usually within the 4 weeks following the end of each period.	
(ii)	NR	B	Reconciliation and compensation of suspense accounts and advances takes place at least annually, within the two months following the end of the period.	
Availability of information on resources received by service delivery units (M1)				
PI-23	B	D	Decline in performance.	
(i)	B	D	There is no evidence that information about resources for primary schools and health care is collected and this information is reported.	Could not verify that the health care centers provide information on resources received and executed.
Quality and timeliness of budget reports for the current year (M1)				
PI-24	C+	C+	Clarification is provided to the effect that although the BER on expenditures, regarding the term, are issued according to best practices, the same does not apply with those for revenue. The quality of information on budget execution has improved. This keeps the score similar on average.	
(i)	A	A	A classification of data allows direct comparison to the original budget. The information covers all areas of budgeting forecasts. Expenditure coverage encompasses the stages of commitment and payment.	
(ii)	A	C	Revenue BERs are prepared and published quarterly, within 8 weeks after the close to which they refer.	
(iii)	C	B	There are minor concerns reported by the CGC in its annual report, with respect to accuracy, but these are not considered material and an unqualified opinion was issued for 2014.	
Quality and timeliness of annual financial statements (M1)				

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
PI-25	A	B+	CGC objections do not measure up to best practice in terms of the integrity of financial information.	
(i)	A	B	Examination of the CGC has an impact on the integrity and, based on their objections, over and underestimates of assets and liabilities; in 2015 it is considered that a consolidated governance statement was prepared and has, with few exceptions, full information about income, expenses, assets, and financial liabilities.	
(ii)	A	A	The Central Government's financial statements are presented to the CGC for external audit within five months of the annual closing.	
(iii)	A	A	National rules provided in the PAF are applied to all financial statements.	
VI. External scrutiny and audit				
Scope, nature and follow-up of external audit (M1)				
PI-26	B	D+	The weakness identified by the adverse 2013 opinion and qualified opinion for 2012 and 2014 undermined the effectiveness of the external control; but improved timeliness in sending reports to the Legislature.	
(i)	B	B	To audit on average more than 85% of the budget implemented by the Central Government in the years 2012, 2013, and 2014, the CGC used government auditing standards that are partially consistent with international standards.	
(ii)	B	A	The consolidated financial statements, including the report on budget and treasury, these are submitted to the Legislature within two months after receipt by the CGC.	
(iii)	B	D	No recommendations are submitted to the CGC. Auditees are obliged to upload to the Electronic Accountability and Reporting System EARS (http: // www.contraloriagen.gov.co/web/EARS/inicio) their improvement plans and the findings reported by the CGC, in regards to what monitoring is done, until the next audit visit, usually a year or more. But there is some evidence of a report on the degree of effectiveness of improvement actions. In fact, objections remain over the years without being addressed in the Financial Statements. Reference to monitoring or degree of assimilation of findings and objections is not found in CGC opinions.	In practice, it could not be verified that recommendations of the CGC were tracked.
Legislative scrutiny of the annual budget law (M1)				
PI-27	C+	A	Performance improvements occur in respect to the scope of the review conducted by the Congress to the draft budget and existing legislative procedures.	
(i)	C	A	The examination by the Congress covers fiscal policies, the fiscal framework, and medium-term priorities as well as specific details of the estimates of expenditure and revenue. Revenues and expenditures are known from the submission of the preliminary draft budget.	
(ii)	B	A	For consideration of the draft budget bill there are formally established procedures that are respected in practice. They include the creation of specialized committees for study, discussion, and approval of the draft	

Indicator	Score 2009	Score 2015	Explanation of changes in performance	External factors that affected the rating
			budget bill and negotiation procedures. Although there is no technical body to provide support to specialized committees or the Congress at present, this element, as well as the existence of mechanisms of public consultation, is not required by the 2011 methodology and therefore does not affect the score.	
(iii)	A	A	The draft budget bills were submitted to the Congress of the Republic in the last three years at the end of July. Congress had at least four months for consideration.	
(iv)	C	A	The rules established regarding budget amendments are clear and procedures are respected by the Ministry of Finance and Public Credit and Central Government entities. For 2009, the assessment indicated that the review of fiscal policies, the medium-term fiscal framework, and priorities in previous stages were minimal.	
Legislative scrutiny of external audit reports (M1)				
PI-28	D+	D+	No variations in performance.	
(i)	B	B	Scrutiny of the annual audit reports by the Legislature is completed within six months after receiving them from the CGC.	
(ii)	B	B	In-depth hearings are periodically held on key findings with officials responsible for the audited agencies, though, only some agencies have merited a qualified or adverse audit opinion.	
(iii)	D	D	The Legislature does not issue recommendations.	

ANNEX 8. SOURCES OF INFORMATION

Indicator	Information Sources Used
PI-1	**DGNPB - MFPC** • Integrated Financial Information System (IFIS) • Updated Budgeting Figures Log, 2015 • Law 1485 of 2011 • Law 1593 of 2012 • Law 1687 of 2013 • Budget Execution Report cumulative to Dec 2012 • Budget Execution Report cumulative to Dec 2013 • Budget Execution Report cumulative to Dec 2014
PI-2	**DGNPB - MFPC** • Integrated Financial Information System (IFIS) • Updated Budgeting Figures Log, 2015 • Law 1485 of 2011 • Law 1593 of 2012 • Law 1687 of 2013 • Budget Execution Report cumulative to Dec 2012 • Budget Execution Report cumulative to Dec 2013 • Budget Execution Report cumulative to Dec 2014
PI-3	**DGNPB - MFPC** • Integrated Financial Information System (IFIS) • Updated Budgeting Figures Log, 2015 • Law 1485 of 2011 • Law 1593 of 2012 • Law 1687 of 2013 **DNTC** • Budget rents - 2012 collections capacity • Budget rents - 2013 collections capacity • Budget rents - 2014 collections capacity
PI-4	**DGNPB - MFPC** • General aspects of the Colombian Budget Process, 2011 • General Chart of Accounts, 2015 • Manual Budget Economic Classification, 2008 • Functional Classifier of Expenditures, 2008 **IMF** • Fiscal Statistics Manual 2001 International Monetary Fund (IMF) • Fiscal Statistics Manual 2014 International Monetary Fund (IMF)
PI-5	**DGNPB - MFPC** • Draft law GBN 2015 • Draft law GBN 2016 • Presidential Message - draft budget bill 2015 • Presidential Message - draft budget bill 2016 • Medium-Term Fiscal Framework 2015
PI-6	**General Accounting Office** • Statistics Annual Survey of Public Bonds, 2013 • Statistics Annual Survey of Public Bonds, 2014

Indicator	Information Sources Used
PI-7	**Office of the Director for Fiscal Support - MFPC** • Political Constitution • Delegate Prosecutor's Office for Decentralization and Territorial Entities: Decentralization and Territorial Entities, 2011 • Law 152 of 1994 on planning • Compilation decree for the treasury sector on budgets 1608/15 • Law 358 of 1997, on territorial indebtedness • Law 550 of 1999 establishes a system of financial insolvency • Laws 715 of 2001 and 1176 of 2007 indicate the distribution of powers and resources between levels of government and the distribution between territorial entities of national transfers of current revenues of the Nation, which in Colombia are called General Share Interest System (SGP) • Decree Law 028 of 2008 establishes a monitoring system, tracking and control over the use of the GSIS; laws 617/00, 819/03, and 1483/11 set up a regulatory framework for fiscal responsibility, transparency, and accountability. Law 1530/12 regulates the use and distribution of royalties from the exploitation of non-renewable natural resources. **National Planning Department - NPD** • Distribution General Royalties System - Distribution General Preferences System -
PI-8	**MFPC** • Law 1485 of 2011 • Law 1593 of 2012 • Law 1687 of 2013 **DNP** • National Development Plan 2014-2018 • Results Balance, national approach, 2014 • Assessments Agenda 2014 • Report to Congress, 2015
PI-9	**MFPC** • Information portal: www.minhacienda.gov.co • The documentation for the 2016 draft budget, presented in 2015, is available at the following link: https://goo.gl/1Jk2CH • Budget execution reports for the years 2014 and 2015 are in the link: https://goo.gl/8sPR2l • The Comptroller General of the Republic published on its web portal (www.contraloria.gov.co) the audit of the Balance Sheet. The audit report is made public within the 12 months following the end of the corresponding fiscal year. The specific link is: http://www.contraloriagen.gov.co/web/guest/informesconstitucionales. • The CGC publishes on its website www.contraloria.gov.co all audits released on the operations of the national government within less than six months after their submission. The specific link is: www.contraloria.gov.co/web/guest/auditorias-liberadas. • The Medium-Term Fiscal Framework (MTFF) 2015, for the period 2015-2024, was published in timely manner on the computer portal MFPC, and is under the link: https://goo.gl/RDxM6a • Also, the Medium-Term Expenditure Framework (MTEF) is publicly available on the website of the National Planning Department (NPD) under the link: https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3% B3micos/3837.pdf

Indicator	Information Sources Used
PI-10	**Office of the Director General of Public Credit and National Revenue - Risk Department** • Fiscal Statistics Manual 2014, International Monetary Fund (IMF) • Medium-Term Fiscal Framework, MFPC 2014, 2015, and 2016 • Medium-term debt strategy of the Central Government, MFPC, 2013 • Fiscal GSN Feasibility Report, MFPC, 2014 and 2015 • Fiscal and Integral performance report for 1102 municipalities, NPD 2014 • Decree 4712 of 2008, which partially regulates the TSA • Law 617 of 2000, by which Law 136 of 1994 is partially reformed; Extraordinary Decree 1222 of 1986, the Organizational Budget Statute is added; Decree 1421 of 1993 and other rules are enacted aimed at strengthening decentralization, and standards are enacted for rationalization of national public spending • Law 358 of 1997, by which Article 364 of the Constitution is regulated and other provisions are set forth on indebtedness; complemented by Law 80 of 1993, by which the General Contracting Code of the Public Administration and other complementary regulation is issued on territorial and expenditure management and public debt • Law 448 of 1998 assigns responsibility to the General Directorate of Public Credit and National Revenue to approve the valuations of contingent liabilities • Conceptual instructive valuation of contingent liabilities in public credit transactions, MFPC, 2007 • Colombia: Policy strategy for public financial management in the face of disasters from natural phenomena, MFPC, 2013 **Comptroller General of Colombia- CGC** • Report with CGC Opinion on the Financial Public Corporations Statements as of December 31, 2014 • Report on the situation of state finances 2014, CGC 2015
PI-11	**National Planning Department - NPD** • Conceptual Support Manual, General Methodology for Formulation and Assessment of Projects, 2013 • Management Report, 2014 • Annex to the Investment Projects Management Report, Fiscal Period 2014
PI-12	**General Accounting Office - GAO** • Resolution 354 of September 5, 2007, by which the public accounting system is adopted, its structure is established, and its scope is defined (Investments and Derivatives, Revenue Receivable, Accounts Receivable, and Inventory) and the public accounting regulation of a general and specific type is specified, composing the General Plan of Public Accounting, Procedures Manual, and Public Accounting Doctrine • Decree 2785 of 2013, Regulations of the Treasury Single Account (TSA) • Documents NCESP 3251 of 2003 and 3493 of 2007 on the Management of Public Assets as State Policy • Law 1450 of 2011, whereby the National Development Plan 2010-2014 was issued (investments) **Central de Inversiones (Investments Clearinghouse)** • Decree 4819 of 2007 as amended by Decree 1207 of 2008, 3409 of 2008, and 033 of 2015, on the creation and functions of Central de Inversiones S.A. • Renewal of public administration: Program for efficient management of public assets (phase i: fixed assets - real estate), NCESP, 2003 • Law 1420 of 2010, by which the budget of revenues and capital resources and the appropriations bill for the fiscal year from January 10 to December 31, 2011 is stated and imparts instructions to transfer the debt portfolio to CISA

Indicator	Information Sources Used
PI-13	**DGPCNR - MFPC** • Medium-Term Debt Management Strategy of the Nation, 2013 • Quarterly Monitoring Report of the National Government Debt, Risk Department, 2015 **MFPC** • Medium-Term Fiscal Framework, 2014 • Law 533 of 1999, by which the authorizations are granted to the National Government to execute internal and external operations of public credit and ensure payment obligations of other state entities, and other provisions are set forth. • Decree No. 1068 of 2015, by which the Single Regulatory Decree for the Treasury and Public Credit Sector is stated **Subnational Government** • Law 80 of 1993, by which the General Contracting Statute for Public Administration is issued • Decree 2681 of 1993, regulating Law 80 of 1993
PI-14	**DGMP - MFPC** • Law 1473 of 2011, through which a fiscal rule is established • Compliance Report on the Fiscal Rule, 2013 • Medium-Term Fiscal Framework, 2014
PI-15	**MFPC** • Law 819 of 2003, Law of Fiscal Responsibility and Transparency • Medium-Term Fiscal Framework, 2014 • Draft General Budget Bill of the Nation, 2014
PI-16	**MFPC** • Decree 4730 of 2005, by which organizational rules are set forth for the budget • Decree 1957 of 2007, by which organizational rules are regulated for the budget and other provisions on the subject are set forth **National Planning Department - NPD** • National Council for Economic and Social Policy Document, Republic of Colombia, NCESP No 3752, Medium-Term Expenditure Framework 2014-2017 **Ministry of Transportation** • Methodological Document Accompaniment to the Ministry of Transportation in the Process of Building its Strategic Plan • Matrix of Institutional Strategic Plan 2015-2018
PI-17	**DGNPB - MFPC** • General Aspects of the Colombian Budget Process, 2011 • Decree 4730 of 2005, by which organizational rules are set forth for the budget • Decree 111 of 1996, by which Law 38 of 1989, Law 179 of 1994, and Law 225 of 1995 are compiled and constitute the organizational statute of the budget • Circular dated July 9, 2013, by which the indicative ceilings are shown for the 2014-2017 period • External Circular 06 of February 21, 2014, by which guidelines and criteria are identified for the programming process of the draft budget of the entities that are part of the General Budget of the Nation (GBN). • Circular dated July 8, 2014, by which the ceiling for 2015 and indicative ceilings are communicated until 2018 • Filing note for the draft budget Law for fiscal year 2013 • Filing note for the draft budget Law for fiscal year 2014 • Filing note for the draft budget Law for fiscal year 2015 **National Planning Department - NPD** • Document National Council for Economic and Social Policy, Republic of Colombia, NCESP No 3752, Medium-Term Expenditure Framework 2014-2017 • Document National Council for Economic and Social Policy, Republic of Colombia, NCESP No 3813, Medium-Term Expenditure Framework 2015-2018

Indicator	Information Sources Used
	• Document National Council for Economic and Social Policy, Republic of Colombia, NCESP No 3814, Annual Investments Operating Plan 2015 Fiscal Period
PI-18	**DGNPB - MFPC** • General Aspects of the Colombian Budget Process, 2011 • Law 1687 of 2013, by which the budget for fiscal 2014 is approved • Law 1593 of 2012, by which the budget for fiscal 2013 is approved • Law 1485 of 2011, by which the budget for fiscal 2012 is approved • Decree 111 of 1996, Organizational Budget Statute **Congress of the Republic** • Law 5 of 1992, whereby the Regulation of Congress is issued; the Senate and House of Representatives • Report on first discussion on Draft Law 052 of 2014 the House and Senate • Report on first discussion on Draft Law 37 of 2014 the Senate, and 052 of 2014 the House of Representatives • Report on second discussion on Draft Law 37 of 2014 the Senate, 052 of 2014 to the House of Representatives
PI-19	**Directorate of National Taxes and Customs - DNTC** • Accountability Report, 2014 • Results and Management Report 2015, Office of Deputy Director, Customer Care **Office of the Director, Revenue Management** • Digital Diagnostics Report and Recommendations, World Bank 2014 • DNTC 2014-218 Tactical Plan • Annexes on follow-up operational plans 2012, 2013, and 2014 • National Tax Code • Quarterly Self-Assessment Report
PI-20	**Directorate of National Taxes and Customs - DNTC** • Resolution No. 03083 of 2007, by which Article 38 of Resolution 0478 of 2000 is amended and a new format and specifications are adopted for the submission of information corresponding to collections and deposits by entities authorized to collect taxes and customs • Resolution No. 0008110 of 2010, by which Resolution 478 of January 26, 2000 is partially amended, as amended by Resolution 3210 of April 28, 2000, and other provisions are adopted in connection with the receipt and collection of taxes managed by the Office of the Director of National Taxes and Customs • Agreement between the Office of the Director of National Taxes and Customs and Entities Authorized to Collect, 2000
PI-21	**DGPCNR - MFPC** • Annex supporting document for initial AMCP allocation, 2015 • Law 1450 of 2011, whereby the 2010-2014 National Development Plan was issued; Article 261 regulates the Treasury Single Account • Law 1753 of 2015, whereby the 2014-2018 National Development Plan is issued, while Article 149 issues regulations on the TSA • Decree 1068 of 2015, by which the Single Regulatory Decree is issued for the Treasury and Public Credit Sector • Decree 359 of 1995, whereby the Public Accounting Framework (AMCPF) is regulated • Decree 111 of 1996, Organizational Budget Statute • Regulatory Decree 568 of 1996, which regulates the AMCP
PI-22	**DGNPB - MFPC** • Budget Execution Report Cumulative to December 2012 • Budget Execution Report Cumulative to December 2013 • Budget Execution Report Cumulative to December 2014

Indicator	Information Sources Used
PI-23	**Civil Service Administration Department - CSAD** • Decree 1083 of 2015, as amended by Decree 1412 of 2015 and added by Decree 1817 of 2015, by which the Civil Service Sector's Single Regulatory Decree is enacted • Law 909 of 2004, whereby rules are issued to regulate public employment, the Civil Service, public sector managers, and other provisions are set down. • Public Employment Information and Management System, 2015, contains institutional information, both national and territorial, relating to type of entity, sector to which it belongs, conformation, personnel, available jobs, functions manual, wages, benefits, etc., and information with which the Colombian state institutions are identified • Decree 188 of 2004, wherein the current administrative structure of the Civil Service Administration Department is consolidated.
PI-24	**NPPA** • Law 80 of 1993, by which the General Contracting Statute for Public Administration is issued • Decree 1510 of 2013, whereby the system of purchasing and public procurement is regulated • Decree Law 4170 of 2011, whereby the National Agency for Public Procurement is created and its objectives and structure are determined • Decree 1082 of 2015, which enacts the single regulatory decree for the administrative sector of national planning • General Contracting Statute, Law 80 of 1993, as amended, concerning the subject of procurement (buying and selling and other figures of transfer of ownership and/or possession of an asset) • Electronic Procurement System Portal (EPPS) http://www.colombiacompra.gov.co/es/secop **World Bank** • Colombia: National Level Public Financial Management and Procurement Report, Volume III Status of the Colombian Public Procurement System: OECD Methodology, June 30, 2009, WB and IDB **OECD** • Principles for Integrity in Public Procurement, OECD, 2009
PI-25	**CSAD** • Decree 1599 of 2005, by which the Standard Internal Control Model for the Colombian State is adopted • Decree 943 of 2014, by which the Standard Internal Control Model (SICM) is updated • Law 87 of 1993, Law on Internal Control, with partial modifications in 2000, 2002, and 2011 • Decree 2674 of 2012 (profiles - 27 literal h), and Article 32 and External Circular 002 of January 8, 2016 on "payment to the final beneficiary through the IFIS Nation" and Decree 1068 of 2015, Single Regulatory Decree for the Treasury and Public Credit Sector • External Circular 002 on payments, IFIS January 8, 2016 • Decree 2145 of 1999, under which rules are issued on the National Internal Control System of Entities and Bodies of Public Administration and National and Territorial-Level Bodies, and other provisions are set forth. • Technical Manual of the Standard Internal Control Model, CSAD, 2014 • Annual executive report of internal control, CSAD, 2014 • Historical reports on maturity of internal control (2008-2014), at the address http://mecicalidad.funcionpublica.gov.co/Historial/historial.aspx **CGC** • Report on the quality and efficiency of internal fiscal control, CGC, fiscal year 2014

Indicator	Information Sources Used
PI-26	**CSAD** • Law 87 of 1993, Law on Internal Control, with partial modifications in 2000, 2002, and 2011 • Law 1474 of 2011, whereby rules are enacted aimed at strengthening the mechanisms for the prevention, investigation, and punishment of acts of corruption and the effectiveness of control of public management • External Circular 100-01-2015 dated January 19, 2015, by which an annual Executive Report is required on internal control • Internal Audit Guide for public entities, 2013 • Role of the Internal Control Offices, Internal Audit or its substitute, 2009
PI-27	**DGPCNR- MFPC - Office of Deputy Director, Treasury** • Decree 2785 of 2013, by which regulations are set forth for the Treasury Single Account (TSA) • Decree 2789 of 2004 by which the Integrated Financial Information System (IFIS Nation) is regulated **GAO** • Resolution 357 of 2008, by which the procedure is adopted for internal accounting control and reporting of the annual assessment report to the General Accounting Office • Decree 1510 of 2013, Stand-alone Fund for handling of advances • Policy of the GAO No. GTI02-POL01 of September 18, 2014, Users and/or password management policy • Policy of the GAO No. GTI02-POL02 of September 24, 2014, Management of technology platform, information security policy. • User and/or password management policy, GAO, 2014 **CGC** • Audit Report to the National General Balance Sheet 2014, CGC 2015
PI-28	**DGNPB-MFPC - Office of Deputy Director for Analysis and Budget Consolidation** • Budget Execution Reports at https://goo.gl/tJxh9Ky and https://goo.gl/8sPR2l • Law 1687 of 2013, by which the General Budget of the Nation for 2014 is approved • Series on implementation of revenue and expenditure since 2000 at www.pte.gov.co • General Account on budget and treasury 2014, CGC 2015
PI-29	**GAO** • Public Accounting Framework (PAF) - Resolution 354 of 2007, GAO • Law 42 of 1993, regarding the organization of financial fiscal control and the entities that conduct it. • Law 5 of 1992, by which the Regulation of Congress is issued; the Senate and House of Representatives. • General Balance of the Nation 2014 and additional notes in the direction www.contaduria.gov.co • Resolution 533 of October 8, 2015 GAO on the Framework for the preparation and presentation of financial information • Resolution 620 of 26 November 2015, by which the General Chart of Accounts is incorporated to the Regulatory Framework for government entities • Resolution 248 of July 6, 2007, establishing information to be reported, requirements, and delivery times to the General Accounting Office • Law 1314 of 2009, by which the principles and standards of accounting and financial reporting and information assurance accepted in Colombia are regulated, the competent authorities are indicated, and the procedure for issuing and the entities responsible for monitoring compliance are determined • Compiled Public Accountant Doctrine, updated January 2 to December 31, 2014 • Functional manual for the consolidation process, 2014 **MFPC - Office of the Director of Technologies** • Diagnosis of the Current Situation in Risk Management IFIS Nation • MFPC, Grant Thornton, December 10, 2013

Indicator	Information Sources Used
	CGC • Audit Report to the General Treasury Balance, 2014, CGC 2015
PI-30	**CGC** • Constitution of Colombia, 1991 • Law 42 of 1993, on the organization of financial fiscal control and the entities that conduct it • Management report to Congress and the President of the Republic: Effective fiscal control for better Public Management, 2014-2015, Comptroller General, CGC, July 2015 • Audit Report to the General Treasury Balance 2012, 2013, and 2014, CGC • General Account on Budget and Treasury for fiscal 2014, CGC June 2015 • Report on the situation of state finances 2014, CGC 2015 • Decree 267 of 2000, whereby rules are set forth regarding the organization and operation of the Office of the Comptroller General of Colombia, its organizational structure is established, the functions of its departments are set and other provisions are set forth • Audit Guide CGC, 2015
PI-31	**House of Representatives of Congress - Legal Accounts Committee** • Law 5 of 1992 “Organizational Regulation of Congress” • Resolutions issued by the House of Representatives on the General Account budget and treasury and balance sheet of the nation for years 2012, 2013, and 2014

ANNEX 9. SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK

Components and elements of internal control (see note 1)	Summary of observations (see note 2)
1. Control Environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a constant attitude on fostering internal control throughout the organization and administration	No information available (NIA) from the PEFA assessment.
1.2 Commitment to competition	NIA
1.3 Senior management tone (philosophy and operating style)	NIA
1.4 Organizational structure	NIA
1.5 Human Resource Policies and Practices	No systemic Internal or external audits are practiced on the human resources process, including payroll, which is why there is no basis for assurance on this element; and internal controls for payroll in PI 23, are far from best practices.
2. Risk assessment	
2.1 Risk identification	NIA
2.2 Risk assessment (impact and likelihood)	NIA
2.3 Risk assessment	NIA
2.4 Assessment of risk appetite	NIA
2.5 Risk response (transfer, tolerance, treatment or termination)	NIA
3. Control activities	
3.1 Authorization and approval procedures	Satisfactory. With recommendations of internal auditors for the selected entities that do not alter the conclusion of such auditors on these processes.
3.2 Segregation of duties (authorizing, processing, registration, review)	Satisfactory. No issues reported in the reports of internal auditors for selected entities are identified.
3.3 Controls over access to resources and records	Satisfactory. With recommendations of internal auditors for the selected entities that do not alter the conclusion of such auditors on these processes. Integrated Financial Information System IFIS - Nation received an assessment of risks and assurances in 2013 from a specialized external firm, which includes risks on access to information, but to date an update on the effectiveness of assimilation of the recommendations included in the report is not available.
3.4 Verifications	Weaknesses in consistency of accounts objected by the CGC.
3.5 Reconciliations	Weaknesses in account reconciliations, especially inconsistencies in the consolidation of financial statements, with CGC qualification.
3.6 Reviews of operating performance	NIA
3.7 Reviews of operations, processes, and activities	Reports of internal auditors reflect a satisfactory level.
3.8 Supervision (allocation, reviewing and approving, guidance and training)	NIA

Components and elements of internal control (see note 1)	Summary of observations (see note 2)
4. Information and communication	The IFIS received an assessment of risks and assurances in 2013 from a specialized external firm, but to date an update on the effectiveness of assimilation of the recommendations included in the report is not available.
5. Monitoring	
5.1 Monitoring	Weaknesses in consistency of accounts objected by the CGC. Indicate uncertainty about the monitoring, mainly of accounting internal controls.
5.2 Assessments	Partial, the ICO (internal audits) do not assess and report on the effectiveness of internal controls. Monitoring is not focused on material problems reported by the CGC in its institutional opinions with qualifications, abstentions, or adverse opinions.
5.3 Management responses	Partial. CGC objections have not been adequately addressed and recommendations in ICO reports are not always dealt with within the time limits established.

Note (1)

The Civil Service Administration Department (CSAD) annually presents the report called *executive annual internal control report* and the Comptroller General of the Republic (CGC) presents the *annual report on the quality and efficiency of fiscal internal control*. However, these two reports do not refer to ensuring the adequacy and effectiveness of internal control based on the components and elements referred to in best practice. The CSAD Report is a compendium of surveys on the internal control structure taken from the administration of each entity, which measures the adequacy of internal control and scores them for 2014, on average, as satisfactory, but did not report an effectiveness measure. According to the statement by the CSAD, as an institution it has no ability to verify the consistency of the information reported by entities. Meanwhile, the report of the CGC is not directed to components and elements of internal control and the general conclusion that internal control prosecutor is "satisfactory" has not been interpreted statistically or by a method of recognized technical value.

Note (2)

According to the annual executive report of the CSAD, on maturity of Internal Control (cited below)[(2)] Central Government entities self-score all components of Internal Control, on average, as satisfactory. According to the CSAD maturity model, a satisfactory level is a value between 3.7 and 4.6 out of 5.0 and the optimum level called "advanced" is between 4.7 and 5.0. Internal Control Offices review such reports, but they do not issue an assurance report. Since the Standard Internal Control Model (SICM) was issued in 2005[1], no assessment of its effectiveness has been made. In fact, during this period corruption scandals and weak quality in the management of public resources are constantly reflected in the index of perception of corruption.

[1] Decree 1599 of 2005, by which the Standard Internal Control Model for the Colombian State is adopted.

ANNEX 10. SAMPLE OF LARGE PROJECTS ASSESSED (CoP)

Sector	Project	Current value 2015	Program/Subprogram	NDP classification
Education	Improvement, adaptation, expansion, construction and/or provision of educational establishments in different parts of the country, within the framework of the Strategy, contracts, plan, and urban development agreements.	38,550,000,000	**Program:** 0630 Transfers. **Subprogram:** 1000 Inter-subsector government.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 13 Locomotives for growth and employment generation. **Strategy:** 133 Transport infrastructure. **Program:** 13303 Road corridors.
Communications	Strengthening of the national digital content and applications sector.	85,550,000,000	**Program:** 0310 Disclosure, technical assistance, and human resource training. **Subprogram:** 0400 Inter-subsector communications.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 12 Competitiveness and productivity growth. **Strategy:** 123 Cross-supports competitiveness. **Program:** 12303 Improving the business environment.
Labor	Strengthening the productive development of the Colombian countryside.	43,000,000,000	**Program:** 0320 Protection and welfare of human resources. **Subprogram:** 1300 Inter-subsector work and social welfare.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 13 Locomotives for growth and employment generation. **Strategy:** 132 Agricultural and rural development. **Program:** 13201 Ability of the rural population to generate revenue.
Communications	Implementation and development of online government strategy at the national level.	56,878,000,000	**Program:** 0520 Administration, care, control, and institutional organization for the state administration. **Subprogram:** 0400 Inter-subsector communications.	**Pillar:** 5 Cross-cutting supports of democratic prosperity. **Goal:** 51 Good governance, fight against corruption, and citizen participation. **Strategy:** 512 Strategies against corruption. **Program:** 51202 Fight against corruption.
Social inclusion and reconciliation	Implementation of the strategic plan for information technology support, and comprehensive care and reparations to victims nationwide.	62,000,000,000	**Program:** 0223 Acquisition, production, and maintenance of the administrative staff **Subprogram:** 1507 Attention to vulnerable or excluded population.	**Goal:** 51 Good governance, fight against corruption, and citizen participation. **Strategy:** 511 Good governance. **Program:** 51103 Public information.

Sector	Project	Current value 2015	Program/Subprogram	NDP classification
Agricultural	Investments for sanitation, formalization, and productive organization of rural land nationwide.		**Program:** 0112 Acquisition of sector wholly-owned infrastructure. **Subprogram:** 1107 Lands.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 13 Locomotives for growth and employment generation. **Strategy:** 132 Agricultural and rural development. **Program:** 13223 Social organization of the land ownership.
	171300 - Colombian Institute for Rural Development - INCODER- Nation.	67,401,021,315		
	171300-Colombian Rural Development Institute - INCODER- Own.	1,070,722,582		
	170101 - Ministry of Agriculture - General Management.	8,200,132,000		
Transportation	Construction of facilities for road safety. National.		**Program:** 0111 Construction of sector-specific infrastructure. **Subprogram:** 0601 National road network.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 13 Locomotives for growth and employment generation. **Strategy:** 133 Transport infrastructure. **Program:** 13303 Road corridors.
	240200-National Roads Institute - Nation.	5,794,650,113		
	240200-National Roads Institute - Own.	9,343,326,313		
Agricultural	Implementation program for funding and risk mitigation of national agricultural production.	78,838,818,000	**Program:** 0670 Support. **Subprogram:** 1100 agricultural inter-subsector.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 12 Competitiveness and productivity growth. **Strategy:** 123 Cross-cutting supports to competitiveness. **Program:** 12301 Support for access to financial services.

Sector	Project	Current value 2015	Program/Subprogram	NDP classification
Environment and sustainable development	Construction of mechanical and biomechanical works for disaster mitigation in municipalities of the CORPOCHIVOR jurisdiction of Boyacá department.		**Program:** 0630 Transfers. **Subprogram:** 0900 Inter-subsector environment.	**Pillar:** 4 Environmental sustainability and risk prevention. **Goal:** 41 Environmental management for sustainable development. **Strategy:** 999 Without strategy. **Program:** 41002 Support for environmental corporations with low incomes.
	323600 - Regional Autonomous Corporation of Chivor (CORPOCHIVOR) - Nation.	1,400,000,000		
	323600 - Regional Autonomous Corporation of Chivor (CORPOCHIVOR) - Own.	348,718,922		
Communications	Convergent implementation in the public television model in Colombia.	$25,000,000,000	**Program:** 0213 Acquisition, production, and maintenance of the sector's own endowment. **Subprogram:** 0400 Inter-subsector communications.	**Pillar:** 1 Sustainable growth and competitiveness. **Goal:** 12 Competitiveness and productivity growth. **Strategy:** 123 Cross-cutting supports to competitiveness. **Program:** 12303 Improving the business environment.
Social inclusion and reconciliation	Implementation of the national strategy for overcoming extreme poverty.	$223,609,411,206	**Program:** 0320 Protection and welfare of human resources. **Subprogram:** 1507 Attention to vulnerable or excluded population.	**Pillar:** 2 Equal opportunities for social prosperity. **Goal:** 22 Social Promotion. **Strategy:** 221 Network for overcoming extreme poverty. **Program:** 22104 Red Juntos [Together Network] implementation.