

Best - Worst Practices Performance Gap: Illustrative Balance Sheet Line Items (1 of 3)

	Best Practice	Worst Practice
	Financial Assets:	Financial Assets:
1.	Internal cost of capital allocation.	Ignore existence of working capital and its cost.
2.	Benchmarking to achieve top quartile performance.	Bottom quartile performance or no benchmarking or management of financial assets.
3.	Better returns and minimized risk exposure on politically influenced loans.	Opacity and large losses on politically influenced loans.
4.	Full disclosure of financial assistance to and returns on SOEs.	Hidden SOE economic burden and risk.
5.	No dividend extraction from equity holdings that require recapitalization or have weak balance sheets.	Dividends from equity holdings used to inflate income with same-year funding classified non-expense (investment).
6.	Establish current year reserves for more likely than not current spending commitments with subsequent year cash out flows.	Rushed and/or unwise end of year cash spending so as not to have annual budget allocation reduced or show cash outflow in subsequent year; worse yet is when done based on misunderstanding of the reporting rules.
7.	Extraordinary spending based on careful analysis of the comparative merits and financial statement consequences, especially balance sheet impact.	Rushed and not analyzed spending based on vote buying rather than financial merit; worse yet is when government has a cash shortage and is in a financial crisis.

Best - Worst Practices Performance Gap: Illustrative Balance Sheet Line Items (2 of 3)

	Best Practice	Worst Practice
	Non-Financial Assets:	Non-Financial Assets:
8.	Optimal re-investment in and use of real estate assets.	Chronic mismanagement of potentially high value commercial real estate assets.
9.	Charge units market cost of real estate to improve utilization.	Cost of real estate of units limited to maintenance cost and no impairment charges.
10.	Better management of and reinvest in potential asset sales to increase value and Taxpayer's Net Worth.	Fire sales of public assets to gain current cash.
11.	Low and declining single digit percentage fraud in accounts receivable.	Double digit percentage fraud in accounts receivable payments.
12.	Projects built based on lowest cost to financial metrics.	Public private partnerships with private party has required double digit rate of return, including sale-and-leasebacks.
13.	Concessions that both maximize long term value creation and improve value for the money in delivery of services.	Front-end load inflows to fund existing (or even worse, new promises) annually recurring operating expenditures.
14.	Transparent and market based concession process to maximize return on assets.	Extension of disadvantageous long term concession deals with no efforts to maximize value in order to fund deficit spending.
15.	Asset depreciable lives that encourage high ROI program maintenance.	Unrealistically long depreciation lives that short change program maintenance and create larger replacement costs in the future.
16.	Measure and report real estate tax basis appreciation in areas surrounding government infrastructure investments.	Ignore reporting and accountability for impact of infrastructure investments.
17.	Annual impairment reviews of tangible and intangible assets create discipline to protect asset value.	No balance sheet and/or no proper annual review hides asset value destruction.
18.	Measure, manage, and disclose both billed and collected taxes, including on the balance sheet.	Focus on and report only taxes collected not billed, with no balance sheet.

Best - Worst Practices Performance Gap: Illustrative Balance Sheet Line Items (3 of 3)

	Best Practice	Worst Practice
	Financial Liabilities:	Financial Liabilities:
19.	International standards and audits.	Incorrectly calculating balance sheet debt.
20.	Report pro-forma impact on financial statements.	Ignoring quantification of debt relief impact on net worth.
21.	Use all three tools to understand economic impact of liability management exercises.	Liability management without consideration of financial statement impact.
	Non-Financial Liabilities:	Non-Financial Liabilities:
22.	Payables paid on exact date due.	Incur and not report interest penalties on arrears.
23.	Disclose impact on financial statements of change in government employee pension terms.	Non-quantification of balance sheet impact of change in government employee pension terms.
24.	Proper accrual of pension payment arrears.	No accrual for pension payment arrears delayed for administrative and political reasons.
25.	Quantifies and proactively manages litigation risk.	Ad hoc post-event handling.
26.	Fully funded civil service pension funds.	Assuming non-government pension liabilities in exchange for cash, and showing cash inflow as revenue while not reporting the corresponding liability.
27.	Proper recognition of all environmental liabilities according to international accounting standards.	Retaining environmental exposure to increase proceeds from government assets sales without recognizing the corresponding liability.
28.	Proper recognition of all contingent legal liabilities (including from indemnification provided in asset sales) according to international accounting standards.	Giving indemnification on potential litigation to increase proceeds from government assets sales without recognizing the corresponding liability.