

Quality and Availability of Information on State's Budget Execution Monthly Reports (New Zealand, Greece, Portugal, Germany and France)

15 November 2017

Attention: Kazarian Center for Public Financial Management, Lisbon, Portugal

The Quality and Availability of Information on State's Budget Execution Monthly Reports | New Zealand, Greece, Portugal, Germany and France.

As requested, please find below a brief summary of the information regarding the quality and availability of the public information on government monthly budget execution reports, with reference to New Zealand, Greece, Portugal, Germany and France.

Information is the key element upon which investors base their decisions on whether to invest, when and how much. However, in what concerns the public sector, and in particular, the general government accounts, the information needed by an investor is not always directly available, which creates significant barriers to their decision-making and taking action. Furthermore, such difficulties raise concerns regarding the level of transparency of public information.

This document summarizes the requested research on the monthly government financial reports that are regularly published (on a monthly basis) by the New Zealand, Greece, Portugal, Germany, and France governments. In this regard, a set of criteria was developed concerning the information included in each report as well as a comparative ranking. Please note that for this exercise, inputs from all the working team, including EY and Kazarian Center members, were considered.

Revised 5 December 2017.

Government Monthly Financial Reporting Assessment

Summary

Criteria	Potential Score	New Zealand	Ranking: 1 (Low) - 10 (High)			
			Greece	Portugal	Germany	France
Foundation Criteria Score	100	88	43	31	22	15
Data Disclosures Criteria Score	100	92	56	39	24	15
Quality of Disclosure Criteria Score	100	98	32	30	20	9
Comparative Data Criteria Score	50	34	21	18	8	9
Overall Score	350	312	152	118	74	48

Government Monthly Financial Reporting Assessment

Ranking: 1 (Low) - 10 (High)

SN	Criteria	NZ	GRE	PT	DE	FR
English Language: 0% to 50% Reduction to Criteria Score						
1	English language (comparable to local language if applicable)	0%	10%	25%	40%	50%
Section One: Foundation Criteria						
2	Forecast Monthly Tax Pay Net Worth	10	1	1	1	1
3	Whole of government consolidated financial information	10	9	7	3	3
4	Accessibility: ease of public access	10	10	4	4	5
5	Ease to read and use financial data presentation	10	8	7	4	3
6	Print and save functionality	10	8	8	6	6
7	Accrual accounting level/quality	10	1	1	1	1
8	Full set of four financial statements	10	3	3	1	1
9	Timeliness (days from month end to publish)	8	7	9	9	8
10	Quality of Table of Contents	10	1	1	7	1
Foundation Criteria Score Before Discount		88	48	41	36	29
Foundation Criteria Score		88	43	31	22	15
Section Two: Data Disclosure Criteria						
11	Monthly data provided	10	5	5	5	3
12	Year to date data provided	10	10	10	10	7
13	Disclosure of components of general government	10	9	8	1	1
14	Disclosure of important categories of revenue	10	9	8	7	4
15	Disclosure of important categories of expenses	10	9	8	8	3
16	Disclosure of change in net worth	10	1	1	1	4
17	Reconciliation of reporting to change in cash balance	10	7	5	1	1
18	Provide relevant GDP data and ratios	7	1	1	1	1
19	Disclosure of EU or NGO or other government financial support and spending	10	10	5	5	5
20	Disclosure of five key value creation ratios	5	1	1	1	1
Data Disclosure Criteria Score Before Discount		92	62	52	40	30
Data Disclosure Criteria Score		92	56	39	24	15
Section Three: Quality of Disclosure Criteria						
21	Disclosure of expense both by type and function	10	6	4	8	4
22	Quality of detail of large categories of revenues and expenses	10	9	8	8	3
23	Quality of disclosure of assets	10	2	1	1	1
24	Quality of disclosure of liabilities	10	1	3	4	1
25	Quality of narrative on analysis of results	10	2	6	4	1
26	Quality of footnotes	8	3	3	1	1
27	Quality of statement of accounting policies	10	3	3	1	1
28	Quality of change in accounting or presentation disclosure	10	3	3	1	1
29	Quality of disclosure on transfers among entities	10	3	4	1	1
30	Avoidance of excessive and potentially confusing disclosure	10	4	5	4	3
Quality of Disclosure Criteria Score Before Discount		98	36	40	33	17
Quality of Disclosure Criteria Score		98	32	30	20	9

SN	Criteria	NZ	GRE	PT	DE	FR
Section Four: Comparative Data Criteria						
31	Comparison to prior year	10	10	10	5	10
32	Comparison to budget	10	5	5	2	1
33	Continued disclosure of initial budget for month, year to date, and full year	5	2	3	1	1
34	Helpful period to period amount and percentage change data	8	5	5	5	5
35	Comparison to Other Governments	1	1	1	1	1
Comparative Data Criteria Score Before Discount		34	23	24	14	18
Comparative Data Criteria Score		34	21	18	8	9
36	Overall Score	312	152	118	74	48

Notes on the assigned ranks:

- ▶ **1. English Language: 0% to 50% Reduction to Criteria Score:** Local language reports fully translated into English, the language of international commerce, providing for international comparability. This enables the user to easily make comparisons between governments in different countries.

NZ – 0%

GRE – 10%

PT – 25%

Germany – 40%

France – 50%

- ▶ **Section One: Foundation Criteria**

- 2. **Forecast Monthly Tax Pay Net Worth:** Provides projections of monthly net worth ensure and demonstrate that government is considering impact on net worth of financial decision making and resource allocation.

NZ (10) – Yes.

GRE (1) – No.

PT (1) – No.

Germany (1) – No.

France (1) – No.

3. Whole of government consolidated financial information: The extent to which the reporting entity covers the whole government, including government business enterprises and statutory authorities. This enables the user to have a comprehensive view of the government's finances.

NZ (10) – The statement outlines the operating results of the total Government (includes the revenues and expenses of all departments + Reserve Bank + NZS Fund (core Crown), State-Owned Enterprises (including Air New Zealand), and Crown entities).

GRE (9) – Full and complete description of the General Government consolidated accounts (including “Central Government and Social Security”, “Regional Government” and “Local Government”).

PT (7) – Full and complete description of the General Government consolidated accounts (includes “Central Government and Social Security”, “Regional Government” and “Local Government”).

Germany (3)– Not clear what the monthly report covers.

France (3) – Not clear what the monthly report covers, but the amount of non-tax revenue suggests it does not include Government Business Enterprises.

4. Accessibility: ease of public access: The ease with which members of the public can obtain the FS, in particular if they are accessible on-line. This enables the user to get quick and easy access to the government's financial reports.

NZ (10) – Accessible on the department of treasury website. There are no access restrictions. Website: <http://www.treasury.govt.nz/>

GRE (10) – Accessible on the ministry of Finance website (English language option). There are no access restrictions <http://www.minfin.gr/>

PT (4) – Accessible on General Budget Direction website. The website is only visible in the native language with no English translation option. There are no access restrictions. Website: <http://www.dgo.pt/execucaoorcamental/Paginas/Sintese-da-Execucao-Orcamental-Mensal.aspx?Ano=2017&Mes=Julho>

Germany (4)– Accessible on General Budget Direction website. The website is only visible in the native language with English translation option. There are no access restrictions. Website:

<http://www.bundesfinanzministerium.de/Monatsberichte/2017/10/Kapitel/kapitel-2-inhaltsverzeichnis.html>

France (5) – Accessible on General Budget Direction website. The website is only visible in the native language with no English translation option. There are no access restrictions. Website:

<https://www.economie.gouv.fr/>

5. Ease to read and use financial data presentation: Extent to which use of language and structure and content of statements enable easy use of information. This enables the user to draw information from and reach conclusions about the government's financial activity.

NZ (10) – Yes.

GRE (8) – Yes.

PT (7) – Yes.

Germany (4) – Yes. All documents present a similar structure. They are easy to read and to use the respective financial data presentation.

France (3) – Hard to extract information or reach conclusions when only cash information provided, and not even a good breakdown of the purposes of expenditure.

6. Print and save functionality: Ability to work off-line on the statements, either through printing or saving, or both. This enables the user to work on the FS irrespective of internet access.

NZ (10) – Yes.

GRE (8) – Yes.

PT (8) – Yes.

Germany (6) – Yes.

France (6) – Yes.

All the documents are available in pdf format. They are printable and able to save.

7. Accrual accounting level/quality: Extent to which FS reflect fully and reliably (per IPSAS) the transactions and events of the month. This enables the user to see the economic reality of the government's finances, not just the cash flows.

NZ (10) – Accrual basis approach.

GRE (1) – Cash basis approach.

PT (1) – Cash basis approach.

Germany (1) – Cash basis approach.

France (1) – Cash basis approach.

8. Full set of four financial statements: FS contain operating statement, statement of changes in net worth, statement of financial position and cash flow statement. This enables the user to understand how the month's activities have impacted on the different components of financial performance and position.

NZ (10) – Balance sheet, income statement and statement of cash flows.

GRE (3) – Only Income statement.

PT (3) – Only Income statement.

Germany (1) – There is no four financial statements.

France (1) – There is no four financial statements.

9. Timeliness (days from month end to publish): Average number of days from month end to publication date. This enables the user to access information while it is still relevant.

NZ (8) – Data published on the 6th of July.

GRE (7) – Data published on July. Day is not specified.

PT (9) – Data published on the 26th of June.

Germany (9) – Data published on October. Day is not specified.

France (8) – Data published on the 6th of October.

10. Quality of Table of Contents: Clarity and logical ordering of the table of contents. This enables the user to find the information they are seeking easily and without unnecessary searching.

NZ (10) – Complete description of the contents of the document.

GRE (1) – No table of contents.

PT (1) – No table of contents.

Germany (7) – The table of contents is simple.

France (1) – No table of contents.

► **Section Two: Data Disclosure Criteria**

11. Monthly data provided: FS disclose the financial activity during the latest month (the reporting period) and position at end of the month. This enables the user to see what has happened in the past month.

NZ (10) – Yes.

GRE (5) – Monthly data provided for transfer/ grants – general government arrears and pension claims. The remaining data is provided on a cumulative basis (January to May).

PT (5) – Data provided on a cumulative basis, from January until May.

Germany (5) – Data provided on a cumulative basis, from January until September.

France (3) – Monthly data is provided, but only in graphical form. End of period "position" is only about flows.

12. Year to date data provided: FS disclose the financial activity during the year to date and position at the end of the month. This enables the user to see the cumulative impact of financial activity over the whole of the period since the last year-end.

NZ (10) – Yes.

GRE (10) – Yes.

PT (10) – Yes.

Germany (10) – Yes.

France (7) – Again "position" at the end of the month is just accumulation of flow information for the year.

13. Disclosure of components of general government: Disclosure of information relating to the segments of the government. This enables the user to understand how the government's overall performance and position is impacted by activity in the different sectors.

NZ (10) – Yes. Document provides information regarding the units considered.

GRE (9) – Yes. The document comprises a section concerning the general government, which is more detailed than NZs.

PT (8) – Yes. Data regarding Central, Regional and Local government is provided.

Germany (1) – No. There is no information.

France (1) – No. If this is meant to refer to segments like education, health etc, there is no information. And even if it is referring to organizational segments there is no information.

14. Disclosure of important categories of revenue: Disclosure of the major categories of revenue, including disclosure of sub-categories, such as different types of tax revenues. This enables the user to understand patterns and trends in revenue generation.

NZ (10) – Yes. The revenue's source is very detailed. The main categories of revenue disclosed are: Tax, Other sovereign revenue, Sales of good and services, Interest revenue and dividends, Other revenue (there is a further note to each of these categories).

GRE (9) – Yes. Main categories of revenue are disclosed: Taxes (Direct taxes and indirect taxes), Social Contributions, Transfers (current transfer received and capital transfers received), Sales of nonfinancial assets, Other revenue, Interest received, Dividends, Sales of goods and services, Miscellaneous and unidentified revenue.

PT (8) – Yes. The main categories of revenue are disclosed: Tax, Social security contributions, Current transfers, Other current revenue, Sale of investment good, Capital transfers, Capital transfers, Other capital revenue.

Germany (7) – Yes. There is a good breakdown of revenue by type of revenue for the federal government with some associated commentary.

France (4) – Yes. There is a very high-level breakdown (income tax, VAT, corporation tax, domestic consumption tax on energy products and non-tax revenues) but there is no further breakdown or supporting detail.

15. Disclosure of important categories of expenses: Disclosure of the major categories of expenses, including disclosure of sub-categories, such as different types of welfare expenditures. This enables the user to understand patterns and trends in the incurrence of expenses.

NZ (10) – Yes. The expenditure's source is very detailed. The main categories disclosed are: Transfer payments and subsidies, Personnel expenses, Depreciation and amortization, Other operating expenses, Finance costs and Insurance expenses (there is a further note to each of these categories).

GRE (9) – Yes. The main categories of expenditure are disclosed: Compensation of employees, Purchases of goods and services, Interests paid, Subsidies, Transfers, Current transfers paid, Capital transfers paid, Social benefits, Purchases of nonfinancial assets, Other expenditure.

PT (8) – Yes. The main categories of expenditure are disclosed: Employees, Purchase of goods and services, Interests and other charges, Current transfers, Subsidies, Other current expenditure, Consolidation differences, Capital expenditure, Investments, Capital transfers, Other capital expenditure.

Germany (8) – Yes. The abstract shows a reasonably detailed breakdown of expenses both by type of spending (eg personnel expenditure) and by functional classification (health, housing etc.).

France (3) – Yes. There is a breakdown in the report, but it is very high level and poorly described. There is no breakdown by functional classification (health, education etc.)

16. Disclosure of change in net worth: Disclosure of the factors causing the overall change in net worth (such as operating surplus or deficit, or revaluations). This enables the user to understand the factors contributing to changes in aggregate fiscal position.

NZ (10) – Yes.

GRE (1) – No.

PT (1) – No.

Germany (1) – No.

France (4) – Yes.

17. Reconciliation of reporting to change in cash balance: Reconciliation between cash flows in the period and changes to financial performance and position. This enables the user to understand how economic transactions and events impact on cash flows.

NZ (10) – Yes. Full range of information provided.

GRE (7) – Yes. Good quality of detail in the information provided.

PT (5) – Yes. Enough detail in the information provided.

Germany (1) – Yes. Good quality of detail in the information provided.

France (1) – No such reconciliation.

18. Provide relevant GDP data and ratios: Inclusion of government financial data relative to the whole economy (as measured by GDP). This enables the user to better compare governments in different countries, where the respective economies are of different sizes.

NZ (7) – Yes. Information regarding Net Debt and Gross Debt as a percentage of GDP.

GRE (1) – No.

PT (1) – No.

Germany (1) – No.

France (1) – No.

19. Disclosure of EU or NGO or other government financial support and spending: Disclosure of the extent to which government receives financial support from a regional grouping (eg. EU) or other organizations (eg. international financial institutions). This enables the user to understand the extent to which the government is financially dependent on other organizations.

NZ (10) – Yes.

GRE (10) – Yes.

PT (5) – No. Only a brief reference regarding the contribution to the EU budget.

Germany (5) – No. Only a brief reference regarding the contribution to the EU budget.

France (5) – There is reference to "support funds" in the revenue table, but no description of where the support comes from.

20. Disclosure of five key value creation ratios: Inclusion of measures which report the performance of the government in creating value, whether through its use of assets or in generating economic growth. This assists the user to understand how successfully the government utilizes its assets and impacts on the wider economy. Key balance sheet value creation ratios include: 1. GDP Value Created/Lost, 2. Return on Assets, 3. Net Worth % of GDP, 4. Net Worth Annual % Change, and 5. Net Debt % of GDP.

NZ (5) – The report provides some information that allows the reader to calculate some ratios.

GRE (1) – No.

PT (1) – No.

Germany (1) – No.

France (1) – No.

► **Section Three: Quality of Disclosure Criteria**

21. Disclosure of expense both by type and function: Expenses can be broken down in different ways, in particular by input type (eg. salaries) or by function of government (eg. national defense). This enables the user to understand better the composition and purpose of government expenditure and trends in the different categories of expenditure.

NZ (10) – Detailed description of expenses by type and function.

GRE (6) – Description by type of expenses. Also, an additional document titled “*Monitoring of achievement of the state budgets’ expenditure targets*” presents the expenses by ministry.

PT (4) – Description of expenses by type and not by function.

Germany (8) – On pages 8 and 9 of the abstract they show the breakdown of expenditure by input and functions. Cash numbers not accrual.

France (4) – There is a breakdown which shows staff costs, but that is highly aggregated and there is no other breakdown.

22. Quality of detail of large categories of revenues and expenses: Quality of disclosures of the breakdown of, and supporting detail relating to, the major revenue and expense categories. This enables the user to understand better the impact of changes in categories of revenue and expense on the overall financial performance.

NZ (10) – Highly detailed description of the categories.

GRE (9) – Highly detailed description of the categories.

PT (8) – Good informative quality of the categories.

Germany (8)– There is a good breakdown both on the revenue and expense sides. While there is not supporting (note) disclosure, there is comparison with the previous period.

France (3) – There is very little breakdown or supporting disclosure on either the revenue or expense side.

23. Quality of disclosure of assets: Governments own a significant range of assets with different financial and economic significance, and this criterion assesses the quality of the disclosures about those assets. This enables the user to better understand the nature and utilization of the government's assets.

NZ (10) – Detailed information about assets.

GRE (2) – There is only information about the net of financial assets.

PT (1) – There is no data about assets.

Germany (1) – There is no data about assets.

France (1) – There is no data about assets.

24. Quality of disclosure of liabilities: Quality of the disclosures of the government's range of liabilities, both debt and non-debt (eg. public service pension liabilities). This enables the user to understand the relative size, and sensitivity (eg. to interest rate changes) of the different categories of liability.

NZ (10) – Detailed information about liabilities.

GRE (1) – There is no data about liabilities.

PT (3) – Random references to liabilities.

Germany (4) – There is reasonable disclosure of debt, though not of other liabilities.

France (1) – There is no data about liabilities.

25. Quality of narrative on analysis of results: The quality of supporting narrative assesses the extent to which that narrative draws attention to major transactions and events during the period and the impact of those changes on financial performance and position. This enables the user to easily identify the key messages conveyed by the financial statements.

NZ (10) – Very informative. There is a full section of commentaries explaining the variations and drivers of the changes.

GRE (2) – Only explains methodology.

PT (6) – Basic narrative. Includes the total numbers and percentages variation, and some occasional brief explanations.

Germany (4) – The narrative is not great, but there is an attempt to explain the revenue and expenditure trends.

France (1) – No.

26. Quality of footnotes: Quality of footnotes measures the coverage of the footnotes and the extent of relevant detail they contain. Footnotes should be in a form consistent with international standards with note numbers next to financial statement line items. Any variation from IPSAS should be disclosed with specific information on impact on all four financial statements. This enables the user to access information not available in aggregated numbers in the financial statements.

NZ (8) – All the footnotes are relevant for the accurate understanding of data.

GRE (3) – Few footnotes. All of them are relevant for the understanding of the data provided.

PT (3) – Few footnotes. All of them are relevant in understanding of the data provided.

Germany (1) – No footnotes of any real value

France (1) – Few footnotes. All of them are relevant in understanding of the data provided.

27. Quality of statement of accounting policies: Clarity and relevance of the accounting policy disclosure. This enables the user to understand the impact of key accounting policies on the reported results of the period.

NZ (10) – The statement contains all the necessary information.

GRE (3) – Minimum information provided. Lack of important basic information.

PT (3) – Minimum information provided. Lacking important basic information.

Germany (1) – No accounting policy disclosure, directly or by reference.

France (1) – Minimum information provided. Lacking important basic information.

28. Quality of change in accounting or presentation disclosure: Changes in accounting policy or disclosure presentation can damage comparability, so this criterion measures the quality of the disclosure of the nature of the change and the results that would have been reported had the change not been made. This enables the user to distinguish the impact on reported results of the policy or disclosure change.

NZ (10) – High quality in accounting and presentation disclosure. The presentation disclosure is reader-friendly.

GRE (3) – The accounting is prepared under a cash basis approach establishing a limitation on the total financial information provided to the reader.

PT (3) – The accounting is prepared under a cash basis approach establishing a limitation on the total financial information provided to the reader.

Germany (1) – No disclosure on this point.

France (1) – No information on this point.

29. Quality of disclosure on transfers among entities: This criterion assesses the extent to which major flows among entities within the government are reported in the FS. This enables the user to better understand performance of different components of the government.

NZ (10) – All information regarding transfers among entities is fully disclosed.

GRE (3) – Basic information about the sources and beneficiaries of capital and current transfers.

PT (4) – Basic information on capital and current transfers is provided.

Germany (1) – There is no data about transfers among entities

France (1) – There is no data about transfers among entities

30. Avoidance of excessive and potentially confusing disclosure: Disclosures can be unhelpful if they have excessive detail, are frequently changed or inconsistently applied, so this criterion assesses whether the FS are free of such disclosures. This enables the user to access relevant information without being misled or "buried" in detail.

NZ (10) – All information is relevant and clear.

GRE (4) – Several documents with overlapping information, which can be confusing.

PT (5) – Information is scattered among many files that are not translated into English.

Germany (4) – Information is scattered among many files that are not translated into English.

France (3) – The disclosure is minimal, so one could say they have avoided excessive detail.

► **Section Four: Comparative Data Criteria**

31. Comparison to prior year: This criterion is whether the FS disclose the monthly and YTD numbers for the same period in the previous year. This enables the user to understand how the current year is tracking relative to the previous year.

NZ (10) – Yes.

GRE (10) – Yes.

PT (10) – There is disclosure of the YTD numbers for the previous year, but not the equivalent month's numbers for the previous year.

Germany (5) – There is disclosure of the YTD numbers for the previous year, but not the equivalent month's numbers for the previous year.

France (10) – Yes.

32. Comparison to budget: This criterion is whether the current period is compared to the budget for the month and for the YTD, and variances reported for both periods. This enables the user to actual performance against planned performance.

NZ (10) – Yes.

GRE (5) – Tables have a “budget execution” item, but the values are not presented.

PT (5) – The cumulative budget Implementations are presented for 2017 and 2016.

Germany (2) – The comparisons are not to budgets, but to estimates.

France (1) – No.

33. Continued disclosure of initial budget for month, year to date, and full year: This criterion assesses whether the initial budget for each of the month, YTD and full year continues to be disclosed, following any in-year budgeting. This enables the user to assess performance and position against both the latest and the original plans.

NZ (5) – Only initial budget for the year.

GRE (2) – Tables have a “budget” for the year item but the values are not presented.

PT (3) – Only a continued disclosure of year to date initial budget.

Germany (1) – No.

France (1) – No.

34. Helpful period to period amount and percentage change data: Quality of the reporting of this period against previous period, both in terms of actual amounts and percentage changes. This enables the user to assess trends over time in performance and position.

NZ (8) – Data provided on the amount and percentage change.

GRE (5) – Only data regarding percentage change.

PT (5) – Only data regarding percentage change.

Germany (5) – Only data regarding percentage change.

France (5) – Only data regarding percentage change.

35. Comparison to Other Governments: Comparison to other governments considered peers. Comparison to world class peers. This information provides users with an easy and readily available comparison of key numbers that offer the most insight into comparative performance.

NZ (1) – No.

GRE (1) – No.

PT (1) – No.

Germany (1) – No.

France (1) – No.