PEMPAL

GLOSSARY OF PUBLIC FINANCIAL MANAGEMENT

VERSION 3

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INTRODUCTION

This Glossary is intended to provide PFM practitioners in the PEMPAL region with a glossary and explanation of key terms and concepts. The objective is to enable a consistent approach when using terminology and also to facilitate meaningful translation of the terminology.

The Glossary is divided into two parts:

PART I Tabular listing of key terms and brief definitions. Wherever appropriate these are based on the IPSAS definitions

PART II A summary explanation of key concepts and related terminology

Where appropriate definitions in Part I are cross-referenced to the explanations in Part II

This Glossary is intended to be a resource that develops over time and is contributed to by practitioners within PEMPAL

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PART I – SUMMARISED GLOSSARY OF TERMS

Term	Definition	Reference
Acceptance of risks	Management and the board have determined the level of risks acceptable to the organization, including the acceptance of risks designed to accomplish the organization's strategic plans.	Wales Audit Office
Account Clean-up (or data cleansing)	Process of defining and reconciling all transactions (revenues and expenditures) in the financial statements and correcting irregularities, inaccuracies or mistakes. Ensuring bank reconciliations are complete and up to date. One of the necessary tasks prior to implementing upgraded or new FMIS is usually referred to as data cleansing.	OECD
Accountability	Accountability is a function of a relationship between two parties whereby one party confers a power on the other subject to a condition that the party receiving the power must account as specified for its possession and use. See extended definitions in Part II	OECD1
Accountable officer	An individual designated to be personally responsible for propriety, regularity and value for money issues in relation to the public finances of parts of the Scottish Administration or other relevant devolved public bodies.	Scottish Government
Accounting	A broad term that encompasses the preparation, analysis, and audit of financial information. The many specialisms of accounting include auditing, consulting, cost accounting, financial accounting, management accounting, public accounting, public sector accounting, and taxation. Although accounting covers many disciplines, professional accounting retains a rather dull image—an old joke (quoted in Fox, 2003, 181) has defined an "extroverted accountant" as "one who stared at the client's shoes while speaking instead of staring at his own shoes." The theory and systems of organising and summarising information about financial and economic activities. Good accounting systems are essential for budget management, financial accountability and efficient decision-making. See also accounting basis and accounting system. The internal audit activity should have employees or use outside service providers who are qualified in disciplines such as accounting, auditing, economics, finance, statistics, information technology, engineering, taxation, law, environmental affairs, and such other areas as needed to meet the internal audit activity's responsibilities.	Auditors' Dictionary Allen & Tommasi Wales Audit Office
Accounting basis	The accounting base refers to the policy for recognising inflows, outflows, assets and liabilities within an accounting system, e.g. cash or accrual. See Part II extended definitions	
Accounting control	Procedures and documentation concerned with safeguarding of assets, the conduct and recording of financial transactions and the reliability of financial records. They are frequently based on standards issued by the ministry of finance or the supreme audit institution to ensure comparability of accounting practices across all ministries and conformity with national and/or international conventions. See extended definitions in Part II	
Accounting Control System	A series of actions, which are part of the total internal control system concerned with realising the accounting goals of the entity. This includes compliance with accounting and financial policies and procedures, safeguarding the entity's resources and preparing reliable financial reports.	DG Budget
Accounting policies	The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.	IPSAS 3.7, 6.718.8
Accounting records	If internal auditors are reporting on financial information, the engagement working papers should document whether the accounting records agree or reconcile with such financial information.	Wales Audit Office

Term	Definition	Reference
Accounting standards	Accounting Standards seek to establish standardised rules for the recognition and valuation of assets, liabilities and financial flows for the purpose of financial reporting in General Purpose Financial Statements. The most important international standards are: • International Accounting Standards (now renamed International Financial Reporting Standards, IFRS) issued by the International Accounting Standards Board (IPSASB) – applicable to for profit entities (including Government Business Enterprises, GBEs) • International Public Sector Accounting Standards (IPSASB) issued by the International Federation of Accountants (IFAC) – applicable to all public sector entities other than GBEs) Performing an analysis of the controls for critical accounting policies and comparing them with preferred practices (e.g., transactions in which questions are raised about revenue recognition or off-balance sheet accounting treatment should be reviewed for compliance with appropriate generally accepted accounting standards). International Financial reporting Standards (FRS) has now replaced all the previous International Accounting Standards. See International Financial Reporting Standards	Wales Audit Office
Accounting System	The term accounting system is often used to refer to a computer-based system. However, the term embraces not just a computer system but all of the manual and computer based processes used for the recording, managing, controlling and reporting financial transactions within an entity. The two major accounting systems are cash accounting and accrual accounting. Cash accounting systems recognise transactions and events when cash is received or paid, whereas accrual accounting is a system in which revenue is recognised when it is earned and expenses are recognised as they are incurred. The set of accounting procedures, internal mechanisms of control, books of account, and plan and chart of accounts that are used for administering, recording, and reporting on financial transactions. Systems should embody double entry bookkeeping, record all stages of the payments and receipts process needed to recognise accounting transactions, integrate asset and liability accounts with operating accounts, and maintain records in a form that can be audited.	(7 OECD Allen & Tommasi
Accounts payable (alternative term: debtors)	Short-term, invoiced liabilities owed for the supply of goods or services. Accounts payable balances are classified as a current liability in the balance sheet.	Auditors' Dictionary Allen & Tommasi
Accounts receivable (alternative term: creditors)	Short-term, invoiced amounts due from customers for the supply of goods or services. Accounts receivable are classified as a current asset in the balance sheet—when their recoverability becomes doubtful, an allowance for bad debts is created.	Auditors' Dictionary
Accrual basis	Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses. An accounting base in which inflows and outflows are recognised on the basis of when the benefits of costs impact on an entity rather than when cash is received or paid. See Part II extended definitions	IPSAS 1.7

Term	Definition	Reference
Accrual-based budget (accrual budgeting)	This term can be used in two ways: (i) budgetary documents that include in addition to cash- based appropriations accrual accounting information; or (ii) budgetary appropriations based on accrual accounting information, e.g. including provision for depreciation. In the United Kingdom, accrual accounting/budgeting is referred to as resource accounting/budgeting. See Part II extended definitions	Allen & Tommasi
Acquis Communautair e	Comprises the entire body of European Community legislation that has accumulated, and been revised, over the last 40 years. It includes the founding Treaty of Rome as revised by the Single Act and the Treaty of Maastricht and Treaty of Amsterdam; all the regulations and directives passed by the Council of Ministers; and the judgements of the European Court of Justice.	Allen & Tommasi
Acquisition policy	An acquisition policy sets out what an organisation needs to consider making informed decisions when acquiring land and buildings. Justification for the acquisition of land and buildings must be set out in a robust business case. The business case needs to demonstrate that the organisation has identified budgetary provision for ongoing revenue costs. The policy also helps to ensure there is consistency and transparency in the process across the organisation. Prior to acquisition, organisations need to consider all relevant options including: • Use of existing land and buildings; • Freehold acquisition; • Leasing; • Capital build; • Shared use; and • Joint use of buildings with partner organisations including the third sector.	(7
Active market	A market in which all the following conditions exist: (a) The items traded within the market are homogeneous; (b) Willing buyers and sellers can normally be found at any time; and (c) Prices are available to the public.	IPSAS 21.14
Activity	In terms of expenditure classification, an activity is a subdivision of a programme with specific objectives and outputs, thus facilitating the measurement and management of performance.	
Activity Based Management (ABM)	ABM is part of a wider strategic decision-making process that starts with the setting of political priorities through management planning and performance - taking into account the objectives and available resources of the organisation – right to the benchmarking of the programme achievements.	DG Budget
Activity-based costing (ABC)	A costing approach that specifically addresses the problem of overhead cost allocation. ABC differs from traditional cost allocation by seeking to identify the cost driver for a particular category of overhead, rather than simply applying an arbitrary allocation basis.	Allen & Tommasi
Ad-hoc Audit	***Ad hoc*** is a Latin phrase meaning "for this." It generally signifies an audit (solution) designed for a specific problem or task, non-generalizable, and not intended to be able to be adapted to other purposes.	(Wikipedia)

Term	Definition	Reference
Add Value	Added value is the increase in value that an entity creates by undertaking the production or service process. In economics, the difference between the sale price and the production cost of a product is the value added per unit. Summing value added per unit over all units sold is total value added. Total value added is equivalent to Revenue less Outside Purchases (of materials and services). In relation to internal audit the internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.	(IIA)
Adequate Control (or adequacy of controls)	Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.	IIA
Administrative Control System	A series of actions, which are part of the internal control system, concerned with administrative procedures needed to make managerial decisions; realise the highest possible economic and administrative efficiency and ensure the implementation of administrative policies, whether related to financial affairs or otherwise. Non-financial procedures and records of ministries which ensure compliance with rules on: • Appointment, promotion, pay, and disciplining of personnel; • Public procurement (bids, tenders, contract management, etc.); • Equal opportunities for minority groups; • The handling of information flows; • Travel and entertainment allowances, etc.	DG Budget Allen & Tommasi
Administrative reporting line	Within an organisation the formal reporting responsibility of one post to another post. Other relationships can be effective if there are clear distinctions between the functional and administrative reporting lines and appropriate activities are in each line to ensure that the independence and scope of activities are maintained.	Wales Audit Office
Advisor	A person or entity who or which provides advice. Internal auditors may be involved as advisors as long as the impact of these activities on internal audit independence is recognized and handled appropriately.	Wales Audit Office

Term	Definition	Reference
Agency	The agency concept is important in management and the law. Hence it is important to identify the context in order to use the appropriate meaning to the term. In law an agency is a consensual relationship created by contract or by law where one party, the principal, grants authority for another party, the agent, to act on behalf of and under the control of the principal to deal with a third party. An agency relationship is fiduciary in nature, and the actions and words of an agent exchanged with a third party bind the principal. An agreement creating an agency relationship may be express or implied, and both the agent and principal may be either an individual or an entity, such as a corporation or partnership. In government administration the term "agencies" has a specialised meaning, though derived from the general concept of agency. In this context and "Agency" is an administrative entity that is a part of Government and has been given some autonomy and/or independence from the Ministries to which the Agency reports. Agencies may be subject to a completely or partially different set of management and financial rules than the one applicable to traditional vertically integrated Ministries. The fact that they are considered part of Government excludes by definition private firms and non-governmental organisations, even when they are mainly funded by Government entities. It also excludes state-owned corporations	OECD
Aid (in the context of Governments)	Government assistance in the form of cash, goods, or services. Government aid to a country's industrial sectors or geographical regions ranges from grants to tax breaks to technical assistance. International aid includes the transfer of resources from developed to developing countries, which can also take a number of forms, such as cash transfers, or technical and military assistance.	Auditors' Dictionary
Aid-in-kind	Flows of goods and services with no payment in money or debt instruments in exchange. In some cases, so-called "commodity aid" goods (such as grain) are sold and the receipts transferred to the budget. More commonly, the receipts are transferred through a special fund.	Allen & Tommasi
Allocative efficiency	Refers to the capacity of the government to allocate resources and select programmes and projects in conformity with its objectives. In economic theory, allocative efficiency, also called "Pareto efficiency", occurs when resources are allocated in such a way that any change in the amounts or type of outputs currently produced would make someone worse off.	Allen & Tommasi
Allotment	Either synonymous with apportionment or a particular stage in the procedure for distributing budget funds among spending units. See also apportionment.	

Term	Definition	Reference
Analytical audit examination (or review) or Analytical procedures	An auditing technique that focuses on analysis of the movements in account balances over time, and on assessing the reasonableness of financial statement items. At the level of financial statements, an auditor's analytical review typically focuses on changes over time in high-level balances and ratios. It also includes assessments of the interrelationships between items in financial statements. For example, if an organization's revenues double in size from one financial reporting period to the next, then (all things being equal) one would expect the level of accounts receivable to increase significantly between the two time periods. If accounts receivable did not follow the trend of revenues, analytical review might highlight this apparent inconsistency as an area for further investigation. The analytical review of financial statements may also comprise comparisons with the financial data of similar organizations—for example, an industry average of payroll cost per employee is a common benchmark to assess the reasonableness of payroll costs. At the level of the general ledger, analytical review procedures typically involve a scanning of entries in an account for evidence of unusual items, and the analysis of variances between actual and budgeted balances. Auditors' analytical review procedures are intended to highlight potential, material misstatements in the general ledger or in financial statements. As a high-level audit technique, analytical review usually raises (rather than answers) questions, and therefore tends to be a means of identifying areas for further review. For this reason, analytical review is often a key element in the audit planning process, though it is considered a valuable substantive auditing test in its own right. Further reading: Glover et al. (2000); Lin et al. (2003) When determining the expected error in a population, the auditor should consider matters as error levels identified in previous audits, changes in the organization s procedures and evidence available from an internal control evaluation and results from analytical review procedures. Analytical procedures or analytical review procedures seek to obtain a broad understanding of the public body's financial position and results. They are also used to identify any items requiring further investigation. The procedures examine the relationships between transactions, ratios, trends, and changes in balances from one period to the next. The procedures may examine past events using recorded transactions or may be predictive where historical data is used to develop an expected outcome. The expected outcome is then compared to the actual outcome.	Auditors' Dictionary Wales Audit Office (7
Annual budget	An approved budget for one year. It does not include published forward estimates or projections for periods beyond the budget period.	IPSAS 24.7
Annual financial statement)	See General Purpose Financial Statements	
Annual report (of a public body)	An annual report is a comprehensive report on a public body's activities throughout the year. Annual reports give information about the company's activities and financial performance. The trend is for the annual report to be issued with the General Purpose Financial Statements	(7
Application software	The software to undertake a specific function or group of functions, e.g. accounting, debt management	
Apportionment	Authorisations or distributions of funds generally made by the ministry of finance to line ministries and other spending units permitting them to either commit or pay out funds, or both, within a specified time period and within the amounts appropriated and authorised. See also warrant.	Allen & Tommasi

Term	Definition	Reference
Appraisal	Examination of the details of a policy proposal or capital investment project on the basis of an analysis of its economic, financial and other effects. Policy/project appraisal is sometimes called ex ante evaluation.	Allen & Tommasi
Appropriation	Authority granted under a law by the Legislature to the Executive to spend public funds up to a set limit and for a specified purpose. Annual appropriations are made through annual budget laws or, in some countries, separate appropriation acts consistent with the budget. Supplementary budget appropriations are sometimes granted subsequent to the annual law if the annual appropriation is insufficient to meet the specified purpose. See also Supplementary Budget	OECD
Approved budget	In the context of government the expenditure authority derived from laws, appropriation bills, government ordinances and other decisions related to the anticipated revenue or receipts for the budgetary period.	IPSAS 24.7
Arrears	Amounts that have not been paid or received by the date specified in a contract or within a normal commercial period. Payment arrears may arise from non-payment by government ministries/agencies in areas such as bills due from suppliers, salaries due, transfers, or debt repayment costs. Tax arrears are taxes due to government but not paid. Under accrual accounting arrears are specifically recognised as assets or liabilities	Allen & Tommasi
Asset register	An asset register records details of an organisation's fixed assets (see separate definition) including land and buildings, vehicles, equipment, intangible assets (e.g. software licences) and fixtures and fittings. The register is important for effective land and buildings management and financial reporting. The use of a single asset register will help to ensure consistency. Some organisations maintain both financial and property asset registers. In such cases, the two systems must be reconciled periodically throughout the year and at the end of the financial year. The asset register contains information about every asset that an organisation owns, leases, occupies, manages or has an interest in. It will include information including name, acquisition date, address, value and location. The following asset-related information will normally be recorded in the asset register: • Condition of the asset; • Maintenance requirements; • Level of compliance with legal requirements and/or work required to achieve full compliance (e.g., water and asbestos testing); • Rent; • Occupational costs; and • Energy and water consumption.	(7

Term	Definition	Reference
Assets	Resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Property functioning as a store of value over which ownership rights are enforced by institutional units, individually or collectively, and from which economic benefits may be derived by holding them or using them over a period of time. "Tangible" assets may either be financial (e.g. cash or government securities) or physical (e.g. buildings, roads, national parks, etc.). Assets may also be "intangible" such as copyright or mineral exploitation rights. Assets provide a means for entities to achieve their objectives. Assets that are used to deliver goods and services in accordance with an entity's objectives but which do not directly generate net cash inflows are often described as embodying "service potential". Assets that are used to generate net cash inflows are often described as embodying "future economic benefits". To encompass all the purposes to which assets may be put, this Glossary uses the term "future economic benefits or service potential" to describe the essential characteristic of assets. See extended definition of assets, liabilities and depreciation in Part II of this Glossary	IPSAS 1.7, 2.8, 5.56.78.6 Allen & Tommasi
Associate	An entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture.	IPSAS 6.77.78.6
Association of Chartered Certified Accountants, the (ACCA)	The ACCA is one of the five senior level UK accounting bodies. It is an accounting body incorporated by Royal Charter. It represents accountants in the public and private sectors. The ACCA has the largest international membership of the UK accounting bodies.	
Assurance Services	An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.	IIA
Attribution	Deciding how much of the outcome is truly attributable to a policy measure or government expenditure programme, rather than to other influences. It is one of the most challenging tasks in an evaluation study.	Allen & Tommasi
Audit (or Engagement)	In its most generic sense this can mean any examination ex-post of a transaction, procedure or report with a view to verifying any aspect of it – its accuracy, its efficiency, etc. See extended definition in Part II	
Audit action plan	Administer/maintain the comprehensive follow-up database for recommendations and action plans resulting from internal audit engagements and the work of external auditors and other internal evaluation and investigation functions.	Wales Audit Office
Audit assessment of internal controls	An opinion may include an overall assessment of controls or area under review or may be limited to specific controls or aspects of the engagement. The target audiences for the annual report are senior executives and board members. The Auditing Guideline on Planning the IS Audit states that the auditor should perform a preliminary assessment of control over the function being audited.	Wales Audit Office
Audit Authority	Audit authority, functionally independent from all actors in the management and control systems and complying with internationally accepted audit standards is designated by the beneficiary country (for EU funds). The audit authority is responsible for verifying the effective and sound functioning of the management and control systems.	(EC - IPA implementing regulation art. 29)
Audit Checklist	A standardised questionnaire used in the audit process to review and assess	

Term	Definition	Reference
Audit Committee	A committee of a board of directors (or similar governing body) that oversees an organization's auditing and financial reporting. Under most systems of corporate governance, audit committees tend to be comprised of outside directors to encourage independence and to minimize potential conflicts of interest. Typical activities of audit committees include reporting to the board of directors on the oversight of (i) financial reporting, (ii) the internal control environment, (iii) the work of external and internal auditors, (iv) external audit fees, (v) the appropriateness of accounting policies, and (vi) risk management procedures. The Audit Committee is set up by the public body to oversee the arrangements for preparing the financial statements and systems of financial control.	Auditors' Dictionary (7
Audit Competence	The ability and credentials of an individual who aspires to undertake auditing. It has been written "the first requirement for the authority of auditors is competence. Audit competence requires both knowledge and skill, which are the products of education, training and experience" (Flint, 1998, 48). Auditing professional bodies seek to define and monitor their members' audit competence.	Auditors' Dictionary
Audit coverage (in the context of internal audit)	The internal audit risk-based plan of engagements may incorporate and rely on consulting engagements, to the extent deemed appropriate, to provide necessary audit coverage to the organization.	Wales Audit Office
Audit documentation	Documentation of the internal control structure is the material and written evidence of the components of the internal control process, including the identification of an organisation's structure and policies and its operating categories, its related objectives and control activities. These should appear in documents such as management directives, administrative policies, procedures manuals, and accounting manuals.	INTOSAI
Audit Engagement Plan	An alternative term for audit program or audit schedule.	Auditors' Dictionary
Audit Evidence	Information, which supports the opinions, conclusions or reports of the auditors, internal audit services or SAI. It should be: • **Competent**: information that is quantitatively sufficient and appropriate to achieve the auditing results; and is qualitatively impartial such as to inspire confidence and reliability. • **Relevant**: information that is pertinent to the audit objectives. • **Reasonable**: information that is economical in that the cost of gathering it is commensurate with the result, which the auditor or, the internal audit service or the SAI is trying to achieve	DG Budget
Audit field Standards	The framework for the auditor to systematically fulfil the audit objective, including a) planning and supervision of the audit, b) gathering of audit evidence which is competent, relevant and reasonable, and c) an appropriate study and evaluation of internal controls.	DG BUDGET
Audit finding	Pertinent statements of fact. Audit findings emerge by a process of comparing "what should be" with "what is".	Allen & Tommasi
Audit findings, conclusions and recommendations	Findings are the specific evidence gathered by the auditor to satisfy the audit objectives; conclusions are statements deduced by the auditor from those findings; recommendations are courses of action suggested by the auditor relating to the audit objectives.	DG Budget
Audit four-eyes principle	A requirement that a process will be effectively conducted by at least two individuals.	PROC

Term	Definition	Reference
Audit kick-off meeting (Opening meeting)	Also referred to as opening meeting. The purpose is to confirm the audit programme, verify communication channels, provide a summary of audit activities and answer on all auditee questions. A record should be kept of who attended the meeting, for example sign-up sheet (names, area, date) as well any audit plan changes or concerns of the auditee. Agenda could include: Introductions of auditors and auditees, review of audit programme, limited access information, audit tools and techniques, reporting process and interview schedule, review of logistics and confirming the exit meeting.	Russel, IA Pocket Guide, p.69
Audit Mandate	The auditing responsibilities, powers, discretion and duties conferred on any audit body (e.g. the SAI) under the constitution or other lawful authority of a country (as set out in primary or secondary national legislation).	DG Budget
Audit Objective (or Engagement Objectives)	A precise statement of what the audit intends to accomplish and/or the question the audit will answer. This may include financial, regularity or performance issues. Broad statements developed by internal auditors that define intended engagement accomplishments.	DG Budget IIA
Audit opinion	An auditor’s conclusion on the extent to which audit evidence refutes or confirms an audit objective. Independence is considered to be central to the credibility of audit opinions, especially in the context of an external audit: “An auditor’s opinion is no more than an opinion, but it must be believed to be an informed opinion honestly held” (Flint, 1988, 47).	Auditors’ Dictionary
Audit Plan (internal audit)	A detailed plan for one-year basis to outline the planned audit activities for the upcoming year. For internal audit the plan is limited by the current audit department budget and planned resource levels. The plan should show the area to be reviewed for each planned audit, the relative risk assessed for the audit, the type of audit, its location, the planned hours, and any other planned costs. Depending on the size and complexity of the overall organization, the plan as shown can be summarized and broken into a variety of different sequences. This will allow various levels of management to understand the breadth and scope of audit coverage in their areas.	Brinks, Modern IA, p.292
Audit Procedures	Tests, instructions and details included in the audit programme to be carried out systematically and reasonably.	DG Budget
Audit Program (or Engagement Work Program)	A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan. A document that sets out audit tests. It is generally considered best practice to conclude an audit planning process with a formal, written program of audit tests, but in practice audit programs vary significantly in detail and sophistication. At one extreme, an audit program may simply be a bullet point list of audit tests. At the other extreme, an audit program may give extensive guidance on the performance of sequential audit tests, including the names of individual auditors responsible for each test Audit plan and procedures - The audit plan reflects the auditor’s assessment of the risk for the public body. It sets out the work the auditor proposes to undertake in relation to the financial statements (and other systems). Auditors typically do not examine every transaction a public body makes. They test a range of transactions and draw conclusions on them. Auditors will undertake a range of different procedures. This will include examination of transactions, balances and other information.	Auditors’ Dictionary (7
Audit Report	The INTOSAI Lima Declaration states “The Supreme Audit Institution shall be empowered and required by the Constitution to report its findings annually and independently to Parliament or any other responsible public body; this report shall be published.” The auditor’s written opinion and other remarks on a set of financial statements as the result of a financial or regularity audit or the auditor’s findings on completion of a performance audit.	INTOSAI DG Budget

Term	Definition	Reference
Audit review of cause	The cause is the underlying reason why questionable behaviour or condition occurs. This sensitive, and usually highly judgmental, area requires the most penetrating efforts and insights of the auditor. As a minimum effort, the auditor should have explored the situation thoroughly enough to be able to generate what is termed a "first-level statement of action." That is, one that is sufficiently detailed or specific enough to enable the recipient of the recommendation to correct the conditions. It is necessary to get as close to the real cause of the problem as possible, or at least to one or more causes that will put the recommendation in perspective; make the recommendation convincing and lead to a sensitive, specific statement of corrective action. Simply stating that the problem or adverse condition exists because someone did not comply with company policy is not very meaningful. Also, this approach usually confines the auditor to the rather superficial statement of action to "comply with company policy." Some examples of cause are: Lack of training, Lack of communications Unfamiliarity with requirements, Negligence or carelessness, Guidelines or standards (criteria) are inadequate, not provided, obsolete, or impractical, Conscious decision or instruction to deviate from requirements (for any of a variety of reasons), Lack of resources (funds or staff), Failure to use good judgment or common sense, Dishonesty or personal gain, Lack of effective or sufficient supervision, or lack of supervisory review, Unwillingness to change, Lack of planning, faulty or ineffective organizational arrangement, or delegations of authority	Cangemi & Tommie
Audit risk	The risk that the procedures carried out by the auditor will not detect matters, which, if known, would require the auditor's report to be altered.	Allen & Tommasi
Audit sampling	Audit procedures carried out on a sample of an underlying population relevant to the audit work being carried out, rather than the whole of that population.	Allen & Tommasi
Audit Sampling	Audit sampling has two major branches: statistical and non-statistical. Statistical sampling is a mathematical-based method of selecting representative items that reflect the characteristics of the entire population. Using the results of audit tests on the statistically sampled items, an internal auditor can express an opinion on the entire group. For example, an auditor could develop a statistical sample of items in an inventory, test those items in that sample for their physical quantity or value, and then express an opinion on the value or accuracy of the entire inventory. Non-statistical sampling, also called judgmental sampling, is not supported by mathematical theory and does not allow an auditor to express statistically precise opinions on the entire population. Nevertheless, non-statistical or judgmental sampling is often a useful audit tool.	(Brinks, Modern IA, p.354)
Audit Scope	The framework or limits and subjects of the audit.	DG Budget
Audit Scope limitation	A restriction on the performance of an audit. The term is usually used in the context of external auditing, when restrictions on audit evidence that originate from circumstances or from the behaviour of an auditee prevent the auditor from offering an unqualified opinion on financial statements under audit. Disclaimers are common in such circumstances.	Auditors' Dictionary
Audit Standards	Auditing standards provide minimum guidance for the auditor that helps determine the extent of audit steps and procedures that should be applied to fulfil the audit objective. They are the criteria or yardsticks against which the quality of the audit results is evaluated. International Standards on Auditing (ISAs) for the commercial sector are developed by the International Auditing and Assurance Standards Board of the International Federation of Accountants. Derivatives of ISAs are used in the audit of several other jurisdictions including the UK. Audit Standards for government are those developed by INTOSAI. These are designed for Supreme Audit Organisations but may also be applied to other public sector audits.	IAASB INTOSAI

Term	Definition	Reference
Audit standards	The International Organisation of Supreme Audit Institutions - http://www.intosai.orgStandards are: Guidelines for Internal Control Standards for the Public Sector -The 1992 INTOSAI guidelines for internal control standards were conceived as a living document reflecting the vision that standards should be promoted for the design, implementation, and evaluation of internal control.	
Audit Testing	An audit test is a procedure performed by internal auditor in order to assess the accuracy of various financial statement assertions. The two common categorizations of audit tests are substantive tests and tests of internal controls. Both types of tests are used in external and internal audits in order to reach established audit objectives, as can be outlined in audit checklists or determined based on the results of audit questionnaires. Audit tests typically are performed on a sample basis over an existing group of similar transactions. Sampling approaches can either be statistical or non-statistical, with the ultimate goal being to obtain the most representative sample of the population before testing begins	
Audit Trail	The phrase has a rather imprecise general meaning in general audit usage. However, annex 1 of Council Regulation 2064/97 has provided a specific detailed description of the requirements of 'a sufficient audit trail' for the purposes of the structural funds managed by the Member States on behalf of the Commission. In brief, it requires the maintenance of records giving the full documentation and justification at all stages of the life of a transaction together with the ability to trace transactions from summarised totals down to the individual details and vice versa. The overriding objective of the audit trail is to ensure a 'satisfactory audit from the summary amounts certified to the Commission to the individual expenditure items and the supporting documents at the final beneficiary'. The phrase 'audit trail' in the Regular Reports and the Accession Partnerships is to be understood in the light of the above definition which should be applied in the context of all Pre-Accession Funds to Candidate countries. In public procurement is a chronological record of procurement activities, which enables the reconstruction, review, and examination of the sequence of activities at each stage of the public procurement process. In computer systems the term audit trail refers to the ability to generate records of the sequence of events and transactions resulting in a specific balance sheet or operating account item.	DG Budget PROC
Audit universe	The total potential scope of work within an auditor's remit. Audit planning involves the allocation of resources to individual auditable units within an audit universe, normally on the basis of a combination of the following: (i) materiality, (ii) risk assessment, (iii) a cyclical or rotational factor to ensure periodic coverage of every auditable unit, and (iv) requests from auditees. The audit universe of a multinational corporation, for example, may include the operational and financial activities of the individual overseas branches: An internal audit function may determine the frequency of audit assignments at individual branches from a balanced assessment of the four factors listed above.	
Audit working papers	Working papers are confidential documents used to support our conclusion.	Cangemi & Tommie
Audited Entity	The organisation, programme, activity or functions subject to audit by the SAI or the (internal) audit service.	DG Budget
Auditee (or client, customer)	An individual or organization subject to an audit.	Auditors' Dictionary
Auditor General	Name by which the Supreme Audit Institution is known is some countries	

Term	Definition	Reference
Auditor skills	These skills relate to interviewing, presentation and reporting skills.	
Auditor's luck	A semi-ironic term that refers to the inclusion in an auditor's sample of an awkward or discomforting item. For example, an auditor may select a judgmental sample of twenty sales invoices taken from an accounts receivable ledger and discover a sale that exceeds a customer's credit limit without appropriate internal authorization. The auditee may claim that the auditor has stumbled by chance across a rare exception, and dismiss the finding as the auditor's allegedly uncanny ability to hit on unrepresentative items that cause auditee discomfiture.	Auditors' Dictionary
Authorization	The giving of approval or permission. Authorization is central to many of the internal controls found in modern organizations, from the making of disbursements to the hiring of employees. Authorization can be effected through written signatures or password-controlled access to transactions in a computerized information system. Authorization rights derive from the status of an individual in an organization, and are normally restrained by accountability for the exercise of the rights.	
Balance of payments	A set of accounts for a given period, usually a year, which summarises the financial transactions of the institutions and residents of one country with the institutions and residents of the rest of the world. The set of accounts consists of a current account, which shows expenditure the country made during the period on the purchase of goods and services from abroad, and the revenue derived from the sale of goods and services to the rest of the world; and a capital account, which shows the flows of private and public investment and of other transfers. Bilateral loans and government contributions to multilateral lending agencies are part of the capital account. Bilateral grants, all technical co-operation and other multilateral flows are part of the current account.	DFID
Balance sheet	An accounting summary of the financial position of an organization or individual at a specific date. A balance sheet offers a snapshot of assets, liabilities, and equity, and it sets out the results of the accounting equation of double entry bookkeeping. Under most systems of Generally Accepted Accounting Principles, balance sheets are based on historical costs and, therefore, are unlikely to reflect the fair market value of an organization's assets. Along with an income statement, the balance sheet is prepared from a trial balance: The balance sheet and income statement are the primary elements of financial statements. A financial statement showing the values of the stocks of assets and liabilities held by an entity at a particular point in time. A balance sheet is typically compiled at the beginning and end of an accounting period. Balance sheets summarising starting balances, incomes and outflows, and ending balances are generally required for each distinct fund within a government's accounting structure. However, in practice, very few governments prepare statements of their financial position that can genuinely be described as comprehensive balance sheets covering all assets and liabilities. See also net worth In IPSAS referred to as the Statement of Financial Position	Auditors' Dictionary Allen & Tommasi IPSAS 1.21
Bank reconciliation	Compares the accounting records (cashbook) with the bank statements to identify and explain all differences as timing differences. Typically bank statements are received monthly. Some smaller entities may receive quarterly statements. It is good practice for the bank reconciliation to be prepared every time a bank statement is received.	(7

Term	Definition	Reference
Baseline budget	The amount of funding for current programmes or existing policies — often adjusted for inflation, one-time expenditures, legally mandated requirements under changed demographic conditions — from which increases and decreases in expenditures are negotiated during budget preparation. In a narrow and cautious definition, this baseline budget includes the costs of the current level of activity, that is the costs of ongoing programmes adjusted for inflation services, legally mandated requirements, one-time expenditures, and the impact on a full year basis of decisions made the current year. In addition, account can be taken of the current level of services and, therefore, the baseline budget can also include changes in clients served in various programmes (e.g. school children, etc.).	Allen & Tommasi
Basic needs	Usually defined as items of private consumption (adequate food, shelter, clothing, household equipment and furniture) together with essential community services (safe drinking water, sanitation, public transport and health, education and cultural facilities). The term was largely originated by the International Labour Organisation	DFID
Below-the-line-items	This is a term used in traditional cash based public sector accounting. Even under a cash based system it is necessary to identify and manage items that are not budget flows, e.g. bank balances, cash in transit, advances and deposits, funds held in trust. Because these are not shown in the balance sheet they are referred to as “below the line”. Under modified cash or full accrual accounting such items are referred to as balance sheet items, i.e. assets, liabilities or funds.	Allen & Tommasi
Benchmarking	Methods and procedures for comparing one organisation with another as a means of improving performance. Process benchmarking is the study and comparisons of the processes and activities that turn inputs into outputs. Results benchmarking compares actual performance of organisations using performance indicators or measures. Benchmarking is the comparison of the performance of one organisation with the performance of another. Benchmarking can also include the analysis of one organisation’s performance over time. Benchmarking with land and buildings management should focus on: • Financial information around occupational costs; • Energy and water consumption; • Carbon dioxide (CO_2) emissions; • The condition and maintenance needs of the property portfolio; • Utilisation levels; • Accessibility; and construction contract performance.	Allen & Tommasi (7
Bespoke software	See “custom developed software”	
Best practice software engineering	The term to describe the design and writing of programme code to the best of the more recent standards and methods	Malcolm Gibb
Bilateral	Agreement between two organisations or countries - assistance directly from one specific donor country to a recipient country	DFID
Board	A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non-profit organization, or any other designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.	IIA

Term	Definition	Reference
Bonds, Debentures, Notes	These are debt securities issued by borrowers to finance their operations. They are sold to investors with the promise that they will be repaid with interest by the end of a specific period. The following marketable and non-marketable securities issued in Canadian or foreign currency exist within the public sector context	Statistics Canada
Borrowing costs	Interest and other expenses incurred by an entity in connection with the borrowing of funds.	IPSAS 5.5
Budget	A comprehensive statement of Government financial plans including expenditures, revenues, deficit or surplus, and debt. The budget is the Government's main economic policy document, indicating how the Government plans to use public resources to meet policy goals. Document(s) that include the plan of the future financial activities of the government or a governmental organisation. The budget is generally prepared annually, and comprises a statement of the government's proposed expenditures, revenues, borrowing and other financial transactions in the following year and, in many countries, for two or three further years. The budget is prepared on a cash basis in most countries. It is submitted to parliament, which authorises expenditure by approving either a budget act or an appropriation act that is consistent with the budget proposals.	OECD Allen & Tommasi
Budget Cycle	All the major events or stages in making decisions about the budget, and implementing and assessing those decisions. It usually has four stages: formulation, approval, execution and audit.	OECD
Budget examination	The process of reviewing budget requests from ministries and agencies by a staff member of a central budget department in the ministry of finance, in which the budget request is analysed, alternatives are developed, conclusions are reached, and recommendations are made.	Allen & Tommasi
Budget formulation	The steps and processes for preparing a government's budget, from preliminary analyses and forecasts, through submission of budget requests by ministries and other government bodies and the review and decision of the executive, to its official presentation to the legislature.	Allen & Tommasi
Budget Law (or Organic Budget Law)	A law specifying the schedule and procedures by which the budget should be prepared, approved, executed, accounted for and final accounts submitted for approval. Objectives of the budget law are: • Creating a legal framework regulating the budget process • Adjusting budget procedures legal, cultural and political conditions of the country • Strengthening the transparency of budget information • Clearly indicating division of responsibilities A law specifying the schedule and procedures by which the budget should be prepared, approved, executed and accounted for, and final accounts submitted for approval.	OECD OECD
Budget monitoring and control	This is the way the council manages its income and expenditure. Budget monitoring compares actual income and expenditure against the council's original plans. As good practice councils should monitor their finances against their budget monthly.	(7
Budget Spenders	Budget spenders are those entities within the public sector that spend public money	
Budget Year	The fiscal year for which the Legislature must approve appropriations The period of time for which parliament authorises expenditures and other budget transactions. In a number of budget systems, actual allocations, commitments, deliveries, and payments relating to government expenditure programmes may extend beyond the year for which they were originally appropriated.	Allen & Tommasi

Term	Definition	Reference
Budgetary basis	The accrual, cash or other basis of accounting adopted in the budget that has been approved by the legislative body.	IPSAS 24.7
Budgetary documents	The set of documents presented to the parliament with the budget. In addition to proposals relating to government spending, revenues and borrowing, the budget documents may include a statement of the economic and financial context for the budget proposals, the government's economic policy objectives, and medium-term macroeconomic projections, and some explanation of the government programmes and activities to be funded under the budget.	Allen & Tommasi
Budgeting	The process by which the government, or a governmental organisation, plans for its future expenditures, revenues, borrowing and other financial activities.	Allen & Tommasi
Build-operate-transfer (BOT)	A form of concession involving finance, construction, and maintenance of a facility for a specified period until the ownership is transferred usually to a public authority	DFID
Business case	The overall justification for the business strategy or information systems strategy proposals, defining the financial and other benefits which they are expected to deliver, and the cost, timescale and other constraints within which they will be required to operate and against which their performance will be evaluated. The basis of comparison - the "base case scenario" - is the effect of proceeding according to current plans.	Malcolm Gibb
Business Control Objectives		
Capital assets	A stock of physical or financial assets. See also gross fixed capital formation and non-financial assets.	Allen & Tommasi
Capital budget	A budget of expenditure on capital items including non-current assets, investments, and internally developed assets such as software. The capital budget also includes expected sales or disposals of assets.	AUS1
Capital charge	In a very limited number of countries (e.g. New Zealand), a capital charge is applied to the assets of government ministries/agencies. Introducing a capital charge is aimed at giving incentives to spending agencies to use their capital more efficiently. It requires a proper system for accounting for, and valuing capital assets.	Allen & Tommasi
Capital expenditure	Expenditure incurred for the acquisition of land and other physical assets, intangible assets, government stocks, and non-military, non-financial assets, of more than a minimum value, with an expected lifetime of more than one year. Capital expenditures are often recorded in a separate section (or capital account) of the budget, or into an entirely separate budget for capital expenditures. See also gross fixed capital formation.	Allen & Tommasi
Capital Expenditure	Investments in physical assets such as roads and buildings that can be used for a number of years.	OECD
Capital transfer	A transfer of ownership of an asset (other than inventories and cash) or the cancellation of a liability by a creditor, without any payment being received in return. Such a transaction consists of the transfer of cash that is linked to, or conditional on the acquisition of the asset concerned. A transfer that is not a capital transfer is a current transfer. Capital transfers made by the government are classified as expenses in GFS 2001.	Allen & Tommasi

Term	Definition	Reference
Carbon footprint	The carbon footprint is a measure of the amount of greenhouse gases that an organisation emits. These emissions come from a range of sources including the direct use of fuels to indirect sources such as employee travel or emissions from other organisations within the supply chain. Producing a full carbon footprint covering all types of emissions can be a complex task. There is currently a lack of consistency in methods for calculation and reporting.	(7
Career plan	A plan developed for an individual employee setting out planned career progression, e.g. experience, training, promotion. The plan should be reviewed annually as part of the appraisal process.	
Carrying amount of an asset	The amount at which an asset is recognized in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. There are separate rules for: • Property plant and equipment • Investment property,	IPSAS 10.7, 21.14 IPSAS 10.7; 17.7 IPSAS 16.7
Cash	Comprises cash on hand and demand deposits.	IPSAS 2.8, 5.5, 6.78.610.7
Cash basis:	A basis of accounting in which only cash receipts and payments are recoded. See Part II extended definitions of the accounting base	
Cash book or receipts and payments book	The cashbook or receipts and payments book is a daily record of all money the entity receives and spends. In practice there will be separate cashbooks for each bank account and also for amounts held as noted and coin. The totals in the cashbook should be balanced regularly and reconciled to the bank statements. Under a cash based system entities prepare accounts directly from the cashbook.	(7
Cash equivalents	Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.	IPSAS 2.8,
Cash flows	Inflows and outflows of cash and cash equivalents.	IPSAS 2.8, 8.6
Cash management	The process of developing agency and central cash flow forecasts, the release of funds to spending agencies, the monitoring of cash flows and expected cash requirements, the issue and redemption of government securities for financing government programmes.	Allen & Tommasi
Cash-based budget	A budget in which appropriations are authorisations for cash payments. Most government budgets are cash based and even where accrual accounting is introduced typically governments continue to budget on cash basis (although since budgets also show borrowing and lending flows it can be argued they are closer to the modified cash basis). See extended definitions in Part II	Allen & Tommasi
Cash-generating assets	Assets held to generate a commercial return.	IPSAS 21.14
Central agencies (in context of governments)	Those organisations in the executive branch that co-ordinate the activities of, and provide policy direction and operational guidance to the line ministries and agencies. Practice varies widely from country to country, but “central agencies” generally include: the ministry of finance; the office that reports directly to the prime minister or the council of ministers in the development and co-ordination of policy; the ministry or agency responsible for developing and co-ordinating policies in relation to human resource management within the public sector; the ministry of foreign affairs, in certain areas of work such as international cooperation; and the ministry of justice, in relation to work on legal norms and law drafting.	Allen & Tommasi

Term	Definition	Reference
Central bank	A public institution responsible for performing the monetary policy functions of a sovereign state. Such functions include issuing currency, managing international reserves, and accepting deposit liabilities to other banks. The central bank also acts as the lender of last resort, and, frequently, provides fiscal agent services to the central government (e.g. managing the government's treasury single account).	Allen & Tommasi
Central Budget Authority	The Central Budget Authority (CBA) is a public entity, or several co-ordinated entities, responsible for the custody and management of all (or the majority) of the public money. It is often part of the Central Government Ministry of Finance. The Central Budget Authority has the leading role in maintaining aggregate fiscal discipline, ensuring compliance with the budget laws and enforcing effective control of budgetary expenditure. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds.	OECD
Central government	All units of government that exercise authority over the entire economic territory of a sovereign country. In general, the central government is responsible for those functions that affect the country as a whole: for example, national defence, conduct of relations with other countries and international organisations, establishment of legislative, executive and judicial functions that cover the entire country, and delivery of public services such as healthcare and education. Non-market, non-profit institutions controlled and mainly financed by the central government are included in the central government. See also general government, local government, state government and subnational government.	Allen & Tommasi OECD
Central Harmonisation Unit (CHU)	An element within the structure of Public Internal Financial Control (PIFC). It is a policy unit attached and directly reporting to the Minister of Finance on the status of internal control in the entire public sector, responsible for redesigning, updating and maintaining the quality of the internal control systems, for harmonising and co-ordinating definitions, standards and methodologies, for networking between all actors (managers, financial officers, internal auditors), for the establishment and co-ordination of sustainable training facilities, including the setting of criteria for the certification of public internal auditors and for all other actions to improve public internal control systems. A CHU can cover both areas of Financial Management and Control systems and Internal Audit in one Directorate with each area to be developed independently (two sub-directorates). Alternatively a country may decide to establish a special CHU for the development of Internal Audit, directly reporting to the MoF and a special CHU for FMC-systems that could be attached to the Treasury or the Budget Department.	DG Budget
Centralised internal audit (CIA)	CIA is public ex post internal audit performed by a centralised body (e.g. the Ministry of Finance or another Internal Audit body (like the Government Control Office in Hungary or the Internal Audit Board in Malta)) on systems	DG Budget
Centre for the Settlement of Investment Disputes	See World Bank	
Centre of government	The centre of government encompasses the body or group of bodies that provide direct support and advice to the head of government and the council of ministers, or cabinet.	Allen & Tommasi
Change in accounting estimate	An adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors.	

Term	Definition	Reference
Chapter (or Vote)	The highest organisational level in the budget, typically corresponding to a ministerial area of responsibility. In some countries it is referred to as a vote.	OECD
Chart of accounts (or coding structure) (COA)	The classification of economic transactions (payments, revenues, depreciation, losses, etc.), assets and liabilities according to their economic, legal, or accounting nature. It defines the organisation of the ledgers kept by government accountants. The chart of accounts forms the structure of the general ledger and sometimes these two terms are used interchangeably. See expanded definition in Part II.	Allen & Tommasi
Chartered Accountants Ireland (CAI, formerly ICAI)	The CAI is one of the five senior level accounting bodies for the UK and Ireland. It is an accounting body incorporated by Royal Charter. It represents accountants in the public and private sectors.	
Chartered Institute of Management Accountants (CIMA)	CIMA is one of the six senior level accounting bodies in the UK. CIMA is exclusively designed for accountants in business or the public sector, not for auditors. CIMA withdrew from the CCAB in 2011.	
Chartered Institute of Public Finance and Accountancy, The (CIPFA)	CIPFA is one of the five senior level UK accounting bodies. It is an accounting body incorporated by Royal Charter. It represents finance professionals in the public sector. CIPFA provides information, guidance and training on accounting and financial issues to the public sector. Along with the Local Authority (Scotland) Accounts Advisory Committee (LASAAC), CIPFA prepares accounting guidance for the local government sector in the form of a Code of Accounting Practice.	
Cheques issued	A stage in the expenditure process at which payment instruments are issued by the treasury or by ministries' payment officers and are sent to suppliers of goods and services as payment for goods and services received. In some countries, where the banking system is not highly developed, separate checks or warrants may not be issued and the payment orders certifying delivery may serve as an instrument calling for direct cash payment by the treasury. Government accounts often records expenditure on the basis of checks or warrants issued.	Allen & Tommasi
Cheques paid	A stage in the expenditure process represented by the presentation and payment of government cheques at banks and the corresponding debit to the accounts of the treasury or ministries/agencies. Government expenditure is reflected in the monetary accounts through cheques paid and the resulting debits to the government's accounts.	Allen & Tommasi
Chief Audit Executive (or Head of Internal Audit Unit/Service)	Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organizations.	IIA

Term	Definition	Reference
Chief Financial Officer	The chief financial officer (CFO) is the director of finance/accounting officer/ responsible financial officer. The key duties of the CFO are: • To offer advice to members/ Board on financial matters; • To certify that the statement of accounts present fairly; and • To establish a framework, which presents members with the assurance, they need to meet their own obligations. As a minimum, the CFO should promote awareness amongst members that the accounts provide them with assurance that: • The accounting systems have operated adequately and been closed down satisfactorily; and • The budget for the current year has a secure foundation. Other major tasks are securing other chief officers co-operation; appointing a supervising officer to manage the accounts production process; and liaising with external audit. In some countries the term Chief Accountant has the same meaning	(7
CIS architecture	A CIS architecture is a coherent implementation profile of the standards contained in an architecture framework. The key difference between an architecture framework and an architecture is that an architecture can be implemented.	Malcolm Gibb
Class of property, plant and equipment	A grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.	IPSAS 17.13
Classification Of the Functions Of Government (COFOG)	Standard classification for the functions of government specified in the UN SNA and used in GFS and ESA 95	UN SNA
Client	See Auditee	
Close members of the family of an individual	Close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual in their dealings with the entity.	IPSAS 20.4
Closed accounts	The principal statement on the final budgetary outcome produced by the supreme audit institution, or another accounting or auditing agency, after the closing of the budgetary period. Closed accounts may be cash accounts, recording annual receipts and payments (with or without a complementary period), or accrual accounts, recording also obligations for future expenditure, or obligations of future tax collections, as well as the carry-overs of revenues and expenditures from preceding budgets.	Allen & Tommasi
Closing rate	The spot exchange rate at the reporting date.	IPSAS 4.10
Code of Ethics	The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.	IIA
COFOG	See Classification Of the Functions Of Government	
Commencement of the lease term	The date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease (i.e. the recognition of the assets, liabilities, revenue or expenses resulting from the lease, as appropriate).	IPSAS 13.8

Term	Definition	Reference
Commercial Odd The Shelf application package (COTS)	Package software already developed with most generally required functionality for a particular application. Most may vary from a few dollars to millions of dollars	
Commitment	In accounting terms, a commitment refers to a stage in the expenditure process at which a contract or other form of legally binding agreement is entered into, generally for future delivery of goods or services. A liability will not be recognised until delivery of the item, but the government is contractually committed to meeting the obligation once delivery is made. In some budget systems, the term commitment refers to a stage in the expenditure cycle different from the commitment stage in its accounting sense (e.g. reservation of appropriations or the verification stage). The term commitment is also used in a more general, non-contractual sense to mean a firm promise of the government made in policy statements. The term obligation is sometimes used with the same meaning as commitment	Allen & Tommasi
Committee Of Sponsoring Organisations (COSO)	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of the five private sector organizations listed below and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The sponsoring organisations are: • American Accounting Association • American Institute of CPAs • The Association of Accountants and Professionals in Business • The Institute of Internal Auditors Although all members are within the USA the COSO risk management framework has been widely adopted across the world.	www.coso.org
Communication and Information Systems (CIS)	A CIS is one that provides a manager with the capability to generate, process and disseminate information for command, control or management purposes in support of the business functions of the organisation.	Malcolm Gibb
Comparable basis	The actual amounts presented on the same accounting basis, same classification basis, for the same entities and for the same period as the approved budget.	IPSAS 24.7
Compensation scheme (or Coefficients)	Employee remuneration. Compensation normally covers cash payments in the form of salaries or wages, and other perks and fringe benefits.	Auditors' Dictionary
Competency framework	A training approach in which the "competencies" required for a particular type of work are identified and then training designed to equip individuals with the required competencies.	
Complementary period	A period after the close of the regular fiscal year during which uncompleted collections and payments or commitments may be carried out and assigned to the previous budgetary period. It may be several months in duration. In some countries, the accounting period includes a "complementary period" for payments (e.g. 30 or 60 days) after the close of the fiscal year. Payments over the complementary period that are related to transactions (commitments and deliveries) incurred during the previous fiscal year closed are reported as expenditure during that year. In some countries, both paid and unpaid payments orders are recognised as expenditure during the complementary period. Also sometimes referred to as Month 13	Allen & Tommasi

Term	Definition	Reference
Compliance	Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.	IIA
Compliance Audits	See Regularity Audits	
Comprehensiveness	Comprehensiveness of the budget means that the budget must encompass all the expenditures, revenues, borrowing and other financial activities of the government. This creates a framework that promotes sound appraisal of competing policy options, and efficient budget planning and execution.	Allen & Tommasi
Comptroller and Auditor General	Name by which the Supreme Audit Institution is known is some countries, e.g. the UK	HM Treasury
Computer Assisted Audit Technique (CAAT)	CAATs include many types of tools and techniques, such as generalized audit software, utility software, test data, application software tracing and mapping, and audit expert systems. CAATs process is step-by-step process should be sufficiently documented to provide adequate audit evidence.	Wales Audit Office
Concession	A concession is a form of public-private partnership. Concession contracts may have different legal names and scopes under different national laws. In most concession contracts, the contractor bears the risk involved in operating the service, generally obtaining a significant part of revenue from the user, usually by charging fees in one form or another. The European Commission defines concessions as contracts in which public authorities authorise a third party to run infrastructure projects or other public services on its behalf and in which the third party assumes the operating risks. See also contracting-out.	Allen & Tommasi
Conditions on transferred assets	Stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.	IPSAS 23.7
Conflict of Interest (Conflict of Roles)	There is a conflict of interests where the impartial and objective exercise of the functions of a player in the implementation of the budget or an internal auditor is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with the beneficiary. Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.	IIA
Consolidated financial statements	The financial statements of an economic entity presented as those of a single entity.	IPSAS 6.76.7, 7.7, 8.6
Consolidated fund	See Fund	
Consolidation	The process of incorporating the results of linked entities into a single account which involves the elimination of inter-entity transactions and balances. This involves eliminating transactions between different ministries/agencies/units of government and combining in a common set of categories the sum of their "external" transactions to and from the rest of the economy.	Scottish Government Allen & Tommasi
Constitutional	A matter, which is permitted or authorized by, the constitution of fundamental law of a country.	DG Budget
Construction contract	A contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.	IPSAS 11.4

Term	Definition	Reference
Constructive obligation	An obligation that derives from an entity's actions where: (a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.	IPSAS 19.18
Consultative Committee of Accountancy Bodies (CCAB)	This UK organisation represents five major UK accountancy bodies (ICAEW, ACCA, CIPFA, ICAS, CAI). The fragmented nature of the accountancy profession in the UK is in part due to the absence of any legal requirement for an accountant to be a member of one of the many Institutes, as the term accountant does not have legal protection. However, a person must belong to the ICAEW, ICAS or ICAI to hold themselves out as a chartered accountant in the UK (although there are other chartered bodies of British qualified accountants). CIMA gave notice in March 2011 of its intention to leave the CCAB. The five remaining bodies committed themselves to ensure that the CCAB "is the sole voice for the profession on those issues which affect our combined membership."[1] Many job advertisements for accountants in the United Kingdom used to specify "CCAB qualified" in cases where an employer wishes to hire a professional accountant, but has no specific preference as to which institute. After giving notice to leave, CIMA requested the Head of the UK Government Accounting Services to use a longer formula, "CCAB, CIMA or overseas equivalent".	
Consulting Services Advisory	Consulting Services Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.	IIA
Consumption of fixed capital	The reduction in the value of fixed assets used during the accounting period that results from physical deterioration, normal obsolescence or accidental damage. See also depreciation.	Allen & Tommasi
Contestability	Ensures that existing policies are subject to review and evaluation.	Allen & Tommasi
Contingency fund or Reserve (or Reserve Fund)	A separate fund or a budget provision set aside within the annual budget total, to be allocated later, and to meet unforeseen changes in external circumstances. In medium-term budgeting, contingency and policy reserves are used to provide flexibility and to avoid premature expenditure commitments, with progressively bigger reserves in the totals set aside for later years.	Allen & Tommasi OECD
Contingent asset	A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. See extended definitions in Part II	IPSAS 19.18
Contingent liability	A liability, which may arise in the future. See extended definitions in Part II	
Contingent rent	That portion of the lease payments that is not fixed in amount but is based on the future amount of a factor that changes other than with the passage of time (e.g., percentage of future sales, amount of future usage, future price indices, future market rates of interest).	IPSAS 13.8

Term	Definition	Reference
Continuing Professional Development (CPD)	In recognition that training should not stop when a person achieves a certain qualification, many organisations and professional bodies require individuals to undertake continuing professional development throughout their career	
Contracting out	An arrangement whereby a department or agency enters into a commercial contract with an external supplier that provides public services. Concerning the construction of large infrastructure assets, governments may enter into arrangements with private sector firms to build such assets, often with an agreement that the private sector firm may be guaranteed the right to revenues for a number of years following construction. Such arrangements may be referred to Build Operate and Transfer (BOT), Build Lease Transfer (BLT), Build Own and Operate (BOO), concessions or Design Build Finance and Operate (DBFO).	Allen & Tommasi
Contractor	An entity that performs construction work pursuant to a construction contract.	IPSAS 11.4
Contributions from owners	Future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which: Conveys entitlement both to distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or Can be sold, exchanged, transferred or redeemed.	IPSAS 1.7, 2.8, 5.56.78.6
Control	The power to govern the financial and operating policies of another entity so as to benefit from its activities. The term control is used in variety of contexts. This glossary is concerned with management control and in particular internal financial control. Herbert Mockler defines management control as "a systematic effort by business management to compare performance to predetermined standards, plans, or objectives in order to determine whether performance is in line with these standards and presumably in order to take any remedial action required to see that human and other corporate resources are being used in the most effective and efficient way possible in achieving corporate objectives"	IPSAS 6.7, 7.7, 8.6 Robert J. Mockler (1970). *Readings in Management Control*. New York: Appleton-Century-Crofts pp. 14–17
Control Environment	The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: • Integrity and ethical values. • Management's philosophy and operating style. • Organizational structure. • Assignment of authority and responsibility. • Human resource policies and practices. • Competence of personnel.	IIA
Control objectives for information and related technology (COBIT)	COBIT is a framework created by ISACA for information technology (IT) management and IT Governance. It is a supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risks. COBIT was first released in 1996, the current version, COBIT 4.1 was published in 2007 and is currently being updated (COBIT 5). Its mission is "to research, develop, publish and promote an authoritative, up-to-date, international set of generally accepted information technology control objectives for day-to-day use by business managers, IT professionals and assurance professionals." COBIT defines 34 generic processes to manage IT. Each process is defined together with	WB FMIS

Term	Definition	Reference
	process inputs and outputs, key process activities, process objectives, performance measures and an elementary maturity model. The framework supports governance of IT by defining and aligning business goals with IT goals and IT processes.	
Control of an asset	Arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.	IPSAS 23.7
Control Processes	The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process	IIA
Controlled entity	An entity, including an unincorporated entity such as a partnership, that is under the control of another entity (known as the controlling entity).	IPSAS 6.7, 8.6, (7.7)
Controls	Any kind of control on an organisation or beneficiaries of public funds, whether internal or external. Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.	IIA
Copenhagen criteria	Agreed upon in 1993 by the European Council, the Copenhagen criteria must be fulfilled by candidate countries if they are to become members. Candidate countries must achieve stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; and the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.	Allen & Tommasi
Corporate governance	The rules and procedures to ensure that an entity is properly and efficiently managed, including that directors and staff behave appropriately and in accordance with law and best practice. In the private sector there has been renewed interest in the corporate governance practices of modern corporations since 2001, particularly due to the high-profile collapses of a number of large corporations, most of which involved accounting fraud. Corporate scandals of various forms have maintained public and political interest in the regulation of corporate governance. In the U.S., these include Enron Corporation and MCI Inc. (formerly WorldCom). Their demise is associated with the U.S. federal government passing the Sarbanes-Oxley Act in 2002, intending to restore public confidence in corporate governance. Comparable failures in Australia (HIH, One.Tel) are associated with the eventual passage of the CLERP 9 reforms. Similar corporate failures in other countries stimulated increased regulatory interest (e.g., Parmalat in Italy). The concept of corporate governance has been extended to the public sector to improve the efficiency, effectiveness, professionalism, representativity and democratic character of a civil service, with a view to promoting better delivery of public goods and services, with increased accountability. Such actions can include data gathering and analysis, organizational restructuring, improving human resource management and training, enhancing pay and benefits while assuring sustainability under overall fiscal constraints, and strengthening measures for public participation, transparency, and combating corruption	Allen & Tommasi
Corruption	Any form of unethical use of public authority for personal or private advantage. The misuse of entrusted power for private benefit. There are many different definitions of this concept. The simplest, and broadest, is "the misuse of public or private position for direct or indirect personal gain".	(XVI INCOSAI, Uruguay, 1998) (Transparency International) Allen & Tommasi
COSO	See Committee Of Sponsoring Organisations	

Term	Definition	Reference
Cost	The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.	IPSAS 16.7, 17.13
Cost driver	Any factor that causes a change in the cost of an activity or output.	Allen & Tommasi
Cost method	A method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes revenue from the investment only to the extent that the investor is entitled to receive distributions from accumulated surpluses of the investee arising after the date of acquisition. Entitlements due or received in excess of such surpluses are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.	IPSAS 7.7
Cost plus or cost based contract	A construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.	IPSAS 11.4
Cost-benefit analysis	A type of analysis that includes measures in pecuniary units of costs and/or benefits (such as leisure time or environmental impacts) which do not necessarily not have a market value. Cost-benefit analysis involves the application of three logical steps: (i) defining objectives and alternatives for accomplishing those objectives; (ii) analysing incremental changes with each alternative intervention versus without the respective alternative; and (iii) comparing costs and benefits of the various alternatives.	Allen & Tommasi
Cost-effectiveness analysis	A type of analysis that compares projects or programmes having broadly common outcomes or outputs. Used to compare alternatives for which major outputs can be identified but not valued. Cost- effectiveness indicators include the cost per unit of output, or units of output per unit of costs, and are aimed at identifying the least costly method of achieving a particular good or objective. See also least- cost analysis.	Allen & Tommasi
Costs	Money spent or expenses incurred to finance the input.	OECD1
Costs of disposal	Incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.	IPSAS 21.14
COTS	Commercial Off The Shelf [software application package]	
Council of ministers	The principal policy-making body of the government, chaired by the prime minister, and consisting of senior ministers (in many countries, all ministers). The council of ministers usually meets at least once a week. Detailed business is often carried out in subcommittees. In some countries, the council of ministers is called the “cabinet”, in others the “cabinet of ministers” or simply the “government”.	Allen & Tommasi
Court of Auditors	Title of Supreme Audit Institution in some European countries and also used by the EU	
Creditors	See accounts payable	
Cumulative Audit Knowledge and Experience (CAKE)	Auditors use their CAKE when planning their audits, identifying areas where work should be focussed. CAKE comes from the auditor’s knowledge of: • The public body's objectives and risk; • Assessments of its control environment; • An understanding of its information systems and computer environment; • A history of known errors in specific areas; • An appreciation for any complex and/or high volume of transactions it enters into; and • Other past experiences including those with other colleagues and teams.	(7
Currency risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.	

Term	Definition	Reference
Current account	Receipts (including grants) and payments (including interest) that are not capital transactions.	Allen & Tommasi
Current Expenditure	Spending on wages, benefit payments and other goods and services that are consumed immediately. Expenditure other than for capital expenditure or capital transfers. See also capital expenditure and capital transfer.	OECD Allen & Tommasi
Current replacement cost	The cost the entity would incur to acquire the asset on the reporting date.	IPSAS 12.9
Custom developed software	Software application developed specifically for one user, e.g. a government accounting system. This is the alternative to a COTS package	
Data Communications	Communications systems provide the facilities for transmitting and receiving information by electronic means end-to-end, and over networks, between users or systems. The transmissions can be voice or data but this strategy is concerned primarily with network data communications in support of the IT Strategy.	Malcolm Gibb
Data exchange (or interchange)	An application service that provides a generalised facility for exchanging electronic messages between systems	Malcolm Gibb
Data extraction tools or data mining tools	Computer software applications that are designed to extract information from financial databases as used in most accounting packages and FMIS	
Debarment (in context of procurement)	Exclusion or ineligibility of a contractor from taking part in the process of competing for government or multilateral agency contracts for a definite or indefinite period of time, if, after enquiry or examination, the contractor is adjudged to have been involved in the use of corruption to secure past or current projects with a government agency.	PROC
Debt management	Managing the public sector debt portfolio in as efficient manner as possible in order to minimise the costs to the government. Debt management functions are sometimes carried out by a department of the ministry of finance, sometimes by the state treasury, sometimes by an agency reporting to the minister of finance.	Allen & Tommasi
Debtors	See accounts receivable	
Decentralisation	The transfer of responsibility to democratically independent lower levels of government, thereby giving them more managerial discretion, but not necessarily more financial independence.	Allen & Tommasi
Decentralised internal audit (DIA)	DIA is the internal audit performed by specialised Internal Audit Units located inside government or lower public budget implementation spending centres (Ministries or Agencies)	DG Budget
Deconcentration	The transfer of responsibility from central ministries to field offices or more autonomous agencies, thereby becoming closer to citizens while remaining part of central government.	Allen & Tommasi

Term	Definition	Reference
Deficit/surplus	There are different definitions of the deficit: • The deficit (or surplus) as defined in the European Council regulations within the context of the Treaty of Maastricht and the Treaty of Amsterdam is the net borrowing (or lending) of the general government as defined in ESA 95. • The deficit on a cash basis, as defined in the GFS 2001, is equal to expenditure payments plus "lending minus repayments" less revenues on a cash basis less grants received. By contrast to the deficit defined within the context of the Treaty of Maastricht and the Treaty of Amsterdam, this measure of the deficit comprises only cash transactions and includes "above the line" some transactions classified as financing transactions in the SNA93 and ESA 95 (such as the sale of shares and equity related to privatisation programmes). • The deficit on a commitment basis is defined as the cash deficit plus the net increase in arrears, or expenditure at the verification stage plus "lending minus repayments" minus revenues (on a cash basis). This measure of the deficit should not include commitments related to undelivered orders and multi-year commitments.	Allen & Tommasi
Delegated powers	In certain cases the council may delegate its authority to sub committees, individual councillors or officers. Examples of delegated powers include power to sign cheques and powers to approve emergency payments. It is good practice to clearly define the extent of delegated powers.	(7
Departmental enterprise	An unincorporated industrial or commercial unit that: (i) is closely integrated with a government ministry/agency; (ii) is likely to hold a small working balance; (iii) is either mainly engaged in supplying goods and services to government units or the general public; but (iv) operates on a small scale.	Allen & Tommasi
Depreciable amount	The cost of an asset, or other amount substituted for cost, less its residual value.	IPSAS 17.13
Depreciation	An expense related to the consumption over time of fixed assets and also a measure of the diminution in value of such assets. The term amortisation is sometimes used instead of depreciation particularly in relation to intangible assets. See extended definition of assets, liabilities and depreciation in Part II of this Glossary	
Direct Loan	A disbursement of funds (not in exchange for goods and services) that is contracted to be repaid.	OECD
Direct Social Control	The involvement of stakeholders – not only private sector representatives but also end-users, civil society, the media or the public at large – in scrutinising the integrity of the public procurement process.	PROC
Discounting	A method of comparing costs or benefits that will occur (or have occurred) at different times. For example 1 euro in year n is given a "present value" of 1/(1+ r) n euro in year 0, where r is the "discount rate". See also net present value and internal rate of return.	Allen & Tommasi
Discretionary Spending	Public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation. The term "discretionary spending" refers to the part of the budget which the government and the legislature must each year decide to spend for the next fiscal year, such as for housing, education or foreign aid. It is to be contrasted with "mandatory spending" on those items where there exists a legal requirement for the government to provide funds and a permanent appropriation authorising such expenditures. Interest on the debt and entitlement programmes are examples. The "mandatory" part of the budget is often much larger than the discretionary portion.	Allen & Tommasi
Distributed databases	A collection of several different data repositories that looks like a single database to the user.	Malcolm Gibb

Term	Definition	Reference
Distribution to owners	Future economic benefits or service potential distributed by the entity to all or some of its owners, either as a return on investment or as a return of investment.	IPSAS 1.7, 2.8, 3.7, 4.10, 5.5, 6.7, 7.7, 8.6
Double-entry accounting/bookkeeping	In a double-entry system each flow gives rise to two equal-valued entries, a credit and a debit entry. By convention, increases in asset accounts and decreases in liability and net worth accounts are debits. Conversely, decreases in asset accounts and increases in liabilities and net worth accounts are credits. Use of the double entry system facilitates consistency checks of recorded flows and stocks.	Allen & Tommasi
Due Care	The appropriate element of care and skill which a trained auditor would be expected to apply having regard to the complexity of the audit task, including careful attention to planning, gathering and evaluating evidence, and forming opinions, conclusions and making recommendations. DG Budget	Allen & Tommasi
EAFC	See Ex Ante Financial Control	
EBF	See Extra Budgetary Funds	
Economic classification	The classification of expenditures (or expenses) and the acquisition/disposal of assets into economic categories, which emphasise the economic nature of the transaction (salaries, interest, transfers, etc.) See also object/line-item classification. For the international standard on economic classification, see also GFS and chart of accounts.	Allen & Tommasi
Economic entity	A group of entities comprising a controlling entity and one or more controlled entities. The term “economic entity” is used to define, for financial reporting purposes, a group of entities See the extended definition in Part II of this Glossary	IPSAS 1.7, 2.8, 4.10, 5.5, 6.7, 7.7, 8.6
Economic life	Either: • The period over which an asset is expected to yield economic benefits or service potential to one or more users; or • The number of production or similar units expected to be obtained from the asset by one or more users.	IPSAS 13.8
Economic rate of return	The interest rate which discounts the flow over time of costs and benefits of a project, such that the discounted costs and benefits are equal. Unlike the financial rate of return the ERR looks at the return on capital from the point of view of the economy. This entails the inclusion of all costs and benefits and their adjustment to correct for distortions caused by, for instance, monopoly or price controls or taxes and subsidies.	DFID
Economy	Economy, effectiveness and efficiency are often referred to as the “Three Es” of value for money. Economy means minimizing the cost of resources used to achieve given planned outputs or outcomes of an activity (including having regard to the appropriate quality of such outputs or outcomes). The acquisition of the appropriate quality and quantity of financial, human and physical resources at appropriate times and at the lowest cost.	DG Budget Allen & Tommasi

Term	Definition	Reference
Effect	Effect is the actual or potential adverse impact, which has resulted or can result from the condition being questioned, in dollars or other terms. Some examples of effect are: Uneconomical or inefficient use of resources (time, money, labour), Loss of potential income, Violation of law, Funds spent improperly, Information or records that are meaningless or inaccurate, Ineffectiveness; the job not being accomplished as well as it could be or as intended, Inadequate control or loss of control over resources or actions, Lack of assurance that the job is being done properly, Lack of assurance that objectives are being met. If the auditor does not present information on the actual or potential adverse effect, the reader might assume that the apparent lack of concern means that the recommendation is not very important. If the effect is not significant, the recommendation should not be included in the report. Caution should be exercised not to create an issue larger than facts actually warrant.	Cangemi & Tommie
Effectiveness	Economy, effectiveness and efficiency are often referred to as the "Three Es" of value for money. Effectiveness means the extent to which objectives of an activity are achieved i.e. the relationship between the planned impact and the actual impact of an activity. The extent to which programmes achieve their expected objectives, or "outcomes". Effectiveness is the most important element of value for money in the public sector. Goods or services may be provided economically and efficiently but, if they do not achieve their intended objectives, the resources used will be largely wasted.	DG Budget Allen & Tommasi
Effectiveness indicators	Effectiveness indicators are measures of the relationship between outputs and outcomes.	IPSASB "Reporting Service Performance" Consultation Paper 2011
Efficiency	Economy, effectiveness and efficiency are often referred to as the "Three Es" of value for money. Efficiency means maximising the outputs or outcomes of an activity relative to the given inputs. The relationship between the goods and services produced by a programme or an activity (outputs) and the resources used to produce them (inputs). Efficiency is measured by the cost per unit of output.	DG Budget Allen & Tommasi
Efficiency indicators	Efficiency indicators are measures of the relationship between inputs and outputs.	IPSASB "Reporting Service Performance" Consultation Paper 2011
Encumbrance	See commitment	
Engagement	See Audit	
Enhances Structural Adjustment Facility (ESAF)	Structural Adjustment Facilities provide medium term balance of payments assistance to countries facing protracted balance of payments difficulties, for a programme of policy measures to be worked out with the IMF and/or World Bank. The Enhanced Structural Adjustment Facility was introduced in 1987 to provide additional funds.	DFID
Enterprise software	Enterprise software describes a collection of computer programs with common business applications, tools for modelling how the entire organization works, and development tools for building applications unique to the organization. The software is intended to solve an enterprise-wide problem (rather than a departmental problem) and often written using an Enterprise Software Architecture. Enterprise level software	Cythia Rettig "The Trouble with Enterprise Software" MIT Sloane

Term	Definition	Reference
	aims to improve the enterprise's productivity and efficiency by providing business logic support functionality. Enterprise software may be defined in the following manner: • Enterprise applications are about the display, manipulation, and storage of large amounts of often complex data and the support or automation of business processes with that data. • Targets any type of organization — corporations, partnerships, sole proprietorships, non-profit, government agencies — but does not directly target consumers. • Targets any industry. • Includes function-specific (Accounting, HR, Supply Chain, etc.) and industry-specific (Public Sector, Manufacturing, Retail, Healthcare, etc.) solutions. Enterprise software is commonly used in FMIS solutions.	Management Review 2007
Entitlement programme (demand-led programme)	Any spending programme where expenditure is open-ended (usually transfer/grant payments) and where beneficiaries must be paid or given transfers/grants if they meet certain criteria, as defined in legislation or government regulations. Some common examples are found in social security programmes, unemployment programmes, and poverty-reduction programmes.	Allen & Tommasi
Entity specific value	The present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.	IPSAS 17.13
Environmental Auditing	This is the process of assessing the environmental impacts of existing developments, policies sectors and projects, as opposed to Environmental Impact Assessment which applies to new or substantially modified developments. An Environmental Audit identifies past or present concerns, potential environmental health and safety risks and liabilities, and the need for further investigations. It is generally a planned, documented, systematic and objective evaluation of both the information obtainable by Environmental Monitoring and the effectiveness of Environmental Management Systems.	DFID
Environmental impact assessment (EIA)	The process of assessing and managing the environmental impacts arising from a new or substantially modified development throughout the project cycle. A full EIA is usually carried out for major infrastructure and development projects, projects requiring a major change of land use and projects located in particularly sensitive areas. A key determining factor in deciding whether an EIA is required is the extent to which the environmental impacts of a project can be readily identified, assessed and mitigated. An EIA is a standard procedure for all bilateral and multilateral donors.	DFID
Equity instrument	Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	IPSAS 15.9
Equity method	A method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets/equity of the investee. The surplus or deficit of the investor includes the investor's share of the surplus or deficit of the investee.	IPSAS 1.7, 4.10, 6.7, 7.7
ESA	European System of National and Regional Accounts – see Eurostat	
Estimates submission	Refers to the set of documents that a spending unit sends to the ministry of finance to define and support its requests for additional funding through the budget.	Allen & Tommasi

Term	**Definition**	**Reference**
Ethics	Ethics in the public sector cover four main areas: setting public service roles and values as well as responsibilities and levels of authority and accountability; measures to prevent conflicts of interest and ways of resolving them; setting the rules (standards) of conduct of public servants; setting rules for dealing with serious irregularities and fraud. Management responsible for the FMC system is expected to make use of tools promoting and raising awareness of ethical values in management and control. For internal auditors in particular, ethics imply the four principles of integrity, objectivity, confidentiality and competency.	DG Budget
European Court of Auditors	Responsible for checking that the European Union spends its money according to its budgetary rules and regulations and for the purposes for which it is intended.	Scottish Government
European Investment Bank (EIB)	The European Communities long term financial institution. Currently, about 90 per cent of its lending is to European Union Member States, of which 50 per cent is to the private sector.	DFID
Eurostat and ESA 95	Eurostat is the statistical office of the European Union situated in Luxembourg. Its task is to provide the European Union with statistics at European level that enable comparisons between countries and regions. ESA 95 is the standard for fiscal reporting for countries EU member countries. Eurostat defines the rules and reporting formats for ESA 95. The Maastricht Treaty fiscal criteria for EU members are defined in the ESA 95 methodology. These are the ratio of government deficit to Gross Domestic Product (GDP) and the ratio of government debt to GDP. Hence the ESA 95 methodology generates measures that are significant to achieve compliance with Treaty obligations. ESA 95 is consistent with the UNSNA and hence most definitions, including classifications (COFOG and economic) are the same as those used for GFS 2001. However, whilst definitions of concepts in GFS 2001 and ESA 95 are the same, differences exist between the two statistical systems. The most important difference is the focus of the GFS system on financial transactions—taxing, spending, borrowing, and lending—while *ESA 95* focuses on the production and consumption of goods and services. See extended definition of statistical system in Part II of this Glossary	Eurostat

Term	Definition	Reference
Evaluation	Alternative meanings are (a) The evaluation of tenders as part of the contracting process; or (b) Specific reviews designed to examine the overall performance of a programme or project. Its scope may vary. Its core should be setting out, obtaining or calculating the outcomes of the programme or project and considering their economy, effectiveness and efficiency, but it usually covers a much wider range of issues including the appropriateness and achievement of output objectives as well. It may be carried out before, during or after the programme or project has been completed (usually known as ex-ante, mid-term or ex-post). It shares many characteristics with performance audit	DG Budget
	Retrospective analysis of a project, programme or policy to assess how successful or otherwise it has been, and what lessons can be learnt for the future.	OECD
	Evaluation: a systematic analytical assessment addressing important aspects of a program or policy and its value, and seeking reliability and usability of findings. Evaluation is carried out to improve decision-making by providing better information. The purpose is not to replace judgements or politics in decision making but to make them more informed taking into account past experiences. Evaluation is therefore an important element in public sector learning.	OECD1
	Programme evaluation is an in-depth examination of the economic, financial, social, etc. effects of a programme or policy initiative. Summative evaluations are carried out when the programme has been in place for some time (ex post evaluation) to study its effectiveness and judge its overall value. Formative evaluations are usually undertaken during the implementation of the programme (intermediate evaluation) in order to improve its effectiveness.	Allen & Tommasi
Evaluation design	The logic model used to arrive at conclusions about outcomes in an evaluation study. In selecting the evaluation design, the evaluator must determine simultaneously the type of information to be retrieved and the type of analysis this information will be subjected to.	Allen & Tommasi
Events after the reporting date	Those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified: Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).	IPSAS 14.5
Ex ante financial control (EAFC)	Ex ante financial control (EAFC) is the set of control activities prior to carrying out financial decisions relating to appropriations, commitments, tender procedures, contracts (secondary commitments), and related disbursements and recovery of unduly paid amounts. Such decisions can only be made on the basis of and taken after the explicit approval of the ex ante financial controller. EAFC is sometimes also called "preventive control". This is the narrower meaning of financial control. If described as EAFC there can be no ambiguity.	DG Budget
	Ex ante control (a priori audit) - prior authorisation of a specific expenditure. Payment orders and supporting documentation received are checked to verify that the transaction is properly authorised, is legal and regular, and that there are sufficient provisions in the budget. Such inspections may be carried out by central authority of the ministry of finance or by line ministries/agencies.	Allen & Tommasi
Ex post internal audit (EPIA)	The set of audit activities that take place ex-post i.e. in this context, after financial decisions have been made by the management. EPIA can be carried out by centralised government audit bodies, responsible and reporting to the highest levels of government (Ministry of Finance or even the Cabinet of Ministers) or decentralised audit bodies (Internal Audit Units in government budget implementation spending units, like Ministries or Agencies).	DG Budget

Term	Definition	Reference
Ex-post	When referring to audit, "ex post" usually means an audit performed after the initial legal commitment of a transaction. When referring to evaluation, "ex post" usually means an evaluation performed after the transaction has been fully completed.	DG Budget
Exchange difference	The difference resulting from reporting the same number of units of a foreign currency in the reporting currency at different exchange rates.	IPSAS 1.7, 4.10,
Exchange rate	The ratio for exchange of two currencies.	IPSAS 4.10,
Exchange transactions	Transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.	IPSAS 23.7, 9.11, 12.9, 16.7, 17.13
Executory contracts	Contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.	IPSAS 19.18
Expenditure	The term refers to Government spending (or outlays) made to fulfil a Government obligation, generally by issuing a cheque or disbursing cash. The term "expenditures" is sometimes loosely used to refer to cash payments. However, a strict definition is the cost of goods and services acquired, regardless of the timing of related payments. Expenditures on goods and services occur at the times when buyers incur liabilities to sellers, i.e. when either (a) the ownership of the goods and services concerned is transferred from the seller to the new owner; or (b) when delivery of the goods and services is completed to the satisfaction of the consumer.	Allen & Tommasi
Expenses	Decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. In GFS 2001, the term "expense" defines the set of transaction flows that reduce net worth over the accounting period. Expense transactions include compensation of employees, use of goods and services transactions, consumption of fixed capital, property expenses (interest and rent), social benefits, subsidies, grants and miscellaneous transactions, such as transfers to non-profit organisations and compensation of damage or injury. Acquisitions of non-financial assets and financing transactions are not expense transactions.	IPSAS 1.7, 2.8, 3.7, 4.10, 5.5, 6.7, 7.7, 8.6 Allen & Tommasi
Expenses paid through the tax system	Amounts that are available to beneficiaries regardless of whether or not they pay taxes.	IPSAS 23.7
External audit	Any audit carried out by an auditor who is independent of the management being audited. In public finance, it means audit external to the Government financial management and control policy. This is carried out by the national Courts of Auditors or the Supreme Audit Office and aims to objectively ensure that such management and control systems are compliant with the definition of PIFC above. Refers to audit carried out by a body that is external to, and independent of, the organisation being audited, the purpose being to give an opinion and report on the organisation's accounts and financial statements, the legality and regularity of its operations, and its financial management procedures and financial performance. Organisations responsible for external audit of government activities most often report directly to parliament, and are often referred to as supreme audit institutions (SAI).	DG BUDGET Allen & Tommasi
External debt	Debt owed to non-residents of the country concerned.	Allen & Tommasi

Term	Definition	Reference
External Service Provider	A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.	IIA
Extra-Budgetary Funds	Special funds owned by the Government, that are not part of the budget and that receive revenues from earmarked levies, possibly in addition to other sources such as fees and contributions from the general revenue fund. See also Off-Budget Expenditure	OECD
Extra-budgetary funds/accounts (EBF)	The term generally refers to government activities that are not included in the annual budget presentation. Moreover, EBFs may be subject to different systems of cash management, control and reporting than the budget itself. A wide variety of extra-budgetary arrangements are used, including funds (such as social security funds) set up under separate legislation, commodity funds that use proceeds of commodity aid, and earmarking certain revenues for specific purposes. See also off-budget expenditures.	Allen & Tommasi
Extraordinary items	Cash flows that arise from events or transactions that are clearly distinct from the ordinary activities of the entity, are not expected to recur frequently or regularly and are outside the control or influence of the entity (note the term has been removed form accrual IPSAS).	Cash Basis IPSAS 2.1.1
Fair presentation	Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS. The application of IPSAS, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.	IPSAS 1.27
Fair value	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Similar to the GFS concept of economic value	IPSAS 1.7, 4.10, 7.7, 9.11, 15.9, 16.7, 17.13
Fair value less costs to sell	The amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.	IPSAS 21.14
Final budget	The original budget adjusted for all reserves, carry over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative, or similar authority, changes applicable to the budget period See extended definition of assets, liabilities and depreciation in Part II of this Glossary	IPSAS 24.7
Finance lease	A lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.	IPSAS 13.8

Term	Definition	Reference
Financial asset	a) Cash; b) An equity instrument of another entity; c) A contractual right: i) To receive cash or another financial asset from another entity; or ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or d) A contract that will or may be settled in the entity's own equity instruments and is: i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or *ii)* A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with IPSAS 28.15 and .16, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with IPSAS 28.17 and .18, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.	IPSAS 1.7, 28.7
Financial Audits	Cover the examination and reporting on financial statements and examine the accounting statements upon which those statements are based DG Budget Financial audit allows the Supreme Audit Institution to report on the State's account or accounts and provides the basis for the Legislature to give some form of discharge or opinion.	OECD
Financial controller	The function of the financial controller may mean different things in different organisations e.g.;(a) the role which gives ex-ante approval to individual transactions that they are in conformity with regulations and procedures; or. (b) The same as auditor; or(c) the management role which combines responsibility for the recording and processing of transactions (financial accounting) with the preparation of and reporting against budget targets (management accounting). In the Commission, Financial Control was originally (1973) defined as ex ante approval of any kind of financial decisions. Later the internal audit function was added to the functions of the Finance Controller. Recently the trend is to split the two functions and the term "financial control" refers again only to ex ante approval. In the framework of Enlargement the term is used for the ex ante approval function.	DG Budget
Financial controls	The phrase has a wide meaning in some organisations and a narrow meaning in others. The wide meaning follows the meaning of internal controls except that it refers to controls, which have a specific financial component. In practice, in this context, there are few controls, which do not have a financial component and the phrase financial control can often be virtually interchangeable with internal control. The narrower meaning follows the narrower meaning of financial controller and refers to the specific review of the conformity of transactions with regulations and procedures described in ex-ante financial control. Aspects of internal (or management) control that relate to financial issues and performance. See also internal (management) control	DG Budget Allen & Tommasi

Term	Definition	Reference
Financial instrument	Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Commodity-based contracts that give either party the right to settle in cash or some other financial instrument should be accounted for as if they were financial instruments, with the exception of commodity contracts that (a) were entered into and continue to meet the entity's expected purchase, sale, or usage requirements, (b) were designated for that purpose at their inception, and (c) are expected to be settled by delivery.	IPSAS 15.9 Allen & Tommasi
Financial liability	Any liability that is: a) A contractual obligation: i) To deliver cash or another financial asset to another entity; or ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or b) A contract that will or may be settled in the entity's own equity instruments and is: i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 15 and 16, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with IPSAS 28.17 and 18, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments. As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in IPSAS 28.15 and 16 or 28.17 and 18.	IPSAS 15.9
Financial management (FM)	In the framework of Enlargement the term is understood to be the set of responsibilities of the management (which is responsible for carrying out the tasks of government budget handling units) to establish and implement a set of rules aiming at an efficient, effective and economic use of available funds (comprising income, expenditure and assets). It refers to planning, budgeting, accounting, reporting and some form of ex ante financial control. FM is subject to internal and external audit. The legal and administrative systems and procedures put in place to permit government ministries and agencies to conduct their activities so as to ensure correct usage of public funds that meets defined standards of probity, regularity, efficiency and effectiveness. Financial management includes the raising of revenue; the management and control of public expenditure; financial accounting and reporting; cash management; and, in some cases, asset management.	DG Budget Allen & Tommasi
Financial Management Information Systems (FMIS)	Financial Management Information Systems (FMIS) can be broadly defined as a set of automation solutions that enable governments to plan, execute and monitor the budget, by assisting in the prioritization, execution, and reporting of expenditures, as well as the custodianship and reporting of revenues. Accordingly, FMIS solutions can contribute to the efficiency and equity of government operations. Also referred to as Government Financial Management Information Systems; Integrated Financial Management Information Systems; Public Financial Management Systems; and Treasury Systems) See extended definition in Part II of this Glossary	Financial Management Information Systems (World Bank 2011)

Term	Definition	Reference
Financial reporting	The communication of financial information by an entity (e.g. the government, a line ministry) to interested parties (e.g. parliament, the ministry of finance). It encompasses all reports that contain financial information based on data generally found in the financial accounting and reporting system. Financial reporting is the process of preparing and distributing financial information to users of such information in various forms. For public bodies, this includes the regular management reports to service and senior managers and the year-end financial statements.	Allen & Tommasi (7
Financial statements	See also general purpose financial statements The accounting statements prepared by a reporting entity to communicate information about its financial performance and position. An accrual accounting system commonly entails the preparation of a Financial Position Statement, or Balance Sheet, which shows the total assets, liabilities and the net worth; a Financial Performance Statement, or Operating Statement, which shows the revenues and expenses of the period; and a Statement of Changes of Net Worth, which explains movements in the opening and closing balances. These accrual-based statements are supplemented with a Statement of Cash Flows. They include those notes and schedules that are needed in order to clarify or further explain items in the statements. Similarly, the analytical framework in GFS 2001 includes the following tables: Government Operations, which is a summary of the transactions of the general government in a given accounting period; Statement of Other Economic Flows, which tabulates influences, other than transactions, on the government's financial position; and a Balance Sheet and Statement of Sources and Uses of Cash. Financial statements record the financial activities of public bodies. They are also referred to as the annual accounts or the statement of accounts.	Allen & Tommasi (7
Financial Systems	The procedures for preparing, recording and reporting reliable information concerning financial transactions.	DG Budget
Financing	All transactions in financial assets and liabilities that balance the fiscal deficit or surplus. Broadly speaking, the means by which a government obtains financial resources to implement its policies, programmes and projects.	Allen & Tommasi
Financing activities	Activities that result in changes in the size and composition of the contributed capital and borrowings of the entity.	IPSAS 2.8, 3.7, 4.10, 18.8
Fines	Economic benefits or service potential received or receivable by public sector entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.	IPSAS 23.7
Firewall	A barrier placed between a system or a network and the ‘outside world’ to prevent unwanted and potentially damaging intrusion into the system or network.	Malcolm Gibb
Fiscal (or Financial) Year	The Government’s accounting period, which need not necessarily coincide with the calendar year. The regular annual budget and accounting period for which provision of revenue and expenditure is made, and for which accounts are presented, excluding any complementary period during which the books may be kept open after the beginning of the following fiscal year. Also known as the financial year	OECD Allen & Tommasi
Fiscal capacity	the ability of an entity to meet financial commitments, such as the servicing and repayment of debt and liabilities to creditors, on a continuing basis over the period of the projections without increasing levels of taxation	IPSASB ED 46 Long Term Fiscal Sustainability
Fiscal dependency	Proportion of an entity’s total revenues currently provided by entities at other levels of government	IPSASB ED 46 Long Term Fiscal Sustainability

Term	Definition	Reference
Fiscal gap	The size of the immediate and permanent increase in revenues or decrease in outlays, expressed as a percentage of GDP that would be necessary to keep debt at or below its current share of GDP for a future projection period	IPSASB ED 46 Long Term Fiscal Sustainability
Fiscal Policy	Government actions with respect to aggregate levels of revenue and spending. Fiscal policy is implemented through the budget and is the primary means by which the Government can influence the economy. Permanent constraints on fiscal policy, typically defined in terms of an indicator(s) of overall fiscal performance such as the deficit/GDP ratio, the debt/GDP ratio. In the EU context, these rules are defined in the Treaty of Maastricht and the Treaty of Amsterdam.	OECD Allen & Tommasi
Fiscal Risk	Includes uncertain costs of specific expenditure commitments, such as financial restructuring, and/or the potential for adverse budgetary effects resulting from variations in economic assumptions.	OECD
Fiscal Rules	A multi-annual constraint on a fiscal aggregate (e.g. expenditure, revenue, budget balance or debt). It is typically defined in terms of an indicator of overall fiscal performance, such as the deficit/GDP ratio or the debt/GDP ratio. See also Golden Rule	OECD
Fiscal transparency	A policy of providing information to the public about the functions and organisation of the government, its economic and fiscal policy goals and objectives, its financial forecasts and public sector accounts. It involves ready access to reliable, comprehensive, timely, understandable, and internationally comparable information on government activities—including those activities undertaken outside the government sector—so that the electorate, legislature and financial markets can accurately assess the government's present and future financial position. Transparency refers to an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies' accountability, are provided to the public on an understandable, accessible and timely basis.	Allen & Tommasi IMF Code of Good Conduct on Transparency in Monetary and Financial Policies
Fixed assets	Durable goods except land, mineral deposits, timber tracts and similar non-reproducible tangible assets, employed in production by resident industries, producers of government services for civilian purposes, and producers of private non-profit services to households, including owner-occupied dwellings, permanent family dwellings for military personnel, breeding stock, draught animals and dairy cattle.	Allen & Tommasi
Fixed price contract	A construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.	IPSAS 11.4
Float	There are a number of meanings to the term "float". It may refer to the sum of cash held under an imprest system. Float may also refer to cheques issued but not yet paid. The amount of float is reflected in the difference between the total of cheques issued by the treasury and the total of cheques paid as shown in the books of the treasury's bank account. If float can be identified, it should be shown as an adjustment to total expenditure. It is also known as "items in transit". The term "float" is also sometimes used to mean the payables that are not immediately due for payment (e.g. invoices recorded before the latest time they can be paid without incurring additional charges or penalties).	Allen & Tommasi
Floating debt	The amount of obligations, other than fixed-term contractual obligations, incurred by a government for goods and services received that have not yet been paid for, that is, an accumulated backlog of unpaid bills. (In some countries, the term refers to the unconsolidated portion of outstanding government short-term debt).	Allen & Tommasi

Term	Definition	Reference
Flowchart (-ing)	Flowchart- A diagrammatic representation of the client's documents and records, and the sequence in which they are processed. (Arens, Elder & Beasley) Flow-charting - Illustrates a flow of procedures, information or documents. This technique makes it possible to give a summary description of complex circuits or procedures.	INTOSAI
FMIS	See Financial Management Information System	
Foreign currency	A currency other than the functional currency of the entity.	IPSAS 1.7, 4.10,
Foreign operation	An entity that is a controlled entity, associate, joint venture or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.	IPSAS 1.7, 3.7, 4.10
Forward commitments (multi-year commitments)	Commitments that cover a period of more than one year (e.g. contracts for an infrastructure project). Effective monitoring of forward commitments is essential, for good budgeting and expenditure control. A number of countries include authorisations for forward commitments in the budget.	Allen & Tommasi
Fraud	Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage. The severest form of an irregularity. In respect of expenditure, it includes any intentional act or omission relating to: • The use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds. • Non-disclosure of information in violation of a specific obligation, with the same effect. • The application of funds for purposes other than those for which they were originally granted, with the same effect. • In respect of revenue, fraud includes any intentional act or omission relating to: • The use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the budget. • Non-disclosure of information in violation of a specific obligation, with the same effect • Misapplication of a legally obtained benefit, with the same effect. Fraud is an intentional deception made for personal gain or to damage another individual. Good internal controls and governance arrangements are essential to minimise the risk of fraud. When a public body suffers fraud or theft it is often the case that the perpetrator has prepared false documents to disguise or to cover up the theft or fraud. In many cases the false documents include invoices and minutes.	IIA Allen & Tommasi (7
Free/Libre Open-Source Software (FLOSS)	Software that is liberally licensed to grant users the right to use, copy, study, change, and improve its design through the availability of its source code	WB FMIS

Term	Definition	Reference
Full costs	The total cost of all the resources used in providing a good or service in any accounting period (usually one year). This will include all direct and indirect costs of producing the output (both cash and non-cash costs), including a full proportional share of overhead costs and any selling and distribution costs, insurance, depreciation, and the cost of capital, including any appropriate adjustment for expected cost increases. The sum of all the costs of a programme or activity, including consumption of fixed capital, overheads and the costs of activities related to the programme but performed by entities other than the entity responsible for the programme.	Scottish Government Allen & Tommasi
Functional classification (see also chart of accounts)	The classification of expenditure (as well as expense) transactions and acquisitions/disposals of financial assets for policy purposes, according to the purpose for which transactions are undertaken. A functional classification is independent of the administrative organisations or units that carry out the activities or transactions concerned. The standard Classification of Functions of the Government (COFOG) system, established by the United Nations, is aimed at facilitating international comparisons and preparing income accounts consistent with the System of National Accounts (SNA) methodology.	Allen & Tommasi
Functional currency	The currency of the primary economic environment in which the entity operates.	IPSAS 4.10
Functional Independence (FI)	The special status of a financial controller (narrow sense) or an internal auditor (whether central or decentralised), providing him/her with the power of maintaining a free professional judgement vis-à-vis his superior of the organisation in matters of control and audit. This concept requires the maintenance of a balance between those who are responsible for managing the organisation and those who are controlling/auditing the organisation. FI should be embodied in relevant legislation. Another way to ensure FI is to have the central control/audit organisation nominate a delegate Internal Auditor into the organisation to be audited or to allow the Internal Auditor (in case of conflict of interests) to report his findings freely to the central audit body.	DG Budget
Fund	The concept of a "fund" in public sector accounting is analogous to the concept of a "reserve" in commercial accounting. A Fund identifies the purpose for which assets are to be utilised but not necessarily the specific assets involved. Hence there may be a fund bank account but this is not an essential requirement. The concept of a Fund is to "ring fence" resources for specific purposes, e.g. a Road Construction Fund. As a minimum under double entry accounting an entity must have at least one fund (typically called a General Fund or a Consolidated Fund) to represent the net of all assets less liabilities owned by that entity. In some jurisdictions, e.g. the USA, multiple funds are widely used to link to divide the general fund over specific policy goals (this is usually referred to as Fund Accounting). Other jurisdictions make little or no use of fund accounting and simply have one general fund.	Allen & Tommasi
Fund Accounting	An accounting system in which a self-balancing group of accounts is provided, for each accounting unit established by legal, contractual or voluntary action, especially in government units and non-profit organizations. Examples of the types of funds that are accounted for separately by government units are the capital fund, the reserve fund, the current, operating, general or revenue fund, the sinking fund, and the trust fund.	Statistics Canada
Fundamental	A matter becomes fundamental (sufficiently material) rather than material when its impact on the financial statements is so great as to render them misleading as a whole. See also *Significant Control Weakness*	DG BUDGET
GAIN network	Global Audit Information Network (GAIN)	http://www.theiia.org/guidance/benchmarking/

Term	Definition	Reference
GBE	See Government Business Enterprise	
General fund (or Consolidated Fund)	See Fund	
General government	According to the UN System of National Accounts, "general government" is the grouping of government units at different levels: central, state (in federalist countries), local authorities and social security funds. Government units are units that, in addition to fulfilling their political responsibilities and their role in economic regulation, produce principally public services for individual or collective consumption and redistribute income and wealth. A defining characteristic of government units is the ability to impose, directly or indirectly, taxes and other compulsory levies for which there is no direct quid pro quo on other sectors of the economy. See also central government, local government, state government, subnational government.	UN SNA Allen & Tommasi
General government sector (GGS)	Comprises all organizational entities of the general government as defined in statistical bases of financial reporting	IPSAS 22.15
General ledger system	Core system(s) for budget execution, accounting and financial reporting. This system(s) maintain data on approved appropriations and supplementary appropriations; virements; fund release (apportionment/allotment, warrants, cash plans, etc.); commitments, accrued expenditures and payments against budgeted allocations and fund release. The structure of the general ledger is that of the chart of accounts, and sometimes these two terms are used interchangeably. The general ledger system maintain the ledgers, and registers also data on revenues, debt and other liabilities, financial assets (and physical assets under full accrual accounting), and other financial transactions (such as transactions between government agencies). See also government financial management information systems.	Allen & Tommasi
General Purpose Financial Statements	General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees. General purpose financial statements include those that are presented separately or within another public document, such as an annual report. A complete set of financial statements comprises: (a) A statement of financial position (the balance sheet); (b) A statement of financial performance; (c) (A statement of changes in net assets/equity; (d) A cash flow statement; (e) When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the financial statements; and (f) Notes, comprising a summary of significant accounting policies and other explanatory notes.	IPSAS 1.3 1.21
General Standards of auditors	The qualifications and competence, the necessary independence and objectivity, and the exercise of due care, which shall be required of the auditor to carry out the tasks related to the fields and reporting standards in a competent, efficient and effective manner.	DG Budget

Term	Definition	Reference
Generational accounting	This refers to measuring the impact of policies as between different generations, e.g. impact of capital expenditure or pension decisions on future generations. Defined as an accounting system used to assess the distributional implications of fiscal policy for different generations. This is accomplished by estimating the present value of net tax payments (taxes paid less benefits received) over the lifetime of different generations under current tax and spending policies. A generation is defined as including all males and females (separately accounted for, because of differing tax and benefits profiles) born in the same year. The technique has heavy data requirements and the results depend on a large number of simplifying assumptions. It is generally regarded as a supplementary technique for analysis of the sustainability of fiscal policy and intergenerational distribution questions.	Allen & Tommasi
Go Live	The stage at which a specific computer application (COTS or bespoke) has completed testing, is signed off by the customer and actually starts processing data	
Goals and objectives	Both terms are used to describe the desired, measurable results to be achieved from government programmes or activities. "Goals" (or "general objectives") typically refer to broad results (or outcomes) which may take a number of years to achieve and often involved many people, activities, processes, and intermediate achievements. "Objectives" (or "specific objectives") tend to refer to more specific results, often precisely measured (time, cost, number, quality), which can usually be accomplished in a shorter time period, and are often an intermediate step in achieving a broader goal.	Allen & Tommasi
Going concern	When preparing financial statements, an assessment of an entity's ability to continue as a going concern shall be made. This assessment shall be made by those responsible for the preparation of financial statements. Financial statements shall be prepared on a going concern basis unless there is an intention to liquidate the entity or to cease operating, or if there is no realistic alternative but to do so. When those responsible for the preparation of the financial statements are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed. When financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a going concern.	IPSAS 1.38
Golden Rule (for fiscal management)	A rule which requires that, either annually or over the economic cycle, borrowing is restricted to the financing of investment expenditures. See also Fiscal Rules	OECD
Governance	Governance is the act of governing. It relates to decisions that define expectations, grant power, or verify performance. It consists of either a separate process or part of management or leadership processes. A government typically administers these processes and systems. In the case of a business or of a non-profit organisation, governance relates to consistent management, cohesive policies, guidance, processes and decision-rights for a given area of responsibility. For example, managing at a corporate level might involve evolving policies on privacy, on internal investment, and on the use of data. Governance is the exercise of political powers to manage a nation's affairs. Sound governance involves political accountability; freedom of association and participation; reliable and equitable legal frameworks; transparency; effective and efficient public sector management. Governance - This is how entities (heads of budgetary users) ensure that they are doing the right things, in the right way for the right people in a timely, inclusive, open, honest and accountable manner. See also Corporate Governance	Wikipedia Allen & Tommasi (7

Term	Definition	Reference
Government Accountability Office (GAO)	Name by which the Supreme Audit Institution is known in the USA and some other countries	
Government Agency	A government agency is a permanent or semi-permanent organisation in the machinery of government that is responsible for the oversight and administration of specific functions, such as an intelligence agency. There is a notable variety of types of agency. Although usage differs, a government agency is normally distinct both from a Department or Ministry, and other types of public body established by government. The functions of an agency are normally executive in character since different types of organisations (such as commissions) are normally used for advisory functions, but this distinction is often blurred in practice. A government agency may be established by either a national government or a state/ provincial/ territorial government within a federal system. Agencies can be established by legislation or by executive powers. The autonomy, independence and accountability of government agencies also vary widely. The term is not normally used for an organisation created by the powers of a local government body.	Statistics Canada
Government Business Enterprise (GBE)	This definition is used exclusively in IPSAS and IFRS. A Government Business Enterprises (GBE) An entity that has all the following characteristics: • Is an entity with the power to contract in its own name; • Has been assigned the financial and operational authority to carry on a business; • Sells goods and services, in the normal course of its business, to other entities at a profit or full cost recovery; • Is not reliant on continuing government funding to be a going concern (other than purchases of outputs at arm's length); and • Is controlled by a public sector entity. Government Business Enterprises (GBEs) include both trading enterprises, such as utilities, and financial enterprises, such as financial institutions. GBEs are, in substance, no different from entities conducting similar activities in the private sector. GBEs generally operate to make a profit, although some may have limited community service obligations under which they are required to provide some individuals and organizations in the community with goods and services at either no charge or a significantly reduced charge. International Public Sector Accounting Standard IPSAS 6 Consolidated Financial Statements and Accounting for Controlled Entities provides guidance on determining whether control exists for financial reporting purposes, and should be referred to in determining whether a GBE is controlled by another public sector entity. The IPSAS definition of a GBE is substantially identical to the GFS definition of Public Corporation. GBEs are also referred to a Public Enterprises or in the UK as Nationalised Industries.	IPSAS 1.7, 2.8, 5.5, 21.14
Government Finance Statistics (GFS) and Government Finance Statistics Manual (GFSM)	The International Monetary Fund (IMF) in the Government Finance Statistics Manual (GFSM) publishes GFS. It provides guidelines on statistical methodology that is used for standardised fiscal reporting by sovereign governments. The 2001 version substantially revises the earlier version published in 1986, e.g. in relation to information on accrual-based accounting. GFS 2001 should be published in late 2000 or in 2001. See also Eurostat and ESA 95 and extended definition of statistical system in Part II of this Glossary	IMG GFS Allen & Tommasi

Term	Definition	Reference
Government Financial Management Information Systems (GFMIS)	See Financial Management Information Systems	Allen & Tommasi
Government Organisations	A unit that is part of the Government, including ministries and agencies.	OECD
Grants	In GFS, a grant is a voluntary current or capital transfer between government units, or between a multinational organisation and a national government (e.g. a PHARE grant). In addition, a voluntary transfer to a private organisation or person is also often called a grant. Grants are treated as expenditure by the granting institution and revenue by the recipient institution	Allen & Tommasi GFSM
Gross Domestic Product (GDP)	The total value of final goods and services produced in a country during a single year. Economic growth is measured by the change in GDP from year to year.	OECD
Gross Domestic Product (GDP)	The output produced by factors of production located in the domestic country regardless of who owns these factors	DFID
Gross fixed capital formation	The value of new or existing durable non-military goods, property, plant and equipment acquired by government or produced for own account, less sales of such goods. It encompasses only goods that have a normal life of more than one year and a value above a specified minimum level. Changes in government stocks or inventories are included in capital formation but not in fixed capital formation. Consumption of fixed capital (depreciation) is subtracted from gross fixed capital formation to measure net fixed capital formation.	Allen & Tommasi
Gross investment in a lease	The aggregate of: • The minimum lease payments receivable by the lessor under a finance lease; and • Any unguaranteed residual value accruing to the lessor.	IPSAS 13.8
Gross National Product (GNP	Total income earned by domestic citizens regardless of the country in which their factor services were supplied. GNP equals GDP plus net earnings from abroad.	DFID
Guaranteed residual value	For a lessee, that part of the residual value that is guaranteed by the lessee or by a party related to the lessee (the amount of the guarantee being the maximum amount that could, in any event, become payable); and For a lessor, that part of the residual value that is guaranteed by the lessee or by a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee.	IPSAS 13.8
Hard coded	The term for software which has variables and potential parameter values as a fixed part of the programme code so that every change requires the code to be amended.	Malcolm Gibb

Term	Definition	Reference
Health and safety	Refers to the actions necessary by an institution to ensure the health and safety of employees and members of the public Public sector organisations have a duty to ensure that land and buildings under their control comply with appropriate statutory, regulatory and corporate standards. Health and safety legislation covers a range of areas of responsibility and duties of care including: • Equipment testing; • Asbestos and dangerous substances; • Air conditioning; • Water testing; • Electrical and gas safety; • Fire safety; • Safety of contractors; • Workstation assessments; • First aid; • Glazing safety; and • Accessibility	(7
ICISID	See Centre for the Settlement of Investment Disputes – see World Bank	
IFRS Foundation	The IFRS Foundation is an independent, not-for-profit private sector organisation working in the public interest. Its principal objectives are: • To develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB; • To promote the use and rigorous application of those standards; • To take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs); and • To bring about convergence of national accounting standards and IFRSs to high quality solutions. The governance and oversight of the activities undertaken by the IFRS Foundation and its standard-setting body rests with its Trustees, who are also responsible for safeguarding the independence of the IASB and ensuring the financing of the organisation. The Trustees are publicly accountable to a Monitoring Board of public authorities.	
Impact	The term "impact" is often used synonymously with the term "outcomes". The "net impact" of a programme describes the outcomes that are truly attributable to the programme. It does not include the effects of factors external to the programme, and is estimated through evaluation methods. "Impact analysis" refers to the assessment of the effects of a programme or policy initiative on its surroundings (e.g. an environmental impact study), or shows the extent to which a programme actually produced the desired effects on the beneficiaries concerned.	DG Budget Allen & Tommasi
Impairment	A loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.	IPSAS 21.14
Impairment loss of a non-cash-generating asset	The amount by which the carrying amount of an asset exceeds its recoverable service amount.	IPSAS 21.14

Term	Definition	Reference
Impracticable	Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.	IPSAS 1.7, 3.7
Imprest fund (or account)	An imprest account is cash or other fund in the form of currency, government cheques or bank accounts, which has been advanced as "funds held outside of treasury" and charged to a specific appropriation account to an authorised cashier for payment. The fund may be a revolving type, replenished to the fixed amount as spent or used, or may be of a stationary nature.	Allen & Tommasi
Inception of the lease	The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. As at this date: *A lease is classified as either an operating or a finance lease; and* *In the case of a finance lease, the amounts to be recognized at the commencement of the lease term are determined.*	IPSAS 13.8
Incremental or traditional budgeting	An approach to budgeting where the previous year's budget or actual results provide a base line for the current year. This base line is adjusted for known changes in activity level, inflation or percentage based efficiency targets.	Australia NAO (1))
Independence of the auditor	The concept of auditor independence is fundamental to the conduct of the audit. It is particularly important for the external auditor (Supreme Audit Institution) that the opinion such intuition expresses both is, and is seen to be, independent. Independence is characterised by integrity and an objective approach to the audit process. The concept requires the auditor to carry out his or her work freely and in an objective manner. Supreme Audit Institutions can accomplish their tasks objectively and effectively only if they are independent of the audited entity and are protected against outside influence. Although state institutions cannot be absolutely independent because they are part of the state as a whole, Supreme Audit Institutions shall have the functional and organisational independence required to accomplish their tasks. The establishment of Supreme Audit Institutions and the necessary degree of their independence shall be laid down in the Constitution; details may be set out in legislation. In particular, adequate legal protection by a supreme court against any interference with a Supreme Audit Institution's independence and audit mandate shall be guaranteed. Independence from the audited entity and other outside interest groups is indispensable for auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence. Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review. It is essential that auditors are independent and impartial, not only in fact but also in appearance. For an external audit it means the freedom of the national Courts of Auditors or similar institutions in auditing matters to act in accordance with its audit mandate without external direction or interference of any kind. From an internal audit viewpoint it means that the internal audit service should be organised directly under the top management. Nevertheless, the internal audit service should be free to audit any area that it considers to be an area of risk for material errors, even when management might not think so (see also functional independence)DG Budget The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.	ICAEW INTOSAI Lima Declaration I INTOSAI Code of Ethics IIA
Inflows	Cash and cash equivalents projected to accrue to the reporting entity over the time horizon of the projections	IPSASB ED 46 Long Term Fiscal Sustainability

Term	Definition	Reference
Information and communications Technology (ICT)	The generic term for all matters connected with Information Technology (computer hardware and software) and Communications Technology (local and wide area networks, internet, telephone and satellite)	
Information Management	The means by which an organisation maximises the efficiency with which it plans, collects, organises, uses, controls, disseminates and dispossess of its information, and by which it ensures that the value and potential value of that information is identified and exploited to the fullest extent.	Malcolm Gibb
Information Technology Controls	Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.	IIA
Information Technology Governance	Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.	IIA
Information Technology Infrastructure Library (ITIL)	ITIL is a set of good practices for IT Service Management (ITSM) that focuses on aligning IT services with the needs of business. In its current form (known as ITILv3 and ITIL 2011 edition), ITIL is published in a series of five core publications, each of which covers an ITSM lifecycle stage. ITILv3 underpins ISO/IEC 20000 (previously BS15000), the International Service Management Standard for IT service management, although differences between the two frameworks do exist. ITIL describes procedures, tasks and checklists that are not organization-specific, used by an organization for establishing a minimum level of competency. It allows the organization to establish a baseline from which it can plan, implement, and measure. It is used to demonstrate compliance and to measure improvement. The names ITIL and IT Infrastructure Library are registered trademarks of the United Kingdom's Office of Government Commerce (OGC) – now part of the Cabinet Office. Following this move, the ownership is now listed as being with HM Government rather than OGC.	WB FMIS Wikipedia
Inherent risk	The risk to an entity in the absence of any actions management might take to alter either the risk’s likelihood or impact.	(COSO ERM)
Initial direct costs	Initial direct costs are incremental costs that are directly attributable to negotiating and arranging a lease, except for such costs incurred by manufacturer or trader lessors.	IPSAS 13.8
Innovation	Innovation is the application of creative new ideas - the implementation of inventions. Creativity is the generating of new ideas of novel approaches and inventions.	OECD1
Inputs	The resources used by government to produce outputs. Inputs include the labour (the range of skills, expertise and knowledge of employees), capital assets (including land and buildings, motor vehicles and computer networks), financial assets, and intangible assets (such as intellectual property), which are used in delivering outputs. Input-output accounting compares inputs to and outputs from a process to identify the value added.	OECD1
Inputs	Inputs are the resources of a reporting entity used to produce outputs in delivering its objectives.	IPSASB “Reporting Service Performance” Consultation Paper 2011

Term	Definition	Reference
Institute of Chartered Accountants in England and Wales (ICAEW)	The ICAEW is one of the five senior level UK accounting bodies. It is an accounting body incorporated by Royal Charter. It represents accountants in the public and private sectors. The ICAEW is the oldest of the UK accountancy bodies and has the largest UK membership.	
Institute of Chartered Accountants of Scotland (ICAS)	The ICAS is one of the five senior level UK accounting bodies. It is an accounting body incorporated by Royal Charter. It represents accountants in the public and private sectors who qualify through the Scottish accountancy body	
Institution	Sometimes used synonymously with the term “organisation” or “body”, e.g. a ministry or government office. However, the term is also increasingly used in a different sense, to describe the formal and informal rules that determine behaviour, and the enforcement of these rules.	Allen & Tommasi
Institutional sector	An institutional sector is a group of institutional units with similar behavioural characteristics (e.g. the general government sector).	Allen & Tommasi
Institutional unit	In the SNA and GFS 2001, an institutional unit is an entity that can own assets, incur liabilities and act on its own behalf in economic and financial matters. Three types of government units are distinguished: • Administrative units of the central, state or local governments, including extra-budgetary funds. • Social security funds. • Non-market, non-profit organisations that are controlled and mainly financed by the government.	Allen & Tommasi
Insurance	An insurance policy is a contract between a party at risk and an insurer. The insurer agrees to bear all or part of the specified risks in exchange for a payment known as the insurance premium. Property can be insured either under a blanket policy or a schedule policy. Under a blanket policy, there is usually one total sum insured which represents the value of every item of property insured. In a schedule policy, each item is insured separately. It is possible to arrange a combined policy. This would provide 'blanket' cover for all properties up to a certain value, and properties individually worth more than that value would be shown separately. Many insurers prefer dealing with large property portfolios on blanket schedules for ease of administration, although the overall sums insured do need to be updated at least annually. In the short term, blanket policies will also avoid the risk of changes to the property portfolio being overlooked and cover being compromised. Finance staff should be involved in the procurement of insurance policies for land and buildings as part of their overall corporate remit for managing insurance.	(7
Insurance contract	A contract that exposes the insurer to identified risks of loss from events or circumstances occurring or discovered within a specified period, including death (in the case of an annuity, the survival of the annuitant), sickness, disability, property damage, injury to others and interruption of operations.	IPSAS 15.9
Intangible asset	An identifiable non-monetary asset without physical substance.	
Integrated Financial Management Information Systems (IFMIS)	See Financial Management Information Systems	

Term	Definition	Reference
Integration and interfacing systems	The definition of an integrated system is quite lengthy, but in general it means a system with several different functions but where the user perceives the whole application as a single system. In contrast, interfacing means that two different systems are able to exchange information with each other. Interfacing may be managed either manually or an automated process.	
Integrity	Integrity comprises both straightforward dealing and completeness. It is based upon honesty and objectivity, and high standards of propriety and probity in the stewardship of public funds and resources, and management of an entity's affairs. It is dependent on the effectiveness of the control framework, influenced by relevant legislation (such as Values and Code of Conduct) and ultimately determined by the personal standards and professionalism of the individuals within the entity. It is reflected both in the entity's decision-making procedures and in the quality of its financial and performance reporting.	Australia NAO (2))
Integrity (in public procurement)	Integrity in the context of public procurement implies that: • Procurement procedures are transparent and promote fair and equal treatment for bidders. • Public resources linked to public procurement are used in accordance with intended purposes. • Procurement officials' behaviour is in line with the public purposes of their organisation. • Systems are in place to challenge procurement decisions, ensure accountability and promote public scrutiny. An agreement between a government or government department with all bidders for a public sector contract that neither side will pay, offer, demand, or accept bribes, or collude with competitors to obtain the contract or while carrying it out.	PROC
Inter-temporal budget gap	Derived from the inter-temporal budget constraint (IBC). The IBC is satisfied if the projected outflows of the government (current public debt and the discounted value of all future expenditure, including the projected increase in age-related expenditure) are covered by the discounted value of all future government revenue. An inter-temporal budget gap exists when the present discounted value of future government revenue does not cover the current debt burden	IPSASB ED 46 Long Term Fiscal Sustainability
Interest rate implicit in the lease	The discount rate that, at the inception of the lease, causes the aggregate present value of: • The minimum lease payments; and • The unguaranteed residual value To be equal to the sum of • Fair value of the leased asset and • Any initial direct costs.	IPSAS 13.8
Interface	A shared boundary between two computer systems or components of such systems, or such systems and users.	Malcolm Gibb

Term	Definition	Reference
Internal (management) control	Defined as “the organisation, policies and procedures used to help ensure that government programmes achieve their intended results; that the resources used to deliver these programmes are consistent with the stated aims and objectives of the organisations concerned; that programmes are protected from waste, fraud and mismanagement; and that reliable and timely information is obtained, maintained, reported and used for decision-making” (INTOSAI). In practice, internal control systems embrace a wide range of specific procedures, including, for example, controls on accounting, processes, procurement, separation of duties and financial reporting. Internal control systems require effective communications within an organisation and need to be supported by sound internal audit procedures. It is the responsibility of an organisation's management to establish and monitor internal control systems, not that of the external auditor. However, an external auditor should comment on the absence or adequacy of such systems since a consequence of good internal controls is that less detailed auditing of individual documents and transactions will be necessary. See also accounting controls, administrative controls and financial control.	Allen & Tommasi
Internal Audit (IA)	The Institute of Internal Auditors definition is: “Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. More concretely, it is the functional means by which the managers of an entity receive an assurance from internal sources (including internally subcontracted sources) that the internal controls are achieving their internal control objectives. It will cover, inter alia, Financial Audits, System Based Audits, Performance Audits, IT-Audits It has most of the characteristics of external audit except that it finally reports to the management and therefore can never have the same level of independence as external audit. In public finance a distinction is made between centralised internal audit and decentralised internal audit. A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. “	IIA DG Budget
Internal audit assessment of risk	The internal audit activity audit plan should be designed based on an assessment of risk and exposures that may affect the organization.	Wales Audit Office
Internal Audit Budget	Internal audit must estimate the costs involved with the total auditing program to be carried out over the year ahead. This will include how internal audit plans to implement its annual plan in terms of the number of personnel, travel, and supporting services required to perform the planned audits and to support other internal audit activities, such as staff training. Internal audit must justify both the overall validity of the proposed audit plan and the efficiency with which internal audit plans to carry out the program. Other questions necessary to build the budget include: What locations are to be covered? What kind of audit work is to be done? How long will it take to do the job? What staff will be required? What will be the travel costs? What supporting services need to be provided? The answers to these questions may require an in-depth analysis of the major factors pertaining to the operations of the internal audit department.	Brinks, Modern IA, p.295

Term	Definition	Reference
Internal Audit Charter	Also called Internal Audit Mission Statement. The Charter/Mission Statement of the internal audit activity is a formal document that defines the internal audit activity's purpose, scope, and responsibility. It aims to ensure that the internal audit is looked upon with trust, confidence and credibility. The charter should: • Ensure the functional independence including specification of the position of the internal audit activity within the organisation; • Permit unrestricted access to records, personnel, and physical properties relevant to the performance of engagements; • Define the scope of internal audit activities; • Define reporting requirements to auditees and, where necessary, to judiciary institutions and • State the relationship with the State Audit Office. The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.	DG Budget IIA
Internal Auditor (IA)	The Internal Auditor (IA) (whether located outside or inside the organisation of the Managing Director) is responsible for carrying out all relevant kinds of ex post internal audit. In public finance terms, Internal Auditors should be subject to a special "statute" (preferably written in the Internal Audit Law governing the PIFC-system in a given country) allowing them an adequate degree of functional independence. The IA can report to the MD or be assigned by a central Public Internal Audit Service, like the Ministry of Finance or an Internal Audit Board responsible to the Prime Minister of the Cabinet of Ministers	DG Budget
Internal Control	The whole system of financial and other controls, including the organisational structure, methods, procedures and internal audit, established by management within its corporate goals, to assist in conducting the business of the audited entity in a regular, economic, efficient and effective manner. Internal control relates to the following categories: Control environment; Risk assessment; Information and Communication; Control activities and Monitoring of controls Internal control is an integral process that is effected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved: • Executing orderly, ethical, economical, efficient and effective operations; • Fulfilling accountability obligations; • Complying with applicable laws and regulations; • Safeguarding resources against loss, misuse and damage.	DG Budget (INTOSAI)

Term	Definition	Reference
Internal Control Objective)	At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures[2] reduce process variation, leading to more predictable outcomes". The primary objectives of internal control are to ensure: • The reliability and integrity of information. • Compliance with policies, plans, procedures, laws, and regulations. • The safeguarding of assets. • The economical, efficient and effective use of resources. Each organisation should design its own system of internal control to meet the needs and environment of the organisation.	DG Budget
Internal control test	Prior to testing the operations of an internal control, an auditor will assess the design of the control for its effectiveness. Conclusions on effectiveness are drawn after a sample population of a control is walked through, or re-performed, with the personnel responsible for the regular operation of the control. If the auditor's inquiries and observations about the control are adequately addressed, the audit test of the internal control is considered to be designed effectively and can then be tested for its operating effectiveness by selecting a larger sample of the control and re-performing each of the steps. In contrast, if an audit test suggests that internal controls are not designed or operating effectively, substantive testing usually must be completed.	
Internal rate of return (IRR)	The discount rate which would give a zero net present value (NPV) for the investment. See also discounting and net present value.	Allen & Tommasi
International Accounting Standards (IAS)	See International Financial Reporting Standards (IFRS) – all IAS have now been renamed as IFRS	
International Accounting Standards Board	The IASB is the independent standard-setting body of the IFRS Foundation. Its members (currently 15 full-time members) are responsible for the development and publication of IFRSs, including the IFRS for SMEs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly called the IFRIC). All meetings of the IASB are held in public and webcast. In fulfilling its standard-setting duties the IASB follows a thorough, open and transparent due process of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component. The IASB engages closely with stakeholders around the world, including investors, analysts, regulators, business leaders, accounting standard-setters and the accountancy profession.	
International Accounting Standards Committee (IASC)	The now defunct body that set International Accounting Standards (now International Financial Reporting Standards). On April 1, 2001, the new IASB took over from the IASC the responsibility for setting International Accounting Standards.	
International Auditing and Assurance Standards Board	The IAASB is a standard-setting body designated by, and operating independently under the auspices of, the International Federation of Accountants (IFAC). Over 100 countries are using or are in the process of adopting or incorporating International Standards on Auditing (ISAs), issued by the IAASB, into their national auditing standards. EC is considering endorsement of ISAs.	CIPFA

Term	Definition	Reference
International Bank for Reconstruction and Development (IBRD)	See the World Bank	
International Consortium on Government Financial Management (ICGFM)	The International Consortium on Governmental Finance Management (ICGFM) is a private organization "dedicated to improving financial management by providing opportunities for professional development and information exchange", by working with governments, organisations and individuals. ICGFM has headquarters in Washington, DC	CIPFA
International Development Association (IDA)	See World Bank	
International Federation of Accountants (IFAC)	IFAC is the global organization for the accountancy profession. IFAC develops international standards on ethics, auditing and assurance, education, and public sector accounting standards. It also issues guidance to support professional accountants in business, small and medium practices, and developing nation.	CIPFA
International Finance Corporation (IFC)	See World Bank	
International Financial Reporting Standards (IFRSB)	IFRS are Standards, Interpretations and the Framework adopted by the International Accounting Standards Board (IASB). IFRS are a “principles based” set of standards in that they establish broad rules as well as dictating specific treatments. IFRS are applicable to all private sector entities and also to Government Business Enterprises (or Public Corporations). Many of the standards forming part of IFRS are known by the older name of International Accounting Standards (IAS). IASs were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). On April 1, 2001, the new IASB took over from the IASC the responsibility for setting International Accounting Standards. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards calling the new standards IFRS.	
International Monetary Fund (IMF)	The International Monetary Fund (IMF) is an organization of 187 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF promotes international monetary cooperation and exchange rate stability, facilitates the balanced growth of international trade, and provides resources to help members in balance of payments difficulties or to assist with poverty reduction.	www.imf.org
International Organisation of Supreme Audit Institutions (INTOSAI)	An international and independent body which aims at promoting the exchange of ideas and experience between Supreme Audit Institutions in the sphere of public financial control.	DG Budget INTOSAI

Term	Definition	Reference
International Professional Practices Framework	The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories - (1) mandatory and (2) strongly recommended.	IIA
International Public Sector Accounting Standards (IPSAS)	See International Public Sector Accounting Standards Board	
International Public Sector Accounting Standards Board (IPSASB)	The International Public Sector Accounting Standards Board (IPSASB) is an independent standard-setting board that develops high-quality international public sector accounting standards (IPSASs), guidance, and resources for use by public sector entities around the world for preparation of general purpose financial statements. A key part of the IPSASB's strategy is to converge the IPSASs with the International Financial Reporting Standards (IFRSs) issued by the IASB. To facilitate this strategy, the IPSASB has developed guidelines or rules for modifying IFRSs for application by public sector entities. The IPSASB aims to enhance the quality and transparency of public sector financial reporting by: • Establishing high-quality standards for use by public sector entities; • Promoting the acceptance, and the international convergence to, IPSASs; • Providing comprehensive information for public sector financial management and decision making; and • Providing guidance on issues and experiences in financial reporting in the public sector. The IPSASB follows a very structured and public due process in the development of all IPSASs. This process provides the opportunity for all those interested in financial reporting in the public sector, including those preparers and users directly affected by the IPSASs, to make their views known to the IPSASB, and ensure that their views are considered in the standard-setting development process. Exposure Drafts (ED) of all proposed IPSASs are developed, usually with the input of a task force or project advisory panel, and are available for download from the website. Exposure drafts are usually preceded by a Consultation Paper that explores the subject in detail and provides the basis for further discussion, development, and policy formation. All Exposure Drafts have open and finite comment periods. Comments received as a result of the exposure draft process are considered by IPSASB members, and are publicly available on the IPSASB website. If changes to the ED are made after the initial exposure, the IPSASB re-exposes the document for review and comment. Approval of exposure drafts, re-exposure drafts, and IPSASs are made by the affirmative vote of at least two-thirds of the IPSASB members. Since 1997, the IPSASB has developed and issued a suite of 31 accrual standards, and a cash-basis standard for countries moving toward full accrual accounting. Governments that report on a cash-basis do not account for significant liability, such as pensions and infrastructure development. The IPSASB encourages public sector entities to adopt the accrual basis of accounting—which will improve financial management and increase transparency resulting in a more comprehensive and accurate view of a government's financial position. Many governments, jurisdictions, and international institutions have already adopted IPSASs—many more are on the road to convergence.	www.ifac.org/ public-sector

Term	Definition	Reference
Interoperability	The ability of two or more computer and/or CIS or components of such systems to exchange information and to mutually use the information that has been exchanged.	Malcolm Gibb
INTOSAI	See International Organisation of Supreme Audit Institutions	
Intranet	The implementation of 'Internet' technologies within a corporate organisation, rather than for external connection to the global 'Internet'. This implementation is performed in such a way as transparently to deliver the informational resource of an organisation to each individual's desktop with minimal cost, time and effort.	Malcolm Gibb
Inventories	Assets: • In the form of materials or supplies to be consumed in the production process; • In the form of materials or supplies to be consumed or distributed in the rendering of services; • Held for sale or distribution in the ordinary course of operations; or • In the process of production for sale or distribution.	IPSAS 12.9
Investing activities	The acquisition and disposal of long-term assets and other investments not included in cash equivalents.	IPSAS 2.8, 4.10, 18.8
Investment property	Property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for: • Use in the production or supply of goods or services or for administrative purposes; or • Sale in the ordinary course of operations.	Allen & Tommasi16.7
Investor in a joint venture	Is a party to a joint venture and does not have joint control over that joint venture.	IPSAS 6.7, 7.7, 8.6
IPSAS	See International Public Sector Accounting Standards	
IPSASB	See International Public Sector Accounting Standards Board	
IT	Information Technology – see Information and Communications Technology	
IT systems audits	Examine the sufficiency and adequacy of the protection of the security of the systems of IT applications in order to guarantee the confidentiality, integrity and availability of information and IT systems DG Budget	
Joined up government	Arrangements under which policy-making and service delivery are unhindered by "departmental" boundaries.	Scottish Government
Joint control	The agreed sharing of control over an activity by a binding arrangement.	IPSAS 6.7, 8.6
Joint venture	A binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.	IPSAS 1.7, .4.10, 6.7, 7.7, 8.6
Key management personnel	(a) All directors or members of the governing body of the entity; and (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity. Where they meet this requirement key management personnel include: (i) Where there is a member of the governing body of a whole-of-government entity who has the authority and responsibility for planning, directing and controlling the activities of the reporting entity, that member; (ii) Any key advisors of that member; and (iii) Unless already included in (a), the senior management group of the reporting entity, including the chief executive or permanent head of the reporting entity.	IPSAS 20.4
LAN	Local Area Network	

Term	Definition	Reference
LANs and WANs	A LAN is Local Area Network – usually within a single building. By way of contrast a WAN is a Wide Area Network connecting physically remote sites.	
Learning (by organisations)	The acts through which an entity uses its past experience or the experiences of others to adjust goals and processes. In practice, learning in regard to outcome focused management will imply using the results of outcome evaluation in the decision-making – whether the decisions concern policies, processes or organizational design. The main question is if and how outcome evaluation has any affect on decisions. Are organizations able to learn and adapt in the face of institutional rigidities.	OECD1
Lease	An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.	IPSAS 13.8
Lease term	The non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, which option at the inception of the lease it is reasonably certain that the lessee will exercise.	IPSAS 13.8
Least-cost analysis	A type of analysis that compares projects or programmes having a common outcome or common outputs. Least cost analysis is used to compare alternatives for which major outputs and outcomes are identified, but not quantified. See also cost-effectiveness analysis.	Allen & Tommasi
Legacy systems	A term used to describe an existing CIS that will either migrate to a target architecture or be replaced at some future date by a conformant CIS.	Malcolm Gibb
Legal obligation	An obligation that derives from: (a) A contract (through its explicit or implicit terms); (b) Legislation; or (c) Other operation of law.	IPSAS 19.18
Legitimacy	Legitimacy means that decision-makers who can change policies during implementation must take part in and agree to the original policy decision, whether it is made during the process of formulating the budget or at some other time.	Allen & Tommasi
Lessee's incremental borrowing rate of interest	The rate of interest the lessee would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.	IPSAS 13.8
Letter of credit	A document issued by a Bank on behalf of a customer which guarantees payment by the bank of cheques drawn by the customer, or more commonly of bills drawn on that customer by parties from whom ha has bought goods. An added security in financing foreign trade.	DFID
Liabilities	Present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential. See extended definition of assets, liabilities and depreciation in Part II of this Glossary	IPSAS 1.7, 2.8, 5.5, 19.18
Line Item	A line item is an appropriation that is itemised on a separate line in a budget. In public budgeting it refers to the lowest or most detailed level where a political sanction of spending (i.e. an appropriation) is given in law. The lower the level, the more restrained the executive is regarding reallocating spending.	OECD
Line-Item Veto	Allows the Executive to reject particular items or provisions in a piece of legislation approved by the Legislature, rather than having to reject the legislation in its entirety. See also Package Veto	OECD

Term	Definition	Reference
Liquidity risk	The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	
Loan Guarantee	A loan contracted by a non-Government agency with a guarantee under which the Government will repay any amount outstanding in the event of default.	OECD
Loans and receivables	Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) Those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through surplus or deficit; (b) Those that the entity upon initial recognition designates as available for sale; or (c) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.	
Loans payable.	Financial liabilities, other than short-term trade payables on normal credit terms	
Local area network (LAN)	A computer network that interconnects computers in a limited area such as a home, school, computer laboratory, or office building. The defining characteristics of LANs, in contrast to wide area networks (WANs), include their usually higher data-transfer rates, smaller geographic area, and lack of a need for leased telecommunication lines.	
Local government (or local authorities)	Local government is a collection of public bodies with authority over a subdivision of a significant area of a country's territory. It is either the third tier in federal countries or the second and third tiers in unitary countries (regions, counties, municipalities, etc.) To exist as a separate entity, a local government body must have the authority to exercise powers independently from other levels of general government. See also central government, general government, state government and subnational government.	Allen & Tommasi
Locally Developed Software (LDSW)	Custom developed software within the country where it is intended to be utilised	WB FMIS
Long-Term Fiscal Sustainability	The ability of an entity to meet service delivery and financial commitments both now and in the future	IPSASB ED 46 Long Term Fiscal Sustainability
Macroeconomic Framework	Tool to check the consistency of assumptions or projections concerning economic growth, the fiscal surplus or deficit, the balance of payments, the exchange rate, inflation, credit growth and its share between the private sector, policies on external borrowing, and other macroeconomic estimates. A medium-term macroeconomic framework typically includes projections of the balance of payments, the real sector (or production sector), the fiscal accounts and the monetary sector. It is a tool to check the consistency of assumptions or projections concerning economic growth, the fiscal surplus or deficit, the balance of payments, the exchange rate, inflation, credit growth and its share between the private sector and the public sector, policies on external borrowing, etc.	OECD Allen & Tommasi
Management control	Control by management: the same as internal control, including financial control	DG Budget
Management Information System (MIS)	Centralised data base collecting and processing information to be timely and accurately given to managers at all levels for decision making, planning, programme implementation and control.	DG Budget

Term	Definition	Reference
Management intervention	Management's actions to overrule prescribed policies or procedures for legitimate purposes; management intervention is usually necessary to deal with non-recurring and non-standard transactions or events that otherwise might be handled inappropriately by the system (contrast this term with Management Override).	COSO 1992
Management override	Management's overruling of prescribed policies or procedures for illegitimate purposes with the intent of personal gain or an enhanced presentation of an entity's financial condition or compliance status (contrast this term with Management Intervention).	COSO 1992
Managerial Accountability	Represents the obligation to be accountable for a given task. Accountability covers issues like separation of duties (authorising officer, accountant, ex ante financial controller); development of Financial Management and Control manuals (powers, responsibilities, reporting and risk management), all financial transactions (commitments, contracts, disbursements, recovery of unduly paid amounts), links with the central harmonisation facilities, and evaluation and reporting on FC systems	DG Budget
Managing Director (MD)	A chief executive officer (CEO, American English), managing director (MD, British English), Executive Director (ED, American English) for non-profit organizations, or chief executive is the highest-ranking corporate officer (executive) or administrator in charge of total management of an organization. An individual appointed as a CEO of a corporation, company, organization, or agency typically reports to the board of directors. The Managing Director (MD) is a person responsible for the implementation of Programmes/projects relating to national or lower budget income or expenditure. The MD is responsible for setting up financial management and control systems inside his organisation and the development of financial management and control manuals. The MD and the Accountant should create a double signature system (DSS) to provide for the highest degree of transparency in financial management.	Wikipedia DG Budget
Mandatory Spending	Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations.	OECD
Market testing	A process by which government ministries/agencies assess whether the services for which they are responsible can be delivered by private sector companies rather than remaining in the public sector. The “market testing” approach was popularised in the United Kingdom during the 1980s and 1990s to evaluate whether government activities should be contracted out or privatised.	Allen & Tommasi
Market value	The amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market.	IPSAS 15.9
Material	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature and size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.	IPSAS 1.7, 3.7

Term	Definition	Reference
Materiality and Significance (Material) I	Materiality is a concept or convention within auditing and accounting relating to the importance/significance of an amount, transaction, or discrepancy. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in conformity with an identified financial reporting framework such as Generally Accepted Accounting Principles (GAAP). The assessment of what is material is a matter of professional judgment. "Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful." In general terms, a matter may be judged material if knowledge of it would be likely to influence the user of the financial statements or the performance audit report. Materiality is often considered in terms of value but the inherent nature or characteristics of an item or group of items may also render a matter material - for example, where the law or some other regulation requires it to be disclosed separately regardless of the amount involved. In addition to materiality by value and by nature, a matter may be material because of the context in which it occurs. Audit evidence plays an important part in the auditor's decision concerning the selection of issues and areas for audit and the nature, timing and extent of audit tests and procedures.	Wikipedia DG Budget
Materiality Test	Evaluation of fiscal risks that assesses only programmes with a certain minimum threshold level of spending.	OECD
Measurement Criteria	The criteria represent the standards against which the auditor is measuring a questionable condition or practice. The criteria applied may vary; however, the auditor should concentrate on the criteria that are important to the objective of the audit. Some examples of criteria are: Written requirements (laws, regulations, instructions, manuals, directives, etc.), Independent opinion of experts outside the organization, Prudent business practice, Verbal instruction, Managerial expertise, Unwritten overall objectives as explained by management officials, Common sense. Published criteria may be directly quoted, summarized, or paraphrased. If criteria are not already set forth in writing, the auditor may have to obtain information that will serve as evidence of criteria. If common-sense subjective judgment is to be used as a criterion, it should be both logical and convincing to the reader.	Cangemi & Tommie
Medium-term budget framework (MTBF)	A framework that includes projections of government expenditures and revenues over the medium- term (generally 3-5 years). Different degrees of detail for expenditure projections are conceivable, depending on the country context. Some countries have established a disciplined multi-year budgeting process. In these countries, the multi-year estimates focus on existing policies and become the basis of budget negotiations in the years following the budget. In other countries, they only provide background information to budgeting. Generally, the multi-year estimates are rolled forward by one year, so that another year is added at the end of the period.	Allen & Tommasi
Medium-term expenditure framework (MTEF)	The public expenditure component of a medium-term budget framework. See also medium-term budget framework.	Allen & Tommasi
Medium-term fiscal (or financial) framework (MTFF)	Aggregate projections of revenue, expenditure and financing over the medium-term. See also medium- term budget framework.	Allen & Tommasi

Term	Definition	Reference
MIGA	Multilateral Investment Guarantee Agency – see World Bank	
Minimum lease payments	The payments over the lease term that the lessee is, or can be, required to make, excluding contingent rent, costs for services and, where appropriate, taxes to be paid by and reimbursed to the lessor, together with: (a) For a lessee, any amounts guaranteed by the lessee or by a party related to the lessee; or (b) For a lessor, any residual value guaranteed to the lessor by either: 1. The lessee; 2. A party related to the lessee; or 3. An independent third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee. However, if the lessee has an option to purchase the asset at a price that is expected to be sufficiently lower than the fair value then the following applies. At the date the option becomes exercisable the minimum lease payments comprise the minimum payments payable over the lease term to the expected date of exercise of this purchase option plus the payment required to exercise that option.	IPSAS 13.8
Minority interest	That portion of the net surplus or deficit and of net assets/equity of a controlled entity attributable to net assets/equity interests that are not owned, directly or indirectly through controlled entities, by the controlling entity.	IPSAS 6.7
Minutes	A minute should be a short record of the item discussed and the decision reached. It is not necessary to record the majority by which a decision is made unless a member requires that the voting is recorded.	
Mismanagement	Could conceivably cover a range of actions from a simple mistake in performing an administrative task to a deliberate transgression of relevant laws and related policies.	PROC
Mission	Defines the fundamental purpose of an organization, succinctly describing why it exists and what it does to achieve its Vision. It is sometimes used to set out a "picture" of the organization in the future. A mission statement provides details of what is done and answers the question: "What do we do?" A broad statement of the high-level goals and objectives of an organisation or programme.	Allen & Tommasi
Mission Statement	See Charter (Internal audit Charter)	
Monetary financial assets and financial liabilities	Financial assets and financial liabilities to be received or paid in fixed or determinable amounts of money. Also referred to as monetary financial instruments.	IPSAS 15.9
Monetary items	Units of currency held and assets and liabilities to be received or paid in fixed or determinable number of units of currency.	IPSAS 4.10, 10.7
Monitoring by the Internal Audit	The internal auditor establishes and maintains a system to monitor the follow-up by management of the audit recommendations communicated to management. This system may include periodic internal and external quality assessments and ongoing internal monitoring by management. The internal auditor should also develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity and continuously monitors its effectiveness.	DG Budget

Term	Definition	Reference
Month 13	In cash based accounting a fictional month 13 is sometimes used as a device to record transactions that relate to the financial year but do not flow through as cash transactions within the accounting year. In accrual accounting an accounting method that does not seek to make annual corrections or adjustments during any particular month or quarter, because that would skew the financial reporting for that particular period. Instead, an artificial month is created, being the thirteenth month. Bad debts, other write-offs, and income from unusual activities are all booked in the thirteenth month and then flow through for year-end accounting purposes. (Do not confuse with thirteenth-period accounting, which uses 13 periods per year, each with 4 weeks, for a total of 52 weeks or 1 year.)	
Multi-year budget	An approved budget for more than one year. It does not include published forward estimates or projections for periods beyond the budget period. See extended definition of the multi year budget in Part II	IPSAS 24.7
Multi-Year Expenditure Estimates	A projection of Government expenditures beyond the upcoming budget year.	OECD
Multilateral Investment Guarantee Agency	See World Bank	
National Audit Office	Name by which the Supreme Audit Institution is known in the UK and some other countries	
Nationalised Industry	See public corporation of government business enterprise	
Net assets/ equity	The residual interest in the assets of the entity after deducting all its liabilities. Net assets/equity" is the term used to refer to the residual measure in the statement of financial position (assets less liabilities). Net assets/equity may be positive or negative. Other terms may be used in place of net assets/equity, provided that their meaning is clear.	IPSAS 1.7, 2.8, 5.5,
Net assets/equity	The residual interest in the assets of the entity after deducting all its liabilities.	
Net debt	Gross debt minus financial assets corresponding to debt instruments	IMF Public Sector Debt Statistics
Net debt/total revenues	Net debt as a proportion of total revenues	Canadian Public Sector Accounting Board Statement of Recommended Practice 4 (SORP 4), Indicators of Financial Condition: 2009
Net financial worth	Total financial assets less total financial liabilities	IMF GFSM 2001
Net investment in a foreign operation	The amount of the reporting entity's interest in the net assets/equity of that operation.	IPSAS 4.10

Term	Definition	Reference
Net investment in the lease	The gross investment in the lease discounted at the interest rate implicit in the lease.	IPSAS 13.8
Net lending/borrowing	Net borrowing/lending as defined in the GFS 2001 and ESA 95 as the net increase in financial assets less the net increase in liabilities incurred. It can be calculated also as the net operating balance plus the net acquisition of capital assets.	Allen & Tommasi
Net operating balance	One of the key balances of the government operation table prepared under the GFS 2001 methodology. It is defined as revenue less expenses, or the change in net worth resulting from transactions. It is analogous to, but to the same as net operating surplus under accrual accounting	Allen & Tommasi
Net present value (NPV)	Defined as the difference between the present value of cash inflows and the present value of cash outflows resulting form a specific asset or liability. Present value is calculated by discounting future cash flows at a specified rate of interest. Alternatively present value can be defined as the sum of money that would have to be invested now at a given rate of interest to provide the specified future cash flows. Discounting can also be applied to non-monetary values by assigning monetary values to such flows (see cost benefit analysis)	Allen & Tommasi
Net realizable value	The estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.	12.9
Net worth	Net worth is the difference between the value of all assets and all liabilities at a particular moment in time. It is the balancing item in a balance sheet.	Allen & Tommasi
Net worth	Total assets less total liabilities	IMF GFSM 2001
Nominal Expenditure	Actual monetary value of expenditure in terms of the purchasing power of the day (at current prices). Nominal terms do not take into account the effect of inflation on the real value of money. Annual Government budgets are in nominal terms. Occasionally multi-year budgets are presented in real, or inflation-adjusted, terms.	OECD
Non Government Organisations (NGOs)	Sometimes called the voluntary agencies. Private independent, non-profit organisations of a charitable, research or educational nature.	DFID
Non-cancellable lease	A lease that is cancellable only: • Upon the occurrence of some remote contingency; • With the permission of the lessor; • If the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or • Upon payment by the lessee of an additional amount such that, at inception, continuation of the lease is reasonably certain.	13.8
Non-cash-generating assets	Assets other than cash-generating assets.	IPSAS 21.14
Non-exchange transactions	Transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.	IPSAS 23.7, 9.11, 12.9, 16.7, 17.13

Term	Definition	Reference
Non-financial assets	Assets that include: • Those that come into existence in the form of outputs from a process of production. They include fixed assets and inventories. In the government sector, assets are classified as buildings and structures, machinery and equipment, cultivated assets and intangible fixed assets. • "Non-produced assets" that come into existence in ways other than through a production process. They may occur naturally (e.g. water resources) or they may be created by legal or accounting actions (e.g. ownership rights to the electromagnetic spectrum).	Allen & Tommasi
Non-financial public sector	The general government sector plus non-financial public enterprises. The non-financial public sector excludes public enterprises in the financial sector because consolidation with public financial institutions would eliminate statistics on the financing requirements of general government and of non-financial public enterprises met by the central bank and other government-owned and/or controlled banks.	IMF GFS 2001 Allen & Tommasi
Non-monetary items	Items that are not monetary items.	IPSAS 10.7
Notes to Financial Statements	Contain information in addition to that presented in the statement of financial position, statement of financial performance, statement of changes in net assets/equity and cash flow statement. Notes provide narrative descriptions or disaggregation of items disclosed in those statements and information about items that do not qualify for recognition in those statements.	IPSAS 1.7
Object classification	A group of expenditures that identifies the specific types of goods or services acquired or transfer payments made within a particular programme or activity. This concept is often called a "line item" classification.	Allen & Tommasi
Objective	An objective is a statement of the result a reporting entity is aiming to achieve.	IPSASB "Reporting Service Performance" Consultation Paper 2011
Objectivity	An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.	IIA
Obligating event	An event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.	IPSAS 19.18
Obligation	Generally refers to commitments and liabilities, actual and contingent. Sometimes used more narrowly, to mean only commitments.	Allen & Tommasi
Obligation-based budget	A budget that includes obligation-based appropriations. Such appropriations give rights to enter commitments with third parties and make cash payments according to these commitments, without a predetermined time limit. Such appropriations have their own life cycle and are not limited to one year. This system is no longer used for all expenditures, but may be used for special programmes (e.g. in the US).	Allen & Tommasi
Off-Budget Expenditure	The term generally refers to the Government transactions that are not included in the annual budget. The main forms of off-budget expenditures in OECD countries are off-budget funds, direct loans, guarantees and public-private partnerships (PPPs). See Kraan (2004) for further details.	OECD

Term	Definition	Reference
Onerous contract	A contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.	IPSAS 19.18
Open Source Software (OSS)	OSS is computer software that is available in source code form: the source code and certain other rights normally reserved for copyright holders are provided under a software license that permits users to study, change, improve and at times also to distribute the software. Open source software is very often developed in a public, collaborative manner. Open-source software is the most prominent example of open-source development and often compared to (technically defined) user-generated content or (legally defined) open content movements.	WB FMIS
Open systems	A comprehensive and consistent set of international IT standards and functional standards profiles that specify interfaces, services and supporting formats to accomplish interoperability and portability of applications, data and people.	Malcolm Gibb
Operating activities	The activities of the entity that are not investing or financing activities. Activities that relate to the provision of goods and services	IPSAS 2.8, 18.8 Allen & Tommasi
Operating Costs	The day-to-day expenses incurred in running an activity or a project.	OECD
Operating lease	A lease other than a finance lease.	IPSAS 13.8
Operating statement	A financial statement that shows, for the fiscal year or some other financial period, the full cost of resources consumed by a ministry/agency in achieving its objectives; the extent of any cost recoveries (e.g. through user charges); and any other operating revenues from independent sources and revenues from the government. It is in effect an income and expenses statement.	Allen & Tommasi
Opinion	The auditor's report is a formal opinion, or disclaimer thereof, issued by either an internal auditor or an independent external auditor as a result of an internal or external audit or evaluation performed on a legal entity or subdivision thereof (called an "auditee"). The report is subsequently provided to a "user" (such as an individual, a group of persons, a company, a government, or even the general public, among others) as an assurance service in order for the user to make decisions based on the results of the audit.	DG Budget
Opportunity costs	The benefit foregone by using investment resources in a project instead of in their next best alternative use. It may or may not be measured in monetary terms.	DFID
Organisation for Economic Co-operation and Development (OECD)	The OECD brings together 30 countries sharing the principles of the market economy, pluralist democracy and respect for human rights. The original 20 Members of the OECD are the Western countries of Europe and North America (Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States). Next came Japan, Finland, Australia and New Zealand. More recently, Mexico, the Czech Republic, Hungary, Poland and Korea joined. In September 2000, the OECD invited the Republic Slovak to become its 30th Member.	Allen & Tommasi
Original budget	The initial approved budget for the budget period.	IPSAS 24.7
Outcome risk	The risk that the intended outcomes will not be achieved, and the risk that unintended and undesired outcomes will result. Often outcomes are not only attributable to government action. Weather, war and economic slowdowns can influence outcomes and have unintended consequences. Outcome risks are the risks that such external influences will negatively or positively affect outcomes.	OECD1
Outcomes	Outcomes are the impacts of outputs in delivering the reporting entity's objectives.	IPSASB "Reporting

Term	Definition	Reference
		Service Performance" Consultation Paper 2011
Outcomes	The effects of a programme or project measured at the highest meaningful level in proportion to the programme or project (e.g. jobs created). In practice there are always at least some external non-controllable elements, which influence whether outcomes are achieved or not. Outcomes describe the impact of a Government programme on social or economic indicators. Examples of outcomes include the change in student test scores following an increase in hours taught, the change in the incidence of a disease following an immunisation programme, or the change in income inequality following the introduction of a new welfare payment. Outcomes are a broader performance metric than outputs, and are harder to measure. Outcomes: the effects on society of outputs from governmental entities Outcomes – whether intended or unintended – are not usually completely controllable by governments. The degree of control depends on the influence of extraneous factors on the goal in question, the effectiveness of implementation and the quality of the policies for reaching the goal. Intended Outcomes/Outcome Goals: What effect government intends its outputs to have on society. In this definition government intentions are conceived as the explicitly and publicly stated purposes of government activities. Government intentions can for example be formulated in laws, policies or official directives. As such, activities in entities delivering on public policies may be based on Outcome Goals, but often they will not. Outcome Evaluation: an evaluation of the outcome of a governmental activity compared to its intended outcome. Often, outcomes cannot be measured directly because of complexity, time lags and influences not under governmental control. Outcome evaluation, therefore, must typically take account of a variety of indicators. Often outcome evaluation will not be possible. Economic or social changes brought about by a policy measure, programme or activity. Outcomes are distinct from outputs, which measure the immediate effects of a programme or activity. For example, the outcome of a random breath-testing campaign conducted by the police may be a decline in drunk driving, while one of the outputs could be the number of drivers charged with exceeding the legal alcohol limit. Programmes usually have two types of outcomes: (i) End outcomes that reflect the desired end or ultimate results that the programme or activity aims to achieve; (ii) Intermediate outcomes that are expected to lead to the ends desired, but are not themselves ends. See also impact, outputs, performance indicators and performance measurement.	DG BUDGET OECD OECD1 Allen & Tommasi
Outflows	Cash and cash equivalents related to expenditure projected to be incurred by the reporting entity over the time horizon of the projections	IPSASB ED 46 Long Term Fiscal Sustainability
Outlay	Refers to government expenditures	Allen & Tommasi
Output based budgeting	An approach to developing a budget that is driven by the outputs required to be delivered by an organisation. The budget is established by understanding the relationship between the outputs and the resources required to deliver the outputs. A budget system that links appropriations to specific outputs. In the purest form of output budgeting, appropriations are measured on an accrual basis, instead of a cash basis as usually, and managers are engaged to deliver outputs through "contracts" negotiated with ministers. Until recently, such a budget system was implemented in only one OECD country (New Zealand), though some countries such as the United Kingdom are moving towards implementation of accrual-based budgeting systems that would present a number of similar features. See also accrual budgeting.	Australia NAO (1)) Allen & Tommasi

Term	Definition	Reference
Outputs	Outputs are the goods and services, including transfers to others, provided by a reporting entity in delivering its objectives.	IPSASB "Reporting Service Performance" Consultation Paper 2011
Outputs	The directly tangible deliverables of a programme or project insofar as they are, for practical purposes, completely under the control of the implementers of the project (e.g. training seminar executed). Outputs are defined as goods and services provided by Government agencies. Some examples include: teaching hours delivered, immunisations provided or welfare benefits paid. Outputs tend to be easier to measure than outcomes. Outputs: the goods or services (usually the latter) which government agencies provide for citizens. The concept of outputs is not confined to tangible goods and social services delivered directly to citizens. The concept also includes more intangible flows of influences on the surroundings from agencies, institutions and other entities delivering on public policies. Outputs are potentially largely controllable by government agencies and measurable either quantitatively or qualitatively. Thus outputs can be used for performance management more easily than outcomes. The products and services produced directly by a programme or activity. Outputs are important e.g. in setting targets for staff to achieve and measuring performance, but do not in themselves indicate the extent to which progress has occurred toward achieving a programme's ultimate purpose. Depending on their nature, outputs may or may not be easy to measure, e.g. the number of hospital cases is easier to measure than the quality of advice on a policy issue submitted by a health official to the minister concerned.	DG Budget OECD OECD1 Allen & Tommasi
Overdraft	A bank account with a negative balance. An agreed overdraft would qualify as short-term borrowing.	Scottish Government
Oversight	The supervision of the activities of an entity, with the authority and responsibility to control, or exercise significant influence over, the financial and operating decisions of the entity.	IPSAS 20.4
Owner-occupied property	Property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.	IPSAS 16.7
Package Veto	Allows the Executive to reject a piece of legislation in its entirety. See also Line-Item Veto	OECD
Paris Club	Government creditors who meet regularly in Paris under the chairmanship of the French Finance Ministry. They discuss and agree proposals for rescheduling bilateral official debt resulting in a multilateral agreement between the debtor and all the governments involved. This ensures equality if treatment between creditors.	DFID
Passer-outré	PO is the procedure whereby the opinion of the ex ante financial controller (refusal to approve) can be overridden by the body that is ultimately responsible for the management of government budget implementation (e.g. Council of Ministers). A reasoned and extensive request by the MD should be the basis for such a decision, while the MD remains responsible for his acts.	DG Budget
Payment order	Authorisation for payment against a bill or invoice made by officials of line ministries, other spending units or the ministry of finance.	Allen & Tommasi
PEFA	Public Expenditure and Financial Accountability	

Term	Definition	Reference
Pension funds (funded type)	Organisations established for the purpose of providing benefits on retirement to specific groups of employees. They have their own assets and liabilities and engage in financial transactions in the market on their own account. Such pension funds are included in the financial sector.	Allen & Tommasi
Performance	The proficiency of an agency or authority in acquiring resources economically and using those resources efficiently (input-output) and effectively (output-outcome) in achieving performance targets.	OECD1
Performance (based) Budgeting	Strictly defined, it is only a budget that explicitly links each increment in resources to an increment in outputs or other results. Broadly defined, a performance budget is any budget that presents information on what Government organisations have done or expect to do with the money provided to them. The latter is also sometimes referred to as performance-informed budgeting. An approach to developing a budget that is based on an assessment of what the organisation is trying to achieve. The activities required to achieve the outcome are then identified and costed (generally using activity-based budgeting). Performance budgeting consists of classifying government transactions into functions and programmes in relation to the government's policy goals and objectives; establishing performance indicators for each programme or activity; and measuring the costs of these activities and the outputs delivered. The terms "performance budgeting" and "programme budgeting" are often used interchangeably, but programme budgeting can also be defined as a form of performance budgeting giving greater emphasis to the classification of programmes according to the government's policy objectives and the needs of efficient resource allocation. A full system of performance budgeting is difficult to realise, in large part because of the high information requirements and complex management systems that are needed. See also planning programming budgeting system (PPBS).	OECD Australia NAO (1)) Allen & Tommasi
Performance audit	A performance audit is concerned with the audit of economy, efficiency and effectiveness and embraces: • Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies; • Audit of the efficient use of human, financial and other resources that include examining information systems, performance measures, monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and • Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of the activities compared with the intended impact. In practice there can be difficulty distinguishing Performance Audit from Evaluation. Sometimes Performance Audits are limited to consideration of outputs but this considerably limits the value of the audit. Also, evaluation may create data, particularly on outcomes, whilst Performance Audit would usually be limited to a review of data that is available (and if necessary identification of missing data). Performance Audit is usually concerned with testing performance against some given standards.	INTOSAI OECD DG Budget
Performance Goals	Higher-order objectives to which programme or Government activities are intended to contribute. Goals typically refer to overarching results which may take a number of years to achieve and often involve many people, activities, processes and intermediate achievements. A target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. Performance goals can be either outcome or output goals.	OECD OECD1

Term	Definition	Reference
Performance indicator	A particular value or characteristic used to measure output or outcome. Performance can be monitored and assessed through measures or indicators. Measures correspond to direct records of inputs, outputs and outcomes (e.g. the number of police patrols carried out in a given period is an output measure). Indicators are used as a proxy when direct measures are difficult or costly to obtain (e.g. the "street" price of illegal drugs is an indicator of the outcome of an anti¬drug programme). In practice, however, the terms "measures" and "indicators" are often used interchangeably. "Performance indicators" may be used to evaluate inputs, processes, outputs and outcomes. See also performance measurement.	OECD1 Allen & Tommasi
Performance indicators	Performance indicators are quantitative or qualitative measures that describe the extent to which a service is achieving its objectives and using resources.	IPSASB "Reporting Service Performance" Consultation Paper 2011
Performance Information	Evidence about performance that is collected and used systematically. Performance information may be quantitative (numerical) or qualitative (descriptive). Applying standards enhances the usefulness of performance information and other types of comparison (for example, with past performance, other lines of business, or level of need before the intervention). This allows judgements to be made about the extent to which interventions are achieving desired outcomes. Performance information collected for monitoring purposes often generates questions that are investigated in more depth in an evaluation.	OECD1
Performance Management	A system, integrated with corporate management, of performance information, evaluation, performance monitoring, assessment and performance reporting.	OECD1
Performance Measures/ Measurement	Performance measures are the inputs, processes, outputs and outcomes used to assess the economy, efficiency and effectiveness of the activities of an organisation. They are quantitative or qualitative factors or variables that provide a means to measure achievement, to reflect the changes connected to an intervention, or to help assess performance. Performance measurement is the activity related to measurement of inputs, outputs and outcomes. Assessment of the efficiency and effectiveness of a programme or the activities of an organisation by measuring the relevant inputs, processes, outputs and outcomes. "Performance measures" or "performance indicators" may be used for this purpose.	OECD OECD1 Allen & Tommasi
Performance Targets	Performance targets refer to specific outputs or outcomes that are to be achieved by a Government organisation. They can usually be accomplished in a shorter time period than goals or objectives, and are often an intermediate step in achieving the latter. OECD	
Physical controls	Physical controls involve controls of a manual nature and could be: Transaction authorization (manual procedures), Segregation of duties (IS processes, accounting processes, etc.) (Authorization versus processing, custody versus recordkeeping, and such that fraud requires collusion), Supervision (compensating control when unable to use segregation of duties), Accounting records, Access controls (direct, indirect), Independent verification (performance, system integrity, data integrity), etc.	

Term	Definition	Reference
Planning	Planning in general refers to any future planning activity. Planning in Government may be a separate function to budgeting and carried out by a separate institution, but budgets are in effect financial plans and should be linked to any planning process. In the context of audit planning means defining the objectives, setting policies and determining the nature, scope, extent and timing of the procedures and tests needed to achieve the objectives.	DG Budget
Planning programming budgeting system (PPBS)	A systemic programme budgeting approach that was developed in the US in 1965, and later in many other countries. The PPBS processes consist essentially of three phases: 1) In the planning phase, systems analysis is used to establish the objectives of the programme and identify related solutions. 2) At the programming stage, means are reviewed and compared to the solutions identified at the planning stage. Sets of activities are grouped into multi-year programmes, which are appraised and compared. Cost- benefit and cost-effectiveness analyses are used to compare the various programmes and activities as competing means of achieving a given objective. 3) In the budgeting phase, these programmes are translated into the annual budget. After years of efforts and discouraging results, PPBS was largely abandoned by the countries that have experimented with it, though elements of the system can still be found (e.g. in performance budgeting systems).	Allen & Tommasi
Planning reserve	A small portion of total planned budget expenditure that is (notionally) set aside by the ministry of finance before the budget is formulated, and then allocated to programmes by the government according to perceived policy priorities on individual sectors, programmes, etc.	Allen & Tommasi
Policy	A set of activities, which may differ in type and may have different beneficiaries, which are directed towards common general objectives or goals. In contrast to a programme, a policy may not have a delimited budget.	Allen & Tommasi
Policy balance	In GFS 2001, the "policy balance" is defined as net lending/borrowing less the net acquisition of financial assets for policy purposes, or as revenue less expenses less net acquisition of capital assets less net acquisition of financial assets on a non-market basis. The negative value of the policy balance is referred to as financing for liquidity management purpose. This balance is the accrual equivalent of the overall deficit/surplus as defined in the 1986 version of GFS. See also deficit/surplus (on a cash basis).	GFS 2001 Allen & Tommasi
Postulates	Basic assumptions, consistent premises, logical principles and requirements which represent the general framework for developing auditing standards.	DG Budget
Predictability	Predictability in budget management means that managers should know in advance the amount of resources allocated to their programmes. Lack of predictability creates difficulties for public officials in planning for the provision of services. However, predictability requires a significant level of macroeconomic stability. Predictability of government expenditure in the aggregate, and of the government's overall fiscal position, gives assurance to the private sector that it has a secure economic and financial basis on which to make its own production, marketing and investment decisions.	Allen & Tommasi
Presentation currency	The currency in which the financial statements are presented.	IPSAS 4.10
PRINCE	See PRojects IN a Controlled Environment	

Term	Definition	Reference
Prior period errors	Omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that: • Was available when financial statements for those periods were authorized for issue; and • Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.	
Private Finance Initiative (PFI)	A form of public-private partnership (PPP) where the contract entails the full provision of a public service by the private sector. Under the most common form of PFI, the private sector finances, designs, builds, and operates facilities to deliver specific service outputs. The PFI contractor receives a stream of committed revenue payments for the use of the facilities and the provision of services over the contract period. Once the contract has expired, ownership of the assets either remains with the contractor or is turned over to the public sector, depending on the terms of the original agreement. See Public-Private Partnership	OECD
Process	Process is a series of activities or steps that lead to a desired result or transformation of inputs into outputs.	Russel, IA Pocket Guide, p.102
Procurement (or acquisition) methodology	The methodology used to procure a FMIS. The World Bank has a specific Information and Communication Technology (ICT) procurement methodology that must be used for World Bank funded procurement and is often used as a model for government procurement. There are two options under the World Bank procurement methodology: • Single Stage – procurement is made on the basis of the specification without any scope for amendments and second stage bidding – suitable for small or very urgent procurement • Two-stage – after stage 1 bids requirements can be amended and shortlisted bidders re-bid against amended requirements – the preferred approach for major procurements	
Programme	A programme is a grouping of Government activities in relation to a specific set of objectives. Programme budgeting attempts to apply cost-benefit analysis to the allocation decision, allocate expenditures by programme, and assess results of programmes in relation to objectives. Programme classification applies this principle across all Government activities. A group of activities intended to contribute to an identifiable set of government objectives (e.g. crop development). A programme should have an identifiable target population; a defined budget, staffing and other necessary resources; and clearly defined objectives and outputs.	OECD Allen & Tommasi
Programme classification	The classification of the country's budget and expenditures according to the overall programme structure for government activities. The programme's classification is the primary classification for budget formulation and execution in countries using programme budgeting. However, it is normally used in conjunction with other classifications (organisation, economic), and some systems generally provide for analysis and reporting according to internal functional categories. See also chart of accounts and budget classification	Allen & Tommasi

Term	Definition	Reference
Project	A project is a temporary endeavour, having a defined beginning and end (usually constrained by date, but can be by funding or deliverables), undertaken to meet unique goals and objectives, usually to bring about beneficial change or added value. The PRINCE2 methodology says that a project should have: • An organised and controlled start, i.e. organise and plan things properly before leaping in; • An organised and controlled middle, i.e. when the project has started, make sure it continues to be organised and controlled; • An organised and controlled end, i.e. when you've got what you want and the project has finished, tidy up the loose ends.	Allen & Tommasi PRINCE2
Project Appraisal Document (PAD)	Under the World Bank project life cycle methodology the Appraisal gives stakeholders an opportunity to review the project design in detail and resolve any outstanding questions. The government and the World Bank review the work done during the identification and preparation phases and confirm the expected project outcomes, intended beneficiaries and evaluation tools for monitoring progress. Agreement is reached on the viability of all aspects of the project at this time. The Bank team confirms that all aspects of the project are consistent with all World Bank operations requirements and that the government has institutional arrangements in place to implement the project efficiently.	WB FMIS
Project Cycle	A tool for understanding the various stages that any project will probably go through. The same logic applies to simple project ideas within your own organisation and complex projects supported by a number of external funders. The basic model includes the following stages: (a) **Project Identification** - ideas for potential projects are identified and explored. (b) **Project Preparation** - the project idea is carefully developed. (c) **Project Appraisal** - the project is rigorously assessed. (d) **Project Implementation** - the project is progressed in the agreed manner.	DFID
Projects in a Controlled Environment (PRINCE 2)	PRINCE2 is a process-based approach for project management, providing an easily tailored and scalable project management methodology for the management of all types of projects. PRINCE2 refers to the second version of PRINCE. The method is the de-facto standard for project management in the UK and is practiced worldwide. The method PRINCE2 is in the public domain, offering non-proprietorial best practice guidance on project management. PRINCE2 is a registered trademark of OGC. The key features of PRINCE2 are: • Its focus on business justification • A defined organisation structure for the project management team • Its product-based planning approach • Its emphasis on dividing the project into manageable and controllable stages • Its flexibility to be applied at a level appropriate to the project.	www.prince2.com
Property, plant and equipment	Tangible items that: • Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and • are expected to be used during more than one reporting period.	IPSAS 17.13
Proportionate consolidation	A method of accounting whereby a venturer's share of each of the assets, liabilities, revenue and expenses of a jointly controlled entity is combined on a line-by-line basis with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.	IPSAS 8.6

Term	Definition	Reference
Prospective application	Prospective application of a change in accounting policy and of recognizing the effect of a change in an accounting estimate, respectively, are: • Applying the new accounting policy to transactions, other events and conditions occurring after the date at which the policy is changed; and • Recognizing the effect of the change in the accounting estimate in the current and future periods affected by the change	IPSAS 3.7
Prototype system	A model or preliminary implementation suitable for evaluation of system design, performance, and production potential; or for better understanding or determination of the requirements.	Malcolm Gibb
Provision	A liability of uncertain timing or amount.	IPSAS 19.18
Public Accountability	The obligations of persons or entities, including public enterprises and corporations, entrusted with public resources to be answerable for the fiscal, managerial and programme responsibilities that have been conferred on the manager, and to report to those that have conferred these responsibilities.	DG Budget
Public corporation (see also Government Business Enterprise, public enterprise, nationalised industry)	The terminology used in the UN SNA, GFS and ESA 95. A body will be classified as a public corporation where: • It is classified as a market body - a body that derives more than 50% of its production cost from the sale of goods or services at economically significant prices. Some charge for regulatory activities, where these provide a significant benefit to the person paying the fee, for example through quality testing; • It is controlled by central government, local government or other public corporations; and • It has substantial day-to-day operating independence so that it should be seen as an institutional unit separate from its parent departments. The IMF GFS divides public corporations as follows: • The nonfinancial corporations sector, which consists of entities created for the purpose of producing goods and nonfinancial services for the market; • The financial corporations sector, which consists of entities engaged in providing financial services for the market; Note that under the UN SNA/GFS classification an entity may be a public corporation even where it is not administratively not a separate legal entity, e.g. a postal service operated as Government Department. Such entities are usually referred to as Public Quasi Corporations.	UK Treasury IMF GFS 2001
Public Encryption Key (PEK)	Public key encryption uses 2 keys; a public key and a private key. Within a user group, each user has both a public and a private key; the private key is kept secret whilst the public key is known to the entire user group. Both keys are mathematically related. If a user encrypts a message with his private key, the recipient of the message can decrypt it with that user's public key. Similarly, any user can encrypt a message using the intended recipient's public key; the holder of the correct private key can only decrypt that message.	Malcolm Gibb
Public enterprise	See pubic corporation or Government Business Enterprise	

Term	Definition	Reference
Public Expenditure Financial Accountability (PEFA)	The goals of the Public Expenditure and Financial Accountability (PEFA) Program are to strengthen the ability of partner countries and donor agencies to: (i) Assess the condition of country public expenditure, procurement and financial accountability systems, and (ii) Develop a practical sequence of reform and capacity-building actions. The PEFA Program was founded in December 2001 as a multi-donor partnership between the World Bank, the European Commission, and the UK's Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, and the Royal Norwegian Ministry of Foreign Affairs, and the International Monetary Fund. A Steering Committee comprising these agencies manages the Program, while the Secretariat implements the PEFA activities. The PEFA Secretariat is located in the World Bank headquarter offices in Washington, DC. The PEFA Assessment tool has now become established as the primary method of assessing the state of public financial management within a country or sub-national government.	www.pefa.org
Public expenditure management	The term can be broken down into its parts. Public expenditure is generally understood to mean expenditure by: general government, central government through the national budget and other budgetary instruments, and local government. Public expenditure in this book does not include the activities of public enterprises, which are essentially commercial enterprises, and financial institutions owned by the state. The management of public expenditure covers: the preparation, management, and execution of the budget. Budget execution includes ex ante control, ex post control, internal and external audit, and evaluation, with various types of reporting at each stage.	Allen & Tommasi
Public Financial Management (PFM)	Public Financial Management (PFM) is the system by which financial resources are planned, directed, and controlled to enable and influence the efficient and effective delivery of public service goals	CIPFA
Public Financial Management Information Systems	See Financial Management Information Systems	
Public Internal Financial Control (PIFC)	PIFC is the overall financial control system performed internally by a Government or by its delegated organisations, aiming to ensure that the financial management and control of its national budget spending centres (including foreign funds) complies with the relevant legislation, budget descriptions, and the principles of sound financial management, transparency, efficiency, effectiveness and economy. PIFC comprises all measures to control all government income, expenditure, assets and liabilities. It represents a wide definition of internal control. It includes but is not limited to ex ante financial control (EAFC) and ex-post internal audit (EPIA) See extended definition in Part II of this Glossary	DG BUDGET
Public investment programme (PIP)	A rolling investment programme, generally covering a period of 3-5 years, prepared in a number of transition and developing countries, and often using loan or grant finance from multi-national organisations such as the World Bank and EBRD and bilateral donor assistance. PIPs should be regarded as a component of the beneficiary country's medium-term budget framework, or at least should be consistent with the country's medium-term fiscal projections. PIPs financed by the International Financial Institutions often include a significant element of current expenditures. See also medium- term budget framework.	Allen & Tommasi

Term	Definition	Reference
Public money	Classic thinking on what constitutes public money concentrates on how revenue is raised and on Parliamentary authorisation of expenditure. On the first of these bases, public money will consist of tax revenues and government borrowings, as well as income generated by public bodies from fees and charges. On the second, public money would consist largely of money voted in estimates, but would also cover cases where money was raised under statutory powers (for example, through levies on particular industries). These definitions are useful, but not exhaustive. For example, the public expenditure control totals that the [Ministry of Finance] use to control public spending are not coterminous with the amounts voted by Parliament; non- voted expenditure included in the control totals includes lottery money. Therefore the following principles are adopted for defining budget money: • All money received by a public body, from whatever source, is public money; • All money received from a public body by a non-public body is public money; and • Additionally, public accountability may exist for private money where that money is either raised under statutory authority, or where the body in question is a local public spending body. A definition of public money for accountability purposes is, therefore, as follows: "All money that comes into the possession of, or is distributed by, a public body, and money raised by a private body where it is doing so under statutory authority".	“Holding to Account” (the Sharman Report) UK Government 2001
Public procurement	The purchase of goods and services by governments and state-owned enterprises. It encompasses a sequence of related activities starting with the assessment of needs through award to the contract management and final payment.	PROC
Public quasi-corporation	Unincorporated enterprises owned by the government that are engaged in market production and which operate in a similar way to publicly owned corporations. (See Public Corporations)	Allen & Tommasi
Public sector	General government, plus all public corporations and quasi-corporations.	Allen & Tommasi
Public-Private Partnership (PPP)	A contract (institutional relationship) between public and private actors for the co-operative provision of a public good or service. The essential element is some degree of private participation in the delivery of traditionally public-domain goods or services. Private actors may include both for-profit and not-for-profit organisations.	OECD
Qualifying asset	An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.	5.5
Quality of audit	The good performance and positive characteristics of an audit. It has been suggested that audit quality “depends on both technical competence and independence”	
Quasi-Fiscal Activities	Activities (under the direction of Government) of central banks, public financial institutions and nonfinancial public enterprises that are fiscal in character. This means that, in principle, they can be duplicated by specific fiscal measures, such as taxes, subsidies or other direct expenditures, even though precise quantification can in some cases be very difficult. Examples include subsidised bank credit and non-commercial public services provided by an enterprise.	OECD
Rapid Application Development	Computer-based tools for the development of application specifications by prototyping in an iterative and interactive process involving both user and develop	Malcolm Gibb
Re-engineering (software)	The process of taking an existing piece of software and replicating its design and functionality exactly, but engineered to best practice standards.	Malcolm Gibb

Term	Definition	Reference
Reallocation	The process of transferring expenditure provision from one line item to another during the budget year. To prevent misuse of funds, spending agencies must normally go through approved administrative procedures to obtain permission to make such a transfer. Also referred to as Virement.	OECD
Reasonable Assurance	Internal control, no matter how well designed and operated, can provide only reasonable assurance to management regarding the achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These limitations may include faulty decision-making with respect to the establishment or design of controls, the need to consider costs as well as benefits, management override, the defeat of controls through collusion and simple errors or mistakes. Additionally, controls can be circumvented by collusion of two or more people. Finally, management may be able to override elements of the internal control system. Reasonable assurance is provided when cost-effective actions are taken to restrict deviations to a tolerable level. This implies, for example, that material errors and improper or illegal acts will be prevented or detected and corrected within a timely period by employees in the normal course of performing their assigned duties. Management during the design of systems considers the cost-benefit relationship. The potential loss associated with any risk is weighed against the cost to control it. Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks.	DG Budget (INTOSAI)
Reconciliation	Usually, the process of checking payment orders issued by a government agency against actual payments according to bank statements. Reconciliation can also apply to other stages of the expenditure process, such as commitments made and payment orders issued.	Allen & Tommasi
Recoverable (service) amount	The higher of a non-cash-generating asset's fair value less costs to sell and its value in use.	IPSAS 17.13, IPSAS 21.14
Regularity Audit	A regularity audit embraces: • Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements; • Attestation of financial accountability of the government administration; • Audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations; • Audit of internal control and internal audit functions; • Audit of the probity and propriety of administrative decisions taken within the audited entity; and • Report of any other matters arising from or relating to the audit that the SAI considers should be disclosed.	INTOSAI Code of Ethics and Auditing Standards

Term	Definition	Reference
Related party	Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control. Related parties include: (a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity; (b) Associates (see International Public Sector Accounting Standard IPSAS 7 Accounting for Investments in Associates); (c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual; (d) Key management personnel, and close members of the family of key management personnel; and (e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.	IPSAS 20.4
Related party transaction	A transfer of resources or obligations between related parties, regardless of whether a price is charged. Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.	IPSAS 20.4
Relational database	A database in which the data are organised and accessed according to relations.	Malcolm Gibb
Reliability	As relating to the quality of financial information: when such information can be depended upon to represent faithfully, and without bias or undue error, the transaction or events that it either purports to represent or could reasonably be expected to represent.	Allen & Tommasi
Remuneration of key management personnel	Any consideration or benefit derived directly or indirectly by key management personnel from the reporting entity for services provided in their capacity as members of the governing body or otherwise as employees of the reporting entity.	IPSAS 20.4
Report generator	An application specifically designed to make report design and usage quick and simple.	Malcolm Gibb
Reporting date	The date of the last day of the reporting period to which the financial statements relate.	IPSAS 2.8, 14.5
Reporting entity	The government organisation or entity required by law or regulation to make financial reports during implementation of the budget and/or at the end of the budget year ("closing of account" reports). Such reports may be delivered to the ministry of finance, parliament or the supreme audit institution. See the extended definition of the Economic Entity in Part II of this glossary	Allen & Tommasi
Reporting model	The configuration and presentation of financial statements — in particular, what tables and statements are to be included, how they are interrelated, and how key measures are to be displayed in the various statements.	Allen & Tommasi
Reporting Standards	Accounting Standards are in fact Reporting Standards. Hence the International Accounting Standards have been renamed International Financial Reporting Standards. In the context of audit reporting standards are the framework for the auditor to report the results of the audit, including guidance on the form and content of the auditor's report.	DG Budget
Request For Proposals (RFP)	In procurement the action of formally inviting potential bidders to submit a proposal	

Term	Definition	Reference
Rescission	The cancellation of funding previously made available by the Legislature, which may require legislative notification or approval.	OECD
Reserve Fund	Also called Contingency Reserve. A separate fund or a budget provision set aside to meet unforeseen and unavoidable requirements that may arise during the budget year, like natural disasters or armed conflict. As with all funds the existence of such a Fund does not necessarily guarantee the availability of liquid resources when required.	OECD
Residual Risk	The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.	IIA
Residual value	The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.	IPSAS 17.13
Restrictions on transferred assets	Stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.	IPSAS 23.7
Restructuring	A program that is planned and controlled by management, and materially changes either: (a) The scope of an entity's activities; or (b) The manner in which those activities are carried out.	IPSAS 19.18
Results	The same as outcomes or impacts	DG Budget
Retrospective application	Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.	IPSAS 3.7
Retrospective restatement	Correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.	IPSAS 3.7
Revaluation	The act of placing a market value on a capital asset at a particular date.	Allen & Tommasi
Revenue	The gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.	IPSAS 1.7, 2.8, 5.5, 9.11, 18.8
Revenue estimate	An estimate of the revenues available to the budget for the next year or next several years. Preparing an estimate of revenues is essential at the beginning of budget formulation. This estimate usually needs to be updated several times during the budget cycle.	Allen & Tommasi
Reverse action	In an auction there is a single seller and many potential buyers bidding for the item being sold. A reverse auction, used for e-purchasing and generally using the internet (an e-auction), involves on the contrary one buyer and many sellers. The general idea is that the buyer specifies what they want to purchase and offers it to many suppliers.	PROC
Revolving Fund	An account or fund in which the income derived from its operations is available to finance the fund's continuing operations without fiscal year limitations.	OECD
RFP	See Request For Proposals	

Term	Definition	Reference
Risk	The definition of risk as a general concept has been much debated, but the following accords with both common sense and general usage “The probability and magnitude of a loss, disaster or other undesirable event” An event which can result in an undesirable or negative outcome. It is characterised by the probability or likelihood of the event occurring and the resulting impact or consequence if it does occur. These two factors combine to result in a level of risk exposure. The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood. See extended definition of risk in Part II	“The Failure of Risk Management” Douglas W Hubbard 2009 DG Budget IIA
Risk Appetite	The level of risk that an organization is willing to accept.	IIA
Risk Assessment	Auditor’s tool to help identify audit projects offering the highest added value to the organisation. Risk assessment is the identification of all local financial management and control (FMC) systems and of their associated risks according to a number of risk factors. The risk assessment approach has to be used at, at least two levels: (a) For the establishment of the annual audit programme, selecting projects of highest expected return, and (b) In the planning phases of the individual audit. Risk factors are: assessment of volume, sensitivity and materiality of data, the control environment, confidence in management, complexity of activities and Information Systems, geographical diversity, and prior audit knowledge.	IIA) DG Budget
Risk Based Approach	The definition taken in this publication of a risk-based approach is rather restrictive. It is defined as an approach identifying potential weaknesses that individually or in aggregate could have an impact on the integrity of procurement-related activities, and then aligning to these risks controls that effectively mitigate the risk to integrity.	PROC
Risk Management (RM)	The overall process of identifying, assessing and monitoring risks and implementing the necessary controls in order to keep the risk exposure to an acceptable level. Best practice suggests that it should be an embedded part of the management process rather than something, which is added at a later stage. RM acts as awareness raising exercise and as a forum for sharing views at all levels in organisations; it informs and trains management and staff and increases the likelihood for success in the achievement of the objectives. Management creates the conditions and establishes tools necessary to evaluate, prioritise and decide before carrying out an activity to allow it to obtain a reasonable assurance of achieving the objectives with reasonable value for money. The internal control system ensures that management protects itself from unacceptable risks. Processes need to be developed to identify these risks and conceive and implement a system to control the most significant risks. A success factor for implementing the risk management system throughout the organisation is the management’s general interest in the exercise. RM should be put on the agenda for the development of its own system for assessing the risks to which the organisation is subject. DG Budget. A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.	IIA
Rollout	The phased implementation of a system across a series of sites	
Scalability)of software)	The ability to have an application operate identically on all platform sizes	Malcolm Gibb

Term	Definition	Reference
Sectoral Committees	Committees of the Legislature that have jurisdiction over a particular policy area, e.g. health, education or defence. In contrast, some committees have a Government-wide remit, e.g. finance or budget committees.	OECD
Segment	Distinguishable activity or group of activities of an entity for which it is appropriate to separately report financial information for the purpose of evaluating the entity's past performance in achieving its objectives and for making decisions about the future allocation of resources.	IPSAS 18.9
Segment accounting policies	Accounting policies adopted for preparing and presenting the financial statements of the consolidated group or entity as well as those accounting policies that relate specifically to segment reporting.	IPSAS 18.27
Segment assets	Operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets include: • Receivables, loans, investments or other revenue-producing assets that relate to a segment's segmental revenue which includes interest or dividend revenue; • Investments accounted for under the equity method only if the net surplus (deficit) from such investments is included in segment revenue; and • Joint venturer's share of the operating assets of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with IPSAS 8 "Interests in Joint Ventures." Segment assets do not include income tax or income tax equivalent assets that are recognised in accordance with accounting standards dealing with tax effect accounting.	IPSAS 18.27
Segment expense	Expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to the provision of goods and services to external parties and expenses relating to transactions with other segments of the same entity. Segment expense does not include: • Extraordinary items; • Interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature; • Losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature; • An entity's share of net deficit or losses of associates, joint ventures, or other investments accounted for under the equity method; • Income tax or income-tax equivalent expense that is recognised in accordance with accounting standards dealing with tax effect accounting; or • General administrative expenses, head office expenses, and other expenses that arise at the entity level and relate to the entity as a whole. However, costs are sometimes incurred at the entity level on behalf of a segment. Such costs are segment expenses if they relate to the segment's operating activities and they can be directly attributed or allocated to the segment on a reasonable basis. Segment expenses includes joint venturer's share of the expenses of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with IPSAS 8 "Interests in Joint Ventures."	IPSAS 18.27

Term	Definition	Reference
Segment liabilities	Operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities include: • A joint venturer's share of the liabilities of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with IPSAS 8 "Interests in Joint Ventures;" and • Related interest-bearing liabilities if a segment's segment expense includes interest expense. Segment liabilities do not include income tax or income tax equivalent liabilities that are recognised in accordance with accounting standards dealing with tax effect accounting.	IPSAS 18.27
Segment revenue	Revenue reported in the entity's statement of financial performance that is directly attributable to a segment and the relevant portion of entity revenue that can be allocated on a reasonable basis to a segment, whether from budget appropriations or similar, grants, transfers, fines, fees or sales to external customers or from transactions with other segments of the same entity. Segment revenue does not include: • Extraordinary items; • Interest or dividend revenue, including interest earned on advances or loans to other segments, unless the segment's operations are primarily of a financial nature; or • Gains on sales of investments or gains on extinguishment of debt unless the segment's operations are primarily of a financial nature. Segment revenue includes: • An entity's share of net surplus (deficit) of associates, joint ventures, or other investments accounted for under the equity method only if those items are included in consolidated or total entity revenue; • A joint venturer's share of the revenue of a jointly controlled entity that is accounted for by proportionate consolidation in accordance with IPSAS 8 "Interests in Joint Ventures."	IPSAS 18.27
Segregation (or separation) of duties	To reduce the risk of error, waste, or wrongful acts and the risk of not detecting such problems, no singular individual or team should control all key stages (authorizing, processing, recording, reviewing) of a transaction or event.	
Sensitivity Analysis	Analysis of how sensitive outcomes are to changes in the assumptions. In the public budgeting context, fiscal sensitivity analysis estimates the fiscal effects of alternative macroeconomic assumptions.	OECD
Separate financial statements	Financial statements presented by a controlling entity, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct net assets/equity interest rather than on the basis of the reported results and net assets of the investees.	
Service capacity	The extent to which (a) the entity can maintain services at the volume and quality provided to current recipients at the reporting date and (b) meet obligations related to entitlement programs for current and future beneficiaries	IPSASB ED 46 Long Term Fiscal Sustainability
Service quality	In its broader sense, "quality of service" refers to effectiveness. However, it is generally used in a narrower sense, in terms of satisfying the more immediate needs of users, such as the timeliness, accessibility, accuracy and continuity of services. As such, it relates to the quality of service delivery rather than of service outcomes. Development of a responsive client/consumer-oriented culture in public service delivery is on the reform agenda of most EU Member States (e.g. the "Citizen's Charter" in the United Kingdom).	Allen & Tommasi

Term	Definition	Reference
Significance	The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.	IIA
Significant Control Weakness	Significant is the level of importance or magnitude assigned to an item, event, information, or problem by the internal auditor. Significant audit findings are those conditions that, in the judgement of the director of internal auditing, could adversely affect the organisation. Significant audit findings (as well as weaknesses cited from other sources) may include conditions dealing with irregularities, illegal acts, fraud, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and control weaknesses	DG Budget
Significant influence	The power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.	IPSAS 7.7, 8.6
Social security funds	Funds that provide social benefits to the community through a social insurance scheme which generally involves compulsory contributions by participants. In most countries, such funds are separately organised from the other government activities, have their own budget, and hold their assets and liabilities separately. Social security systems which do not hold their assets and liabilities separately are not called social security funds. In the GFS, the preferred treatment of social security funds is to classify them as a part of the level of government at which they operate. An alternative treatment is to group all social security funds into a separate subsector. Funded government/employee pension plans are not social security funds. They are financial corporations and are excluded from the general government sector.	Allen & Tommasi
Soft Skills	Usually refers to skills other than technical skills, e.g. skill in people management, inter-personal relationships, etc.	
Special Accounts	Accounts recording transactions of an "exceptional" character that are made outside the normal procedures for expenditure approval and recording; many refer to temporary accounts (such as advances), or to transactions whose authority is questionable, or to the accounts of formal extra-budgetary funds or "below-the-line" accounts.	OECD
Special Audit Engagements	An audit engagement for a specified purpose other than the annual audit, e.g. to investigate a suspected loss or unusual event	
Specific Procurement Notice (SPN)	Specific Procurement Notice – a notice that must be published under WB procurement procedures. It states in detail the proposed procurement and methodology to acquire the bidding documents.	
Spending unit	Any government entity that is responsible for its own budgetary operations. In many countries, these units are denominated in terms of several hierarchical levels (first level spending unit, second level spending unit, etc.) with the first level corresponding to a ministry or other organisation headed by a person of ministerial rank. In addition to ministries, such units may include subordinated and autonomous agencies, extra-budgetary funds, or administrative units within entities that (exceptionally) deal directly with the ministry of finance on budget matters.	Allen & Tommasi
Spot exchange rate	The exchange rate for immediate delivery.	4.10

Term	Definition	Reference
Stakeholders	A public body's stakeholders are those persons, groups or organisations that can affect or be affected by the public body's actions. Stakeholders include: • Tax payers and the general public; • Service users; • Staff; • Contractors and suppliers; • Patients; • Financial institutions; • Other public bodies • External stakeholders, e.g. investors, holders of public bonds, international organisations	(7
Standard	A standard for the conduct of some activity or provision of a service. There are accounting and audit standards for the public and private sectors. See audit standards; International Financial Reporting Standards; International Public Sector Accounting Standards	
Standing appropriations	Moneys appropriated by a specific act of parliament for a specific purpose (e.g. payments of social welfare benefits). Standing Appropriations may or may not be for a specific amount of money or a particular period of time. However, they do not require annual spending authorisation by the parliament since they do not lapse at the end of each fiscal year. Also referred to as "permanent appropriations".	Allen & Tommasi
State government	The term is applicable in a Federal structure where a sovereign state (or country) is divided into sub-national entities referred to as States. A State government has independent authority for certain functions in a significant part of a country's territory. This intermediate level of government exists in all countries with a federal constitution (e.g. provinces, Lander). Regional government authorities have similar characteristics in terms of territorial jurisdiction but are generally found in countries that do not have federal constitutions. See also central government, general government, local government and subnational government.	Allen & Tommasi
Statement of assets and liabilities	A financial statement that gives information on the assets and liabilities of an entity at the end of each reporting period. See also balance sheet.	Allen & Tommasi
Statement of assurance	A statement of assurance is issued by an organisation to provide assurance in relation a specific issue or group of issues, e.g. management cares about running an efficient, law-abiding operation, The Treaty on the Functioning of the European Union (art. 287.1 TFEU) requires the European Court of Auditors to examine the accounts of all revenue and expenditure of the Union and to publish its opinion annually. To this end the Court issues a Statement of Assurance, which is generally known by its French acronym DAS (Déclaration d'Assurance or DAS). The DAS is the Court's formal opinion on the reliability of the EU accounts and on the legality and regularity of the underlying transactions. Its aim is to provide stakeholders, mainly the European Parliament and the Council but also EU citizens, with an audit opinion on whether EU money has been properly spent in accordance with the law and reliably recorded in the annual consolidated accounts of the European Union.	eca.europa.eu
Statement of Financial Position	See balance sheet. This is the term used in IPSAS	

Term	Definition	Reference
Stewardship	Stewardship. Public officials exercise their powers on behalf of the nation. The resources they use are held in trust and are not privately owned. Officials are therefore stewards of those powers and resources. It is important to govern public sector organisations so that their capacity to serve Government and the public interest is maintained or improved over time. This includes financial sustainability and the efficient and effective management of resources, as well as less tangible factors, such as maintaining the trust placed in the organisation and/or the Government as a whole.	Australia NAO (2))
Stipulations on transferred assets	Terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.	IPSAS 23.7
Strategic Audit Plan	Internal audit typically does not have the resources to complete audits for all higher-risk audits in a given year. In addition, they may perform a review in a given area with objectives to revisit that same area at some future period. A multiyear (usually three-five-year) audit plan outlines those future planned internal audit activities. Just as an annual plan is created at least once per year, the three/five-year plan is updated or rolled forward annually.	Brinks, Modern IA, p 292
Strategy (strategic plan)	A plan which sets forth an organisation's mission, goals, objectives, courses of action, and expected results for a specific time frame, usually five to ten years. Strategic planning is the process by which such plans are developed. A council of ministers, or cabinet, may have a strategic planning process to establish goals and priorities for the government, but generally will not produce a “strategic plan” (document) as would a ministry or agency. Sometimes called “business plans”, these documents are often used as a major justification for an organisation's budget request.	Allen & Tommasi
Subnational government	All government below the first (central or national) level. See also central government, general government, local government and state government.	Allen & Tommasi
Subsidiarity	The subsidiarity principle requires that decisions be taken at the lowest practicable level of government. It implies that central government should not take action unless doing so is more effective than action taken at regional or local government level. The term is commonly used in the European Union to define the areas where Member States have an independent right of action, i.e. where the Acquis Communautaire does not apply (e.g. the timetable for preparing the annual budget and submitting it to parliament is a matter of subsidiarity).	Allen & Tommasi
Subsidy	According to the GFS and the SNA, the term “subsidy” is narrowly defined as current, unrequited transfers that the government makes to enterprises either on the basis of the levels of their production activities or on the basis of the quantities or values of the goods and services that they produce. More broadly, the term “subsidy is also often used in the sense of payments or tax credits to individuals on the basis of their personal circumstances, according to criteria laid down in law or regulations (e.g. if they are unemployed or disabled).	UN SNA IMF GFS Allen & Tommasi

Term	Definition	Reference
Substantive audit test	A substantive audit test is a direct test that validates a financial statement balance, while internal control tests are focused on key controls, such as management reviews or standardized templates, that are designed to prevent and detect material misstatements. Substantive testing often requires a large deal of recalculating, confirming, and vouching. For example, when an auditor substantively tests an inventory balance, the auditor will go to the on-site location of the inventory, run reports that list the amount of inventory stored on the premises, and physically count each inventory item on a sample basis. Using the same example under an internal control testing approach, an auditor would assess the systems generating the reports, consider the experience level of the personnel on the premises that manage the inventory, and review shipping and receiving documents for the appropriate sign-offs instead of counting the actual inventory on the premises. Substantive testing also includes observation, third-party confirmations, analytical procedures and reconciliation. (From Late Latin *substantīvus,* from Latin *substāre* to stand beneath)	
Supervision	An essential requirement in auditing which entails proper leadership, direction and control at all stages to ensure a competent, effective link between the activities, procedures and tests that are carried out and the aims to be achieved.	DG Budget
Supplementary appropriation	Legislation passed during the budget year to provide for expenditures additional to the original budget.	Allen & Tommasi
Supplementary Budget	Also called Adjustment Budget or Supplemental Budget. It contains the proposed amendments to the main annual budget. This is the mechanism with which the Government seeks legislative approval for spending that differs from the original budget and appropriations. Supplementary budgets are given legal force through adjustment or supplemental appropriations.	OECD
Supreme Audit Institution (SAI)	The public body of a State which, however designated, constituted or organised, exercises by virtue of law, the highest public auditing function of that State. In many countries influenced by the UK this institution is know as the Auditor General or the Comptroller and Auditor General. However in the UK the title National Audit Office has been adopted. In continental Europe jurisdictions this is often referred to as the Court of Auditors (the term also used by the EU). In the USA it is the Government Accountability Office (GAO).	DG Budget OECD
System	A system is a set of elements (often called 'components' instead) and relationships which are different from relationships of the set or its elements to other elements or sets. Most systems share common characteristics, including: • Systems have structure, defined by components/elements and their composition; • Systems have behaviour, which involves inputs, processing and outputs of material, energy, information, or data; • Systems have interconnectivity: the various parts of a system have functional as well as structural relationships to each other. • Systems may have some functions or groups of functions The term system may also refer to a set of rules that governs structure and/or behaviour.	Wikipedia
Systems architecture	The overall design of the system, its components and their relationship to each other. This can be sub-divided into: • Software architecture – the relationship of the software functions and applications • Hardware architecture – the relationship of the hardware components	

Term	Definition	Reference
Systems based Audit	Systems based audit refers to an in-depth evaluation of the internal control system with the objective to assess the extent to which the controls are functioning effectively. It is designed to assess the accuracy and completeness of financial statements, the legality and regularity of underlying transactions and the economy, efficiency and effectiveness of operations. A systems based audit should be followed-up through substantive testing of a number of transactions, account balances, etc. to determine whether the financial statements of the auditee are accurate and complete, the underlying transactions legal and regular and/or the criteria for economy, efficiency and effectiveness have been achieved.	DG Budget
Systems specification	The statement of the detailed requirements against bidders must submit their proposals. This divides into: • Technical requirements, e.g. hardware, communications, performance requirements • User requirements – a statement of the financial management functionality required from the system. User requirements further sub-divide into: ○ Mandatory – essential requirements – if not met then a bid will automatically be rejected ○ Desirable – a bid will not be rejected if a desirable requirement is not achieved but the failure will count against the bid in the scoring	
Tangible/intangible assets	These assets may be grouped in several categories. Tangible fixed assets consist of dwellings, other buildings and structures, machinery and equipment, and cultivated land. Intangible fixed assets include mineral exploration rights, computer software and works of art. Tangible non-produced assets are assets that occur in nature and over which ownership rights may be enforced (e.g. land on which dwellings are constructed). Intangible non-produced assets include examples such as the granting of a patent.	Allen & Tommasi
Tax earmarking	Tax earmarking is the practice of assigning revenue from specific taxes or group of taxes to specific government activities or areas of activity.	Allen & Tommasi
Tax Expenditures	Expenditures that are allowable as deductions from income in the calculation of tax liability. Concessions or exemptions from a normal tax structure that reduce Government revenue collection. Precise definition and estimation of tax expenditure require a definition of the normal tax base as well as a determination of the most appropriate way of assessing cost to the Government in the form of forgone revenue.	OECD
Taxable event	The event that the government, legislature or other authority has determined will be subject to taxation.	IPSAS 23.7
Taxes	Economic benefits or service potential compulsorily paid or payable to public sector entities, in accordance with laws and or regulations, established to provide revenue to the government. Taxes do not include fines or other penalties imposed for breaches of the law	IPSAS 23.7
Technology-based Audit Techniques	Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).	IIA
Test scripts	A test script contains a specific transaction or group of transactions. Both during bidding and subsequent testing the new IFMIS will be required to process the data in the test script to confirm the process and outputs achieve the desired result.	
Testing of controls (in the context of audit)	A process whereby audit tests are carried to determine the efficacy of internal controls. This contrasts with substantive tests which are carried out to confirm the recording of specific transactions.	

Term	Definition	Reference
The Institute of Internal Auditors (IIA)	Established in 1941, The Institute of Internal Auditors (IIA) is an international professional association of more than 170,000 members. Throughout the world, The IIA is recognized as the internal audit profession's leader in certification, education, research, and technical guidance. The IIA guides the international profession of internal audit with Standards and additional resources to assist internal auditors worldwide implement best practices.	IIA
Tone at the top (see ethics)	This refers to the fact that top management should promote ethical values throughout the entity they manage, especially by giving/leading by good example.	DG Budget
Total gross debt (or total debt or total debt liabilities)	All liabilities that are debt instruments. A debt instrument is defined as a financial claim that requires payment(s) of interest and/or principal by the debtor to the creditor at a date, or dates, in the future.	IMF Public Sector Debt Statistics
Transaction	A transaction in the SNA and GFS 2001 is defined "an interaction between two institutional units by mutual agreement or an action within a unit that is analytically useful to treat as a transaction". A transaction can be in cash or in kind.	Allen & Tommasi
Transaction costs	Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability (see [IPSAS 29] Appendix A paragraph AG26). An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.	
Transactions in financial assets for policy purposes	GFS 1986 defines "lending minus repayment" as government transactions in debt and equity claims taken for public policy purposes, rather than for management of government liquidity. In GFS 2001, "lending minus repayment" is called "financial transactions in assets for policy purposes (or by non-market means)". Such transactions are made for purposes such as assisting ailing enterprises or fostering new industries. They can take a variety of forms such as granting loans with an interest subsidy component, and the acquisition or sale of equities. According to the GFS, privatisation programmes and acquisitions of liabilities as a result of government guarantees are always policy related. Identifying other transactions in financial assets for policy purposes is not always easy. Although it is termed "lending minus repayment" in GFS 1986, this concept should not be confused with the term "net lending/borrowing" as defined in the System of National Accounts and GFS 2001. See also deficit/surplus and policy balance.	IMF GFS 1986 Allen & Tommasi
Transfer	A transaction in which one individual or institutional unit provides a good, service or asset to another individual or unit without receiving from the latter any good, service or asset in return as a counterpart. Transfers may be made in cash or in kind.	Allen & Tommasi
Transfers	Inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.	IPSAS 23.7
Transparency	See fiscal transparency	
Treasury	The term Treasury has a number of different meanings. The context and country must be used to establish the appropriate meaning. • Traditionally a treasury was literally a place where valuable public assets were stored and managed (for example in pre-1947 India it was the government office for the storage of cash, stamps and opium) • In government today it normally means a Department of Government responsible for managing and accounting for government money and expenditures (but not normally tax revenues which are managed separately) • In the UK the Treasury is the name of the Ministry of Finance • In the commercial world the corporate Treasury will be responsible for financing and money market operations of the corporate entity	

Term	Definition	Reference
Treasury Reference Model	A model designed by the World Bank to describe Financial Management Information Systems	"Treasury Diagnostic Toolkit" World Bank 2003
Treasury Single Account (TSA)	An approach to government banking operations under which all, or most, government transactions are managed through a single bank account, or a series of bank accounts which are consolidated at the end of each working day See extended definition of TSA in Part II of this Glossary	
UN System of National Accounts (UN SNA)	The United Nations System of National Accounts (often abbreviated as "SNA" or "UNSNA") is an international standard system of national accounts, the first international standard being published in 1953. Handbooks have been released for the 1968 revision, the 1993 revision, and the 2008 revision. The aim of UNSNA is to provide an integrated, complete system accounts enabling international comparisons of all significant economic activity. The suggestion is that individual countries use UNSNA as a guide in constructing their own national accounting systems, to promote international comparability. ESA 95 is the adaption of UN SNA for application by all EU members. The IMF GFS 2001 is a financial statistical system that as far as applicable is consistent with the UN SNA.	
Unearned finance revenue	The difference between: • The gross investment in the lease; and • The net investment in the lease.	IPSAS 13.8
Unguaranteed residual value	That portion of the residual value of the leased asset, the realization of which by the lessor is not assured or is guaranteed solely by a party related to the lessor.	IPSAS 13.8
United Nations (UN)	The United Nations (UN) is an international organization whose stated aims are facilitating cooperation in international law, international security, economic development, social progress, human rights, and achievement of world peace. The UN was founded in 1945 after World War II to replace the League of Nations, to stop wars between countries, and to provide a platform for dialogue. It contains multiple subsidiary organizations to carry out its missions. There are currently 193 member states, including every internationally recognised sovereign state in the world but the Vatican City. The organization has six principal organs: the General Assembly (the main deliberative assembly); the Security Council (for deciding certain resolutions for peace and security); the Economic and Social Council (for assisting in promoting international economic and social cooperation and development); the Secretariat (for providing studies, information, and facilities needed by the UN); the International Court of Justice (the primary judicial organ); and the United Nations Trusteeship Council (which is currently inactive). Other prominent UN System agencies include the World Health Organization (WHO), the World Food Programme (WFP) and United Nations Children's Fund (UNICEF). The UN's most visible public figure is the Secretary-General, currently Ban Ki-moon of South Korea, who attained the post in 2007. There are a large number of UN agencies and most abbreviations beginning with UN refer to a UN agency., e.g. UNDP, UNFPA, UNESCO, etc.	www.un.org
Upgrading systems	The process of re-designing a piece of software to preserve existing functionality as well as adding new functionality, engineered to best practice standards, in the same or a new language and/or platform.	Malcolm Gibb
Useful life (of a lease)	The estimated remaining period, from the beginning of the lease term, without limitation by the lease term, over which the economic benefits or service potential embodied in the asset are expected to be consumed by the entity.	IPSAS 13.8

Term	Definition	Reference
Useful life (of property, plant and equipment)	Either: (a) The period over which an asset is expected to be available for use by an entity; or (b) The number of production or similar units expected to be obtained from the asset by an entity.	IPSAS 17.13, 21.14
User charges	Payments made directly by the consumer for goods and services provided by public sector entities to the private sector (whether for partial or total recovery of costs of provision) as well as the internal pricing of goods and services (i.e. user charges between one government agency and another). In many countries, rules governing the scope and application of user charges, and the methodology for calculating them, are issued by the ministry of finance.	Allen & Tommasi
User interface	The screen layouts and commands seen by the users.	Malcolm Gibb
Valuables	Capital assets that are not used primarily for the purpose of production or consumption but are held as store of values over time.	Allen & Tommasi
Value for money	'Value for money' (VFM) is a term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it both acquires and provides, within the resources available to it. Some elements may be subjective, difficult to measure, intangible and misunderstood. Judgement is therefore required when considering whether VFM has been satisfactorily achieved or not. It not only measures the cost of goods and services, but also takes account of the mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether or not, together, they constitute good value. Achieving VFM is also often described in terms of the 'three Es' - economy, efficiency and effectiveness. The definition of the “three Es” approved by the Value for Money Committee is as follows: **Economy** careful use of resources to save expense, time or effort. **Efficiency** delivering the same level of service for less cost, time or effort. **Effectiveness** delivering a better service or getting a better return for the same amount of expense, time or effort.	A Brief Guide to Value for Money” University of Cambridge 2011
Value in use of a non-cash-generating asset	The present value of the asset’s remaining service potential.	IPSAS 21.14
Venturer	A party to a joint venture and has joint control over that joint venture.	IPSAS 8.6
Verification (certification)	Once a bill for goods or services has been received, the relevant line ministry/agency must confirm that the bill is correct and that the goods or services have in fact been received. At this point, the bill becomes a liability of the public sector. In accrual accounting terms, an expenditure is recognised even though the bill has not yet been paid.	Allen & Tommasi
Virement	See Reallocation	
Vision	Defines the way an organization will look in the future. Vision is a long-term view, sometimes describing how the organization would like the world to be in which it operates. For example, a charity working with the poor might have a vision statement which reads “A World without Poverty.” (WIKIPEDIA)	
Vote	Budget expenditure is organised under “Votes”. A vote is defined in terms of administrative responsibility for undertaking he expenditure. In some countries this is referred to as the “chapter”	

Term	Definition	Reference
Vulnerability (in context of fiscal sustainability)	Is (a) the extent to which an entity is fiscally dependent upon funding sources outside its control, principally inter-governmental transfers, and (b) the extent to which an entity has powers to vary existing taxation levels or other revenue sources and to create new sources of taxation and revenue	IPSASB ED 46 Long Term Fiscal Sustainability
Walk-through testing	A process of audit testing where a transaction is followed though its various processing stages in an organisation, e.g. budget authorisation, tendering and selection of supplier, ordering, receipt, invoicing, payment and inclusion within inventory records.	
Warrant	Release of all, or more commonly a part, of the total annual appropriation on a quarterly or monthly basis that allows a line ministry or spending agency to make commitments. In many countries a Warrant is issued by the Ministry of Finance to spending agencies as authority to incur specified expenditure. See apportionment.	Allen & Tommasi
WB	World Bank	
Whistleblowing	Can be defined as a means to promote accountability by encouraging the disclosure of information about misconduct and possibly corruption while protecting the whistle blower against retaliation.	PROC
Wide Area Network (WAN)	A wide area network (WAN) is a telecommunication network that covers a broad area (i.e., any network that links across metropolitan, regional, or national boundaries).	
Workshop	A workshop is a series of educational and work sessions. Small groups of people meet together over a short period of time to concentrate on a defined area of concern.	(7
World Bank, the (WB)	The World Bank, established in 1944, has its headquarters in Washington, D.C. It has more than 10,000 employees in more than 100 offices worldwide. It is a source of financial and technical assistance to developing countries around the world. Its mission is to “fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors.” WB is not a bank in the common sense; it is made up of two unique development institutions owned by 187 member countries: • The International Bank for Reconstruction and Development (IBRD) and • The International Development Association (IDA). Each institution plays a different but collaborative role in advancing the vision of inclusive and sustainable globalization. The IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, while IDA focuses on the world's poorest countries. Their work is complemented by that of the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID).	

Term	Definition	Reference
Zero-based budgeting	A method of budgeting that requires each cost element to be specifically justified, as though activities to which the budget relates were being undertaken for the first time. Without approval the budget is zero. A system of programme budgeting attempted in the US in the late 1990s. Literally interpreted, ZBB consists of evaluating all programmes each year and preparing the budget from scratch. In practice, however, the ZBB system did not go so far. Agencies were asked to rank the programmes within predetermined funding limits. The main features of the system consisted of: (i) formulating objectives for each agency; (ii) identifying alternative approaches to achieving the agency objectives; (iii) identifying alternative funding levels, including a "minimum" level normally below current funding; (iv) preparing "decision packages", including budget and performance information; and (v) ranking the decision packages against each other. Nevertheless, ZBB was excessively time-consuming and proved to be short-lived. However, similar approaches have been tried in other countries (e.g. the United Kingdom's programme of "Fundamental Expenditure Reviews" started in 1993). See also performance budgeting.	Allen & Tommasi

Sources:

Abbreviation in Glossary	Full title	Web site
AG Alberta)	"Government Accountability" Auditor General Alberta, 1997	www.oag.ab.ca
Allen & Tommasi)	"Managing Public Expenditure: A Reference Book for Transition Countries" Richard Allen and David Tommasi OECD 2001)	www1.worldbank.org/publicsector/pe/oecdpemhandbook.pdf
Auditors' Dictionary	"Auditor's dictionary: terms, concepts, processes, and regulations" by David O'Regan (Wiley 2004)	eu.wiley.com/WileyCDA/WileyTitle/productCd-0471531189.html
Australia NAO (1)	"Developing and Managing Internal Budgets" Australian National Audit Office 2008	www.anao.gov.au
Australia NAO (2))	"Better Practice in Public Sector Governance", vol.1., Australian National Audit Office 2003	www.anao.gov.au
Cangemi & Tommie	"Managing the Audit Function: A Corporate Audit Department Procedures Guide" Third Edition by Michael P. Cangemi and Tommie (Wiley 2003)	eu.wiley.com
CIPFA	CIPFA Glossary of terms	www.cipfa.org
COSO	Committee of `sponsoring Organisations	www.cos.org
DFID	DFID Glossary 2002	www.dfid.gov.uk
DG Budget	Directorate General Budget	ec.europa.eu/dgs/budget
IAASB	International Auditing and Assurance Standards Board	www.ifac.org
IIA	The Institute of Internal Auditors Glossary	www.theiia.org/guidance/standards-and-guidance/ippf/standards/glossary/
IIA	The Institute of Internal Auditors	www.theiia.org

Abbreviation in Glossary	Full title	Web site
IMF Public Sector Debt Statistics	IMF Public Sector Debt Statistics— Guide for Compilers and Users: 2011 (draft)	www.imf.org
INTOSAI	Standards and guidelines	www.intosai.org
IPSAS	International Public Sector Accounting Standards	www.ifac.org/public-sector
Malcolm Gibb	"CIS Glossary" Malcolm Gibb 2002	
OECD	"Budget Practices and Procedures Database - Phase II - Final Glossary" OECD 2006	www.oecd.org
OECD1	"Results Focussed Management and Budgeting: Working Definitions" OECD 2001	www.oecd.org
PROC	"Integrity in public procurement" OECD 2007	www.oecd.org
Scottish Government	Glossary developed by the Scottish Government	www.scotland.gov.uk
Statistics Canada	Statistics Canada Glossary of Terms	www.statcan.gc.ca
Wales Audit Office)	Wales Audit Office directories	www.wao.gov.uk
WB FMIS	"Financial Management Information Systems" Cem Dener, Joanna Alexendra Watkins and William Leslie Dorotinsky, The World Bank 2011	www.worldbank.org
(7)	?	?

PART II – DEFINITIONS OF KEY CONCEPTS

This Section provides an expanded definition and explanation of key terms.

1. BASIS OF ACCOUNTING

Definition

Defined in IFAC (2000) as "the body of accounting principles that determine when the effects of transactions or events should be recognised for financial reporting purposes. It relates to the timing of the measurements made, regardless of the nature of the measurement."

According to IPSAS: "*The accrual or cash basis of accounting as defined in the accrual basis IPSASs and the Cash Basis IPSAS*". However, this definition is not explanatory. A better definition is "*when revenues, expenditures, expenses, and transfers - and the related assets and liabilities are recognized in the accounts and reported in the financial statements*"[1].

As indicated by the definition IPSAS recognise two basis of accounting as defined below:

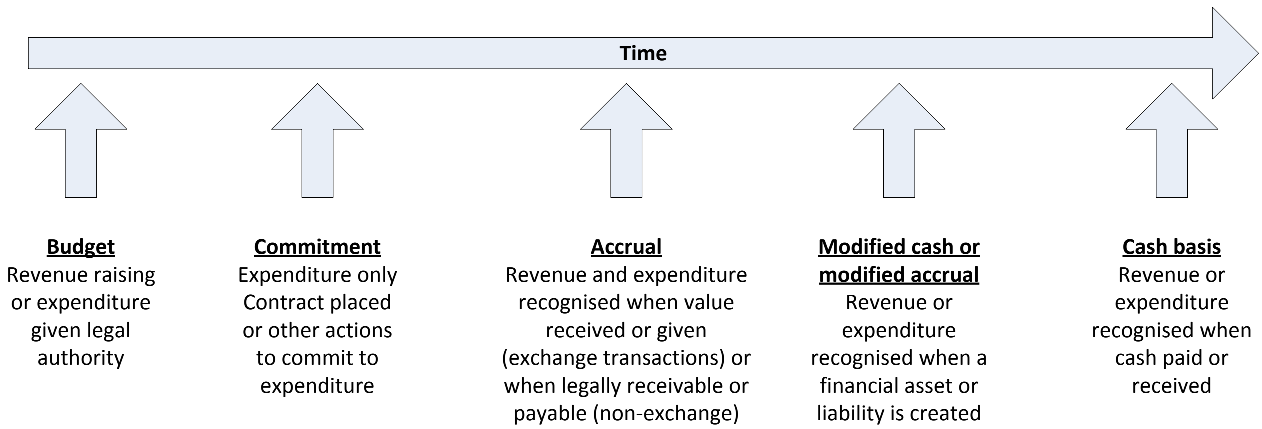
a) **Cash basis**: a basis of accounting that recognizes transactions and other events only when cash is received or paid.

b) **Accrual basis:** a basis of accounting under which transactions and other events are recognized when economic value is created, transformed, exchanged, transferred, or extinguished and when all economic flows (not just cash) are recorded. Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses.

Although IPSAS only recognise cash or accrual, many (indeed most) countries adopt modified cash or modified accrual accounting. Also, commitment accounting is widely advocated as an important tool for budget management. All accounting basis may be envisioned as points within on a scale as illustrated below.

[1] Washoe County, Nevada Glossary of Terms for Financial Reports

Figure 1: Basis of Accounting



Commitment accounting is not an accounting base. It is only applied to expenditures and is an important budget management tool. Only by tracking commitment (which often extend several years into the future) can the budget resources already committed or spent be identified. This enables both cash planning and effective budget management.

Certain modifications of the cash basis recognise receipts and disbursements committed in the budget year and allow a specified period after year-end for payments of these to be recorded and reported (the so-called “Month 13” or “complementary period”).

There is no official definition of modified cash or modified accrual accounting. Nor is there any clear distinction between the terms. For the purposes of this glossary, modified cash and modified accrual are treated as being synonymous. A recent article suggested a definition and this is reproduced on the next page.

Box 1: Definition of the Modified Cash Basis[2]

The Modified Cash Basis of Accounting will recognise transactions only when cash, financial assets or liabilities are paid or received. The Statement of Financial Position (Balance Sheet) will include financial assets and financial liabilities. For the purpose of this definition:

- A financial asset is any asset that is:

(a) Cash

(i) Cash comprises cash on hand, demand deposits and cash equivalents

(ii) Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

(b) An equity instrument of another entity;

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities

(c) A contractual right:

(i) To receive cash or another financial asset from another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity

(d) A contract that will or may be settled in the entity's own equity instruments and is:

(i) A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

(ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 15 and 16 of IPSAS 28, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 17 and 18 of IPSAS 28, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

- A financial liability is any liability that is

(a) A contractual obligation:

(i) To deliver cash or another financial asset to another entity; or

(ii) To exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity

(b) A contract that will or may be settled in the entity's own equity instruments and is:

(i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or

(ii) A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 15 and 16 of IPSAS 28, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 17 and 18 of IPSAS 28, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

- A payment occurs when there is an outflow of financial assets or an inflow of financial liabilities
- A receipt occurs when there is an inflow of financial assets or an outflow of financial liabilities.

[2] Michael Parry, International Journal of Government Financial Management, December 2010

2. CHART OF ACCOUNTS

The Chart of Accounts is the list of accounts in the general ledger of a double entry bookkeeping system. In a manual accounting system each item in the Chart of Accounts would represent an actual account.

There are several related concepts:

- **Sub-ledge**r – also derives from manual bookkeeping. To enable several clerks to work on accounts the ledger was divided into sub-ledgers. For each sub-ledger a "Control Account" is established in the General Ledger. The Control Account always represents the total of the balances in the sub-ledger. Transaction totals are entered in the Control Account periodically (usually daily) and in detail in the sub-ledger.
- **Budget classification** – the coding structure applied to the budget. In most countries the budget codes are identical to the revenue and expenditure codes in the chart of accounts. This facilitates comparison. However in some regions, notably former Soviet Union countries, the tradition is of a budget classification quite separate to the chart of accounts, necessitating "bridge tables" (i.e. tables linking the budget codes to the chart of accounts) to enable comparison.

Chart of accounts in a computerised system

Computerised accounting systems are based on relational database concepts. This enables multiple codes to be assigned to each transaction. Thus analysis can be, for example, by type of revenue or expenditure, organisational entity, geographic area, etc. The different types of analysis are usually referred to as the dimensions of the analysis. There is no theoretical limit to range of analysis (number of dimensions) that is possible, but see below on practical limitations.

Within a computerised accounting system the concepts of double entry remain important. Double entry enables each transaction to be linked to a flow that changes the value of an asset or a liability. In aggregate the flows over an accounting period (the operating statement plus holding gains and losses) link the opening and closing balance sheets.

To enable double entry ledger the accounts that form the general ledger must be defined – the chart of accounts. Usually the Chart of Accounts will be the economic codes. All other codes then exist for analytic purposes but are not part of the general ledger.

Definition of the Chart of Accounts within a computerised accounting system

- **Narrow definition**: the Chart of Accounts comprises those odes used to complete the double entry bookkeeping system and prepare the Financial Statements
- **Broad definition** – the chart of accounts comprises all codes used to analyse transactions and identify assets and liabilities

The above two definitions are frequently used interchangeably and without adequate explanation.

Other concepts under a computerised accounting system:

- **Sub-ledgers** – most computerised systems use the concepts of sub-legers as described above, except that the maintenance of control accounts is automated. Sub-ledgers are useful for detailed analysis of a particular category of item not required for the general ledger.
- **Budget classification –** if the budget preparation process is integrated within the same computer application software as the accounting system it is essential that the same codes are used for the budget as for general ledger.

Limitations on the analytic dimensions within a computerised accounting system

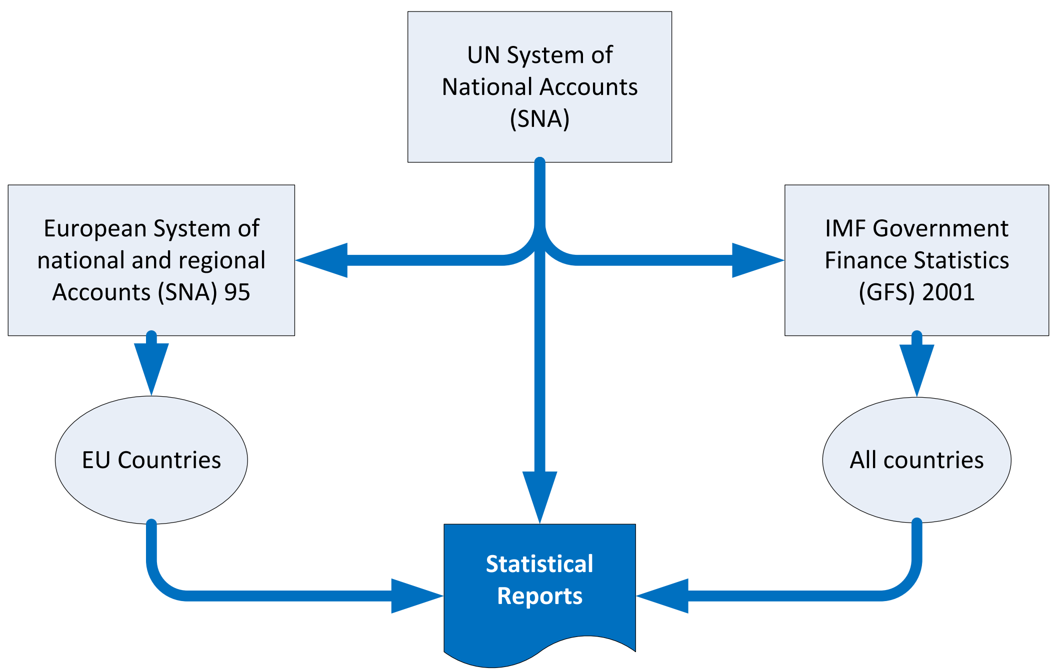
- All Commercial Off The Shelf (COTS) accounting applications will have a designed structure for the chart of accounts and for additional analysis. This will impose limits on the analysis that is possible. More expensive packages tend to have more sophisticated and flexible analytic capability.
- Each transaction must be coded by a clerk. Hence there is a practical limit to the amount of analysis a clerk can code. The more complex the analysis the greater (i) the training requirement, (ii) the time to enter each transaction and (iii) the error rate. These factors must be balanced against the benefits of the analysis.

3. STATISTICAL FINANCIAL REPORTING SYSTEMS

Statistical financial reporting systems have been introduced by international bodies to gather information on individual counties so as to be able to provide cross country comparisons on a standardised basis. Three such systems are relevant:

- The UN System of National Accounts (SNA)
- The IMF Government Finance Statistics (GFS) 2001 as set out in the GFS Manual (GFSM)
- The European System of national and regional Accounts (ESA) 95 as set out by Eurostat, the European Statistical office.

Their relationship is summarised in the model below.



The UN System of National Accounts (UNSNA)

The aim of UNSNA is to provide an integrated and complete system of accounts enabling international comparisons of all significant economic activity within a given country. It does not relate to the Government or any other specific sector but rather to the whole of a sovereign entity – hence the term "national" accounts. Also the UNSNA contains much information other than financial, e.g. the production account, household expenditure account.

Hence, the UNSNA is not directly relevant to public financial management, though much of the financial information within the UNSNA will come from public financial management reporting systems. Therefore, it is important that there is consistency between the definitions used in UNSNA, GFS, ESA and ultimately the classification systems of government accounting. In particular the UNSNA defines a ***"Classification of the Functions of Government"*** (**COFOG**) that is used by GFS 2001 and ESA 95.

The IMF Government Finance Statistics (GFS) 2001

The IMF GFS is a comprehensive system for reporting on the activities of the General Government Sector (GGS) within each country. The system is fully described in the GFS Manual (GFSM). Although described as a statistical reporting system it has all of the attributes of an accounting system:

- It adopts an accounting model
- It defines many accounting concepts, e.g. assets, liabilities, revenues, expenditures, etc.
- It prescribes reporting formats including an operating statement and a balance sheet.

European System of national and Regional Accounts (ESA) 95

ESA 95 fulfils he same role as GFS but is used instead of GFS for Government financial reporting within Europe. Eurostat defines the rules and reporting formats for ESA 95. ESA 95 is consistent with the UNSNA and is largely harmonised with *GFS 2001*. However, whilst definitions of concepts in GFS and ESA 95 are the same, differences exist between the two statistical systems[3]. The most important difference is the focus of the GFS system on financial transactions—taxing, spending, borrowing, and lending—while the *ESA 95* focuses on the production and consumption of goods and services.

ESA 95 consists of a set of macroeconomic accounts, balance sheets, and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. It provides a record of the complex economic activities taking place within an economy. Several conceptual differences exist between the *ESA 95* and *GFSM 2001* data. Three of the most significant are the presentation of social security, the treatment of government employer retirement pension schemes, and the consolidation rules for transactions and balances. The last of these three is significant for financial reporting.

Area of difference	**GFS 2001**	**ESA 95**
(c) Social security	Social security is included as part of the sector that administers the social security scheme, usually central government. Thence they are presented both unconsolidated as a subsector of central government, and also consolidated with the budgetary and extra budgetary entities to show the consolidated central government.	Social security schemes are a separate subsector and not consolidated in central government.
(d) Pension contributions	Contributions and benefits paid under government employer unfunded pension schemes are treated as financial transactions. This requires an imputation of government liabilities related to the unfunded pension schemes, and imputed interest on that liability	Treated as contributions and benefits in the current accounts
(e) Consolidation	GFS (and IPSAS) consolidation rules require the elimination of transactions between general government units, as well as stocks of assets and liabilities that represent claims by one general government unit on another general government unit. The transactions that can be more easily identified in practice are interest, taxes, grants, and financing transactions.	Flows and stocks between constituent units are not consolidated as a matter of principle. However, consolidated accounts may be built up for complementary presentations and analysis.

Other differences are:

[3] The explanation in this sub-section is based on " The Government Finance Statistics Manual 2001 Framework and Its Relationship with The European System of Accounts 1995" on the IMF web site

- ESA 95 differs from GFS in the presentation of its reports, and its concepts are more specific and precise
- ESA 95 is more rule based than 1993 SNA

Comparison of statistical reporting systems and IPSAS

The IMF GFS is directly relevant to the design of a Government financial reporting system. However, the GFS are not accounting standards. There are significant differences between the GFS and IPSAS. The IPSASB has published a comparison of the IPSAS, GFS and ESA 95[4]. Some of the most significant differences are summarised in the table below.

Area of difference	Statistical systems	IPSAS
Entity definition	Defines the entity as the General Government Sector and only reports on that sector	Apply to each separate entity within Government and also the whole of government on the basis of control (Note however IPSAS 22 provides for reporting on the GGS)
Basis of accounting	Accrual only (but most countries still report on cash basis)	Accrual or cash basis
Financial reports	Unaudited reports in a prescribed format	Audited Financial Statements which must meet minimum information requirements but without a prescribed format
Concepts such as materiality and prior year adjustments	Not recognised	Fundamental part reporting in Financial Statements
Classification	Prescribed in detail	Not prescribed; any classification acceptable as long as it enables required information in Financial Statements

These differences present a challenge when designing an accounting system to enable reporting under both GFS and IPSAS. However, it should be noted that neither GFS 2001 nor ESA 95 prescribe mandatory rules for the accounting system or chart of accounts; as long as the system can generate the required reports it meets the requirements for statistical reporting.

In deciding which information to use, it is a matter of deciding what you want to know:

- If you want to know how the government is performing financially, you need the IPSAS based full consolidation
- If you want to know the fiscal effects of the financial transactions of the general government sector on the national economy, you need the GFS/ESA 95 general government operating result

[4] "International Public Sector Accounting Standards (IPSASs) and Statistical Bases of Financial Reporting: an Analysis of Differences and Recommendations for Convergence" IPSASB January 2005

4. FINANCIAL MANAGEMENT INFORMATION SYSTEMS

Computerised accounting systems for public financial management are commonly referred to as "Treasury Systems" (though strictly such systems do not include line Ministries) or "Integrated Financial Management Information Systems" (IFMIS). In this glossary the term Financial Management Information Systems (FMIS) is used in line with recent World Bank terminology[5].

A definition of an FMIS is contained in the World Bank 2011 Report "Financial Management Information Systems"[6]

> *"Financial Management Information Systems (FMIS) can be broadly defined as a set of automation solutions that enable governments to plan, execute and monitor the budget, by assisting in the prioritization, execution, and reporting of expenditures, as well as the custodianship and reporting of revenues. Accordingly, FMIS solutions can contribute to the efficiency and equity of government operations."*

A schematic of an FMIS is provided in another World Bank publication as the Treasury reference model[7]. This describes the structure and components of Treasury system and also the basis of a more comprehensive integrated system. A simplified version of the model is set out in the Annex to this section.

In the words of the 2011 Report "Modern FMIS platforms help governments comply with domestic and international financial regulations and reporting standards, and support decentralized operations through centralized web-based solutions providing access to a large number of authorized budget users at all levels. " In addition an FMIS may lead to "improved efficiency and transparency through direct payments to suppliers/contractors. It may also lead to a reduction in prices as a result of gains based on the time value of money, as well as the comparative analysis of market rates. FMIS solutions improve interactions across the various organizational units within government in terms of execution, reporting, and accuracy of budget transactions. More recently, open budget initiatives have led to an increase in the provision of public sector financial information for the general public and such systems facilitate this information exchange. In sum, FMIS offers a great potential for increasing predictability, participation, transparency and government accountability."

However, achieving these benefits is often difficult and experience of countries that have moved to an FMIS have been mixed as analysed below.

The World Bank 2011 Study analysed World Bank FMIS/Treasury projects across the world. This included some 55 closed and 32 active Treasury/FMIS projects implemented between 1984 and 2010. The analysis based on World Bank internal reports was as follows:

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[5] "Financial Management Information Systems" by Cem Denner, Joanna Alexandra Watkins and William Leslie Dorotinsky, the World Bank 2011

[6] Op Cit

[7] "Treasury Reference Model", the World Bank May 2001

Dimension	Percentage regarded as satisfactory or better
Outcome	87%
Sustainability	57%
Development impact	61%
Borrower performance	59%

However, it should be borne in mind there is an inbuilt bias in this result as it is the WB assessing its own success. Also many of the FMIS were subject to significant delays and do not extend across the whole of government.

Nevertheless this is the only extensive study of FMIS implementations and it does indicate that overall they have achieved a significant degree of success. Perhaps more importantly the Study identifies essential preconditions for success and a number of lessons learned.

Preconditions for success

Functional aspects

- Improvement of budget classification
- Development of a unified chart of accounts, integrated with budget classification
- Improvement of treasury single account operations
- Development of commitment control and monitoring mechanisms
- Establishment of cash management functions

Technical aspects

- Establishment of a secure countrywide communication network
- Preparation of system/data centres

Human resources

- Presence of a core team of ICT specialists within PFM organizations

In addition the World Bank experience indicates the following:

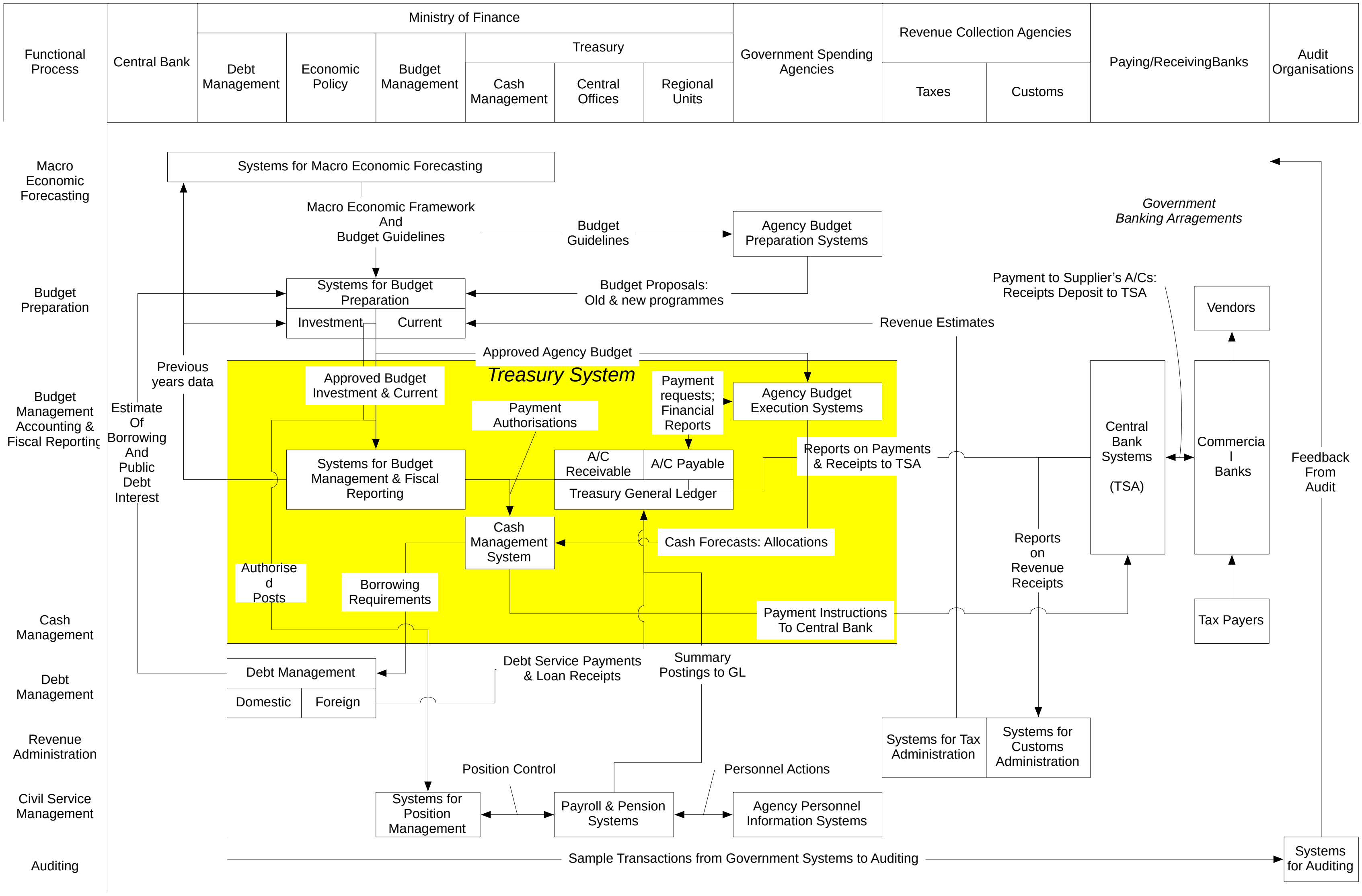
- The political commitment and ownership of the borrower matter.
- Success depends on adequate preparation.
- FMIS priorities and sequencing should be addressed carefully.
- A focus on developing internal client capacity early in the process is crucial.
- FMIS implementation is complex enough to deserve a dedicated project.
- The type of FMIS solution influences implementation.
- The presence of an ICT expert in the World Bank Team is important.
- The total number and complexity of procurement packages influence project duration.
- FMIS projects disburse late due to large ICT contracts, completed at later stages.
- ICT related risks need to be clearly identified during project preparation.

Finally it should be noted that the World Bank report made three recommendations as follows:

1. Identify the PFM reform needs of the government first (What? Why?)
2. Develop customized solutions (How? Where? When?)
3. Strengthen institutional capacity to manage project activities effectively (Who?)

Any country considering moving to a new or improved FMIS is well advised to read the full World Bank report as well as other studies.

Annex: Treasury Reference Model



5. ASSETS AND LIABILITY VALUES AND DEPRECIATION

Fundamental to the concept of accrual accounting is the requirement to value assets and liabilities. Changes in the value of assets represent financial flows. These are variously described as:

- Depreciation
- Amortisation
- Holding gains or losses
- Revaluation gains or losses

There is a discussion of the concepts involved in the IPSASB Paper on the Conceptual Framework for PFM Financial Statements[8] This note only defines and explains the important terminology.

Methods of valuing assets and liabilities

There are a number approaches to measuring value:

Measurement Basis	Definition	Historical or Current?	Entry or Exit?	Market or Entity-Specific?	Capital Concept
Historical cost	Amount paid or liability incurred when asset or liability acquired	Historical	Entry	Entity-specific	Financial capital
Market value (Same as Fair Value as defined for IPSAS and IFRS)	The estimated amount for which a an asset could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion[9]	Current	May be either	Market	Market value (ability to earn a market return)
Replacement cost	The most economic cost required for the entity to replace the service potential of an asset (including the amount that the entity will receive from its disposal at the end of its useful life) at the reporting date	Current	Entry	Entity-specific	Operating capacity
Deprival value (Same as economic concept of opportunity cost)	Deprival value is the amount that would just compensate the entity for the loss of an asset. The deprival model is not an actual valuation base but a criteria for choosing between valuation basis	Current	Entity	Entity specific	Operating capacity

[8] "Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements" IPSASB December 2010

[9] "Concepts Fundamental to Generally Accepted Valuation Principles (GAVP)" paragraph 5.2 International Valuation Standards Council

Notes:

1. Historical cost means value is based on the amount paid or liability incurred when acquired. On the other hand current refers to the value at the reporting date.
2. Entry basis reflects the consideration payable (or receivable) for the acquisition (or assumption) of an asset (or liability). An exit basis reflects the amount that will be derived from the asset, often from its sale or from its continuing use.
3. A market refers to the value of the asset or liability in an acquisition or disposal to the general market for such assets or liabilities. This will often be different to the value to the specific entity that owns the asset or liability.
4. The capital concept refers to the information provided by the entity balance sheet. Does such value represent the historic financial flows (financial capital), current market value, or the ability of the entity to provide future services? Each measurement base relates to a different concept of capital.

All of the above concepts are derived from commercial accounting where assets are acquired and liabilities incurred in order to generate economic flows. The concepts of replacement cost and deprival value are more difficult to apply where service benefits rather than economic flows are the intended outcome.

Depreciation and amortisation

The two terms have the same meaning. They only apply when historical cost or market (+fair) value is used to measure the value of an asset. In such cases the depreciation (or amortisation) is the assumed decline in value of the asset over a period time. It is a method for spreading the cost of an asset over its estimated useful life:

- The annual depreciation is treated as an expenditure in the operating statement
- The accumulated depreciation reduces the value of the asset in the balance sheet
- When an asset is disposed both the original cost and the accumulated depreciation have to be netted against disposal proceeds to establish the gain or loss on disposal, which is also a flow in the operating statement.

Treatment under IPSAS and statistical systems

IPSAS allows fixed assets to be valued either at cost or at fair (market) value. Current assets and all liabilities will generally be shown at cost with the exception of amounts denominated in foreign currencies, when current exchange rates at the reporting date will be used.

The treatment revaluation gains or losses under IPSAS is complex and depends on the type of asset or liability. In general, revaluation gains on fixed assets are credited directly to net equity[10]; all revaluation losses and gains on current assets are charged in the operating statement. However, there are a number of exceptions to this generalisation.

[10] The concept of "Net Equity" for governments and public sector entities is conceptually difficult and is not recognised at all in GFS and ESA 95. In British and US based systems it is generally referred to as a Fund, e.g. Consolidated Fund. It is best defined as the difference between net assets and net liabilities.

Under statistical reporting systems all assets and liabilities are valued at market value for every financial report, i.e. annually. Gains or losses on revaluation are treated as holding gains and reported separately to the operating statement in the GFS statement of "Other economic flows". Under this approach, there is no annual or accumulated depreciation.

Note that in practice the IMF will accept cost less accumulated depreciation as a reasonable surrogate measure for market value. This avoids the need to use different values for GFS and IPSAS reporting.

6. TREASURY SINGLE ACCOUNT

A Treasury Single Account (TSA) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. A TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments[11]. While it is necessary to distinguish individual cash transactions for control and reporting purposes, this purpose is achieved through the accounting system and not by holding/depositing cash in transaction specific bank accounts. This enables the treasury to delink management of cash from control at a transaction level.

Requirements for a TSA:

- An automated Treasury system make it much more feasible to implement a TSA. Automated transaction processing can enable the analysis and control of transactions without the need for separate bank accounts.
- A legal basis for the TSA to ensure broad implementation across government and also to ensure stability of the system

Three key features of a TSA are:

1. The government banking arrangement should be unified, to enable Treasury oversight of government cash flows in and out of these bank accounts.
2. No other government agency operates bank accounts outside the oversight of the treasury.
3. The consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary.

The benefits of a TSA flow from its objectives:

- Allows complete and timely information on government cash resources. In countries with IFMIS with adequate interfaces with the banking system, this information will be available in real time.
- Improves appropriation control. The TSA ensures that the MoF has full control over budget allocations, and strengthens the authority of the budget appropriation.
- Improves operational control during budget execution. When the treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner.
- Enables efficient cash management. A TSA facilitates regular monitoring of government cash balances.
- Reduces bank fees and transaction costs.
- Facilitates efficient payment mechanisms.
- Improves bank reconciliation and quality of fiscal data. Lowers liquidity reserve needs. A TSA reduces the volatility of cash flows through the treasury, thus allowing it to maintain a lower cash reserve/buffer to meet unexpected fiscal volatility.

[11] The material in this section is based on the IMF Working Paper WP/10/143 “Treasury Single Account: Concept, Design, and Implementation Issues” Sailendra Pattanayak and Israel Fainboim, IMF May 2010

TSA parameters

Delineating the boundary of a TSA is important and needs to be carefully considered in light of each country's institutional and legal/regulatory framework

At a minimum, the TSA should cover all central government entities and their Transactions. It has become international good practice to include as many government-controlled trust funds and Extra Budgetary Funds (EBFs) within the TSA as legally possible. However, including public corporations in the TSA is generally not advisable

In many countries donors and external loan providers require the government to manage their funds through separate commercial bank accounts and not through a TSA. However, in line with the donors' commitment under the Paris Declaration to use country PFM systems, the government should encourage official donors to integrate their resources into the TSA to the extent possible

TSA Structure

There are two broad categories of TSA:

- A purely centralised arrangement is one in which all revenue and expenditure transactions of the government pass through a single account, generally maintained with the central bank.
- At the other extreme, a TSA could be virtually operational even though line agencies are allowed to retain separate transaction accounts in the banking system. However, in the latter case, balances in all transaction accounts should be swept into the TSA main account at the end of each day.

The degree of decentralization of a TSA structure is linked to the authority of various entities to access and operate the government bank accounts.

Various Types of Bank Accounts under a TSA System

TSA main account	The Treasury's account with the Central Bank which consolidates the government's cash position. Cash balances in all other linked accounts are swept into this account
TSA subsidiary accounts or sub-accounts	Sub-accounts within the main TSA account. An accounting arrangement to group together a set of transactions and allows the government to maintain the distinct accounting identity or ledger of its budget organizations.
Transaction accounts	Sometimes government bank accounts that are justified for retail transaction banking operations are opened separately and are structured as transaction accounts.
Zero-balance accounts (ZBAs)	Where transactional accounts are necessary, these are generally opened on a zero-balance basis, i.e., end-of-the-day cash balances in these accounts are swept back into the TSA main account
Impress accounts	Transaction accounts that can hold cash up to a maximum authorized amount and are recouped from time to time.
Transit accounts	Serves as a transit for eventual flow of cash into the TSA main account. Transit accounts might be necessary: (i) for major revenue streams to monitor their collection and remittance by the banking system; and (ii) to facilitate revenue sharing between tiers of government
Correspondent accounts	A separate account is opened for each correspondent. The correspondent entity has real-time information on the balances it maintains in the TSA.

7. ECONOMIC ENTITY

The IPSASB definition[12] of a public sector reporting entity is "a government or other public sector organization, program or identifiable activity that prepares general purpose financial reports". However this definition is not useful if you wish to decide whether an organisation should prepare financial reports.

The GFS is more helpful as set out in the box.

Box 2: GFS entity definition

An ***institutional unit*** is an economic entity that is capable, in its own right, of owning assets, incurring liabilities, and engaging in economic activities and in transactions with other entities. Some important features of institutional units follow:

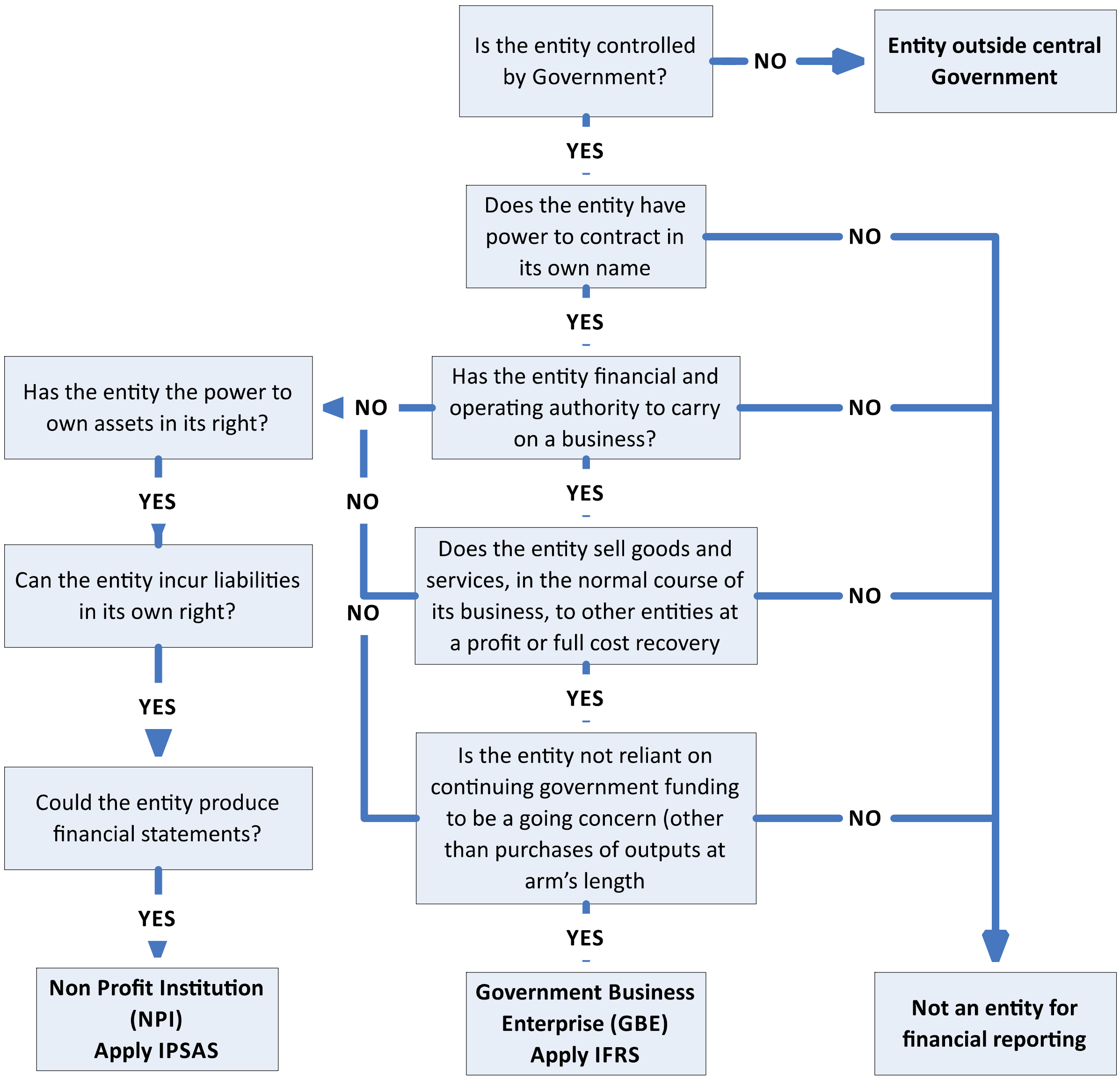
- The ability of an institutional unit to own goods or assets in its own right means that it is also able to exchange the ownership of goods or assets in transactions with other institutional units.
- An institutional unit is able to take economic decisions and engage in economic activities for which it is itself held directly responsible and accountable at law.
- An institutional unit is able to incur liabilities on its own behalf, to take on other obligations or future commitments, and to enter into contracts.
- Either a complete set of accounts, including a balance sheet of assets, liabilities, and net worth, exists for an institutional unit, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were to be required.

Thus under IPSASB the entity is defined by the production of financial statements. According to GFS an entity has a number of attributes including the ability to produce financial statements. The GFS definition is more useful in identifying entities that should produce financial statements. Thus IPSAS envisage Financial Statements being generated by each entity as well as being consolidated upwards to the whole of government Financial Statements. GFS reports on the other hand are only required for the General Government Sector; ESA 95 reports are required for each sovereign entity plus certain regions.

The model below combines the IPSAS decision tree for identifying a Government Business Enterprise with the GFS definition of a Non Profit Institution to identify which entities should produce financial statements under which standards.

[12] "Conceptual Framework Exposure Draft 1" IPSASB December 2010

Figure 2: Entity definition



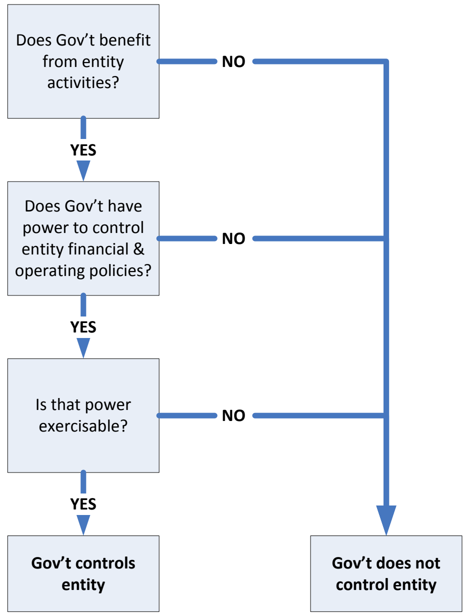
Whole of government financial reporting

GFS and ESA 95 require the prescribed reports for the General Government Sector (GGS). This is defined in the UNSNA as "*consisting of (a) all resident central, state, and local government units, (b) social security funds at each level of government, and (c) nonmarket nonprofit institutions controlled by government units*". Thus the definition is based on administrative units of government.

Note that IPSAS 22 allows consolidated Financial Statements for GGS defined exactly as in the UNSNA. However, the IPSAS 22 reports are in addition to the Financial Statements required on the basis of control (see below).

IPSAS 6 and the Cash Basis IPSAS require consolidation for the whole of government on the basis of control. Control is defined in the model below:

Figure 3: IPSAS 6 definition of control

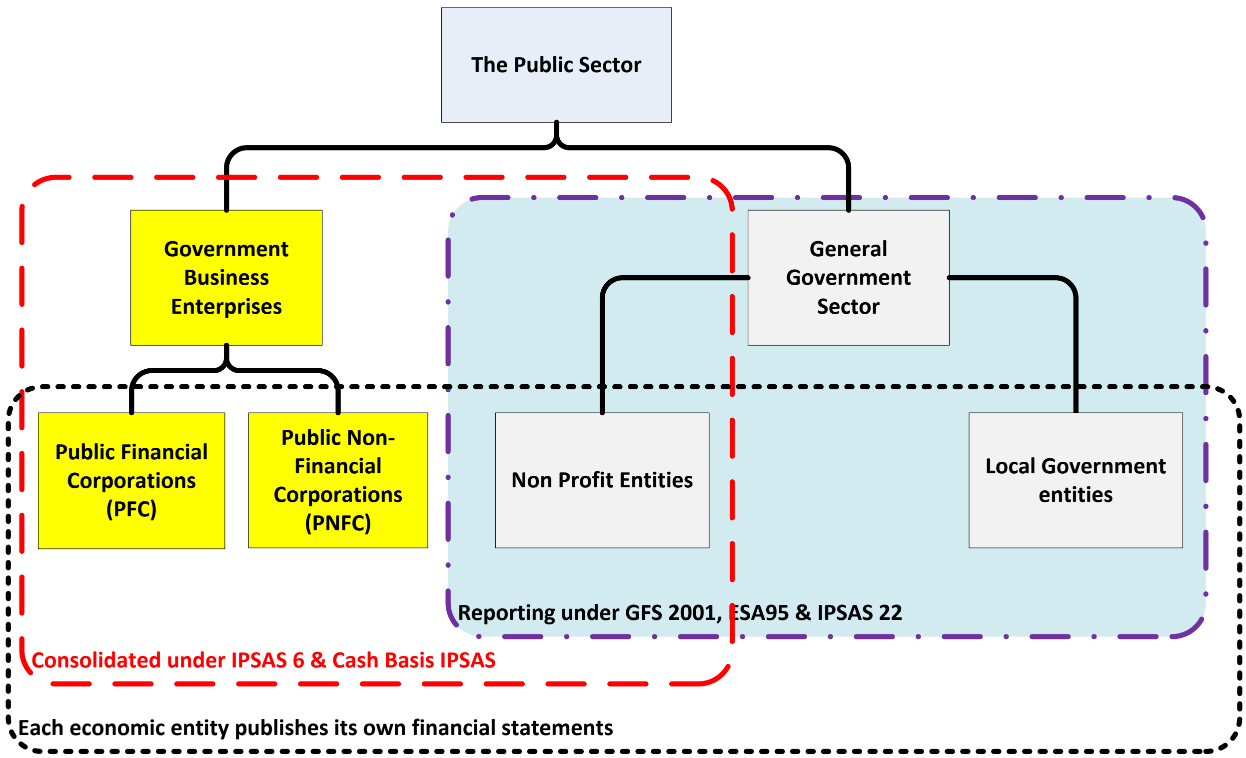


In practice, what this means is that consolidated Financial Statements for the whole of Government will usually:

- Include all Ministries, Departments, Extra Budget Funds and Non Profit Institutions under central Government
- Include GBEs - since controlled as defined above
- Exclude local government and Non Profit Institutions under local government - since controlled by locally elected representatives not by central Government.

The differences between the coverage of the GFS, ESA 95 and the IPSAS as summarised in the model below.

Figure 4: Government reporting boundaries



Note that under IPSAS 6 (and the Cash Basis IPSAS) consolidation is required of public sector entities with Government Business Enterprises. This creates considerable technical difficulties because of different standards and approaches as between commercial and public sector accounting. If the Government is operating on cash basis accounting then consolidating GBEs operating on a commercial basis with cash based government accounting is extremely difficult and the results of questionable value.

8. LIABILITIES AND CONTINGENT LIABILITIES

Box 3: Definition of liabilities and contingent liabilities (IPSAS)

A **liability** is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

A **contingent liability** is:

(a) A possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(i) A present obligation that arises from past events, but is not recognized because:

(ii) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

(b) The amount of the obligation cannot be measured with sufficient reliability.

These definitions are taken from IPSAS 19. Their meaning is not well understood. Liabilities, provisions, reserves and contingent liabilities are often confused. Note the following points:

- Liabilities are only disclosed in accrual financial statements; under the cash basis liabilities are not recorded
- Contingent liabilities are NOT shown in the balance sheet in accrual financial statements. Nor are they recognised in the double entry accounting system. They are included in the Notes to the Financial statements
- UNSNA, GFS and ESA 95 do not include contingent liabilities in their reports.

An alternative definition[13] is the loss of service potential or future economic benefits that an entity is presently obliged to make to other entities as a result of past transactions or other past events. A liability must be recognised in the statement of assets and liabilities only when it is probable that the future loss of service potential or future economic benefits will be required; and the amount of the liability can be measured reliably.

Hence, for accrual based financial reporting it is critically important to identify actual liabilities as distinct from contingent liabilities and in addition to establish a system for monitoring and reporting contingent liabilities. Although the GFS does not include contingent liabilities, the IMF has recognised their importance as **Fiscal Risk**.

[13] Managing Public Expenditure - A Reference Book for Transition Countries

What is included within the definition of liabilities

Included as liability	Definition
Legal obligations	(a) A contract (through its explicit or implicit terms); (b) Legislation; or (c) Other operation of law
Constructive obligations	(a) By an established pattern of past practice, published policies, or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities; and (b) As a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.
Provisions	A liability of uncertain timing or amount. A provision shall be recognized when: (a) An entity has a present obligation (legal or constructive) as a result of a past event; (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (c) A reliable estimate can be made of the amount of the obligation. The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date

Note that in accounting terminology there is a distinction between reserves and provisions:

- ***Provisions*** are as defined above; they are a liability of an entity
- ***Reserves*** are part of the "Net Equity" of an entity (see the Footnote in the Section of Assets) and are not a liability

Recognising, recoding and managing contingent liabilities

The term Contingent Liabilities embraces a range of different situations but may be divided into:

- Contingent liabilities that are legally enforceable if and when they arise,
- Contingent liabilities that are not legally enforceable but exist as a matter of practice or expectation – **implicit contingent liabilities**

Examples of legally enforceable contingent liabilities include:

- Pending legal cases against an entity which will result in a penalty if the entity loses the case
- Loan guarantees, e.g. for GBEs, which will be enforceable if the GBE defaults.

Such contingent liabilities are easy to identify. A recoding system needs to be established so that records of all such contingent liabilities can be maintained, estimates made of the likely cost, outcomes recorded and the contingent obligations removed from the records once the outcome is known.

Implicit contingent liabilities

Implicit contingent liabilities are much harder to recognise – indeed, they may not become apparent until the event arises. The most notable current example has been the contingent liability of governments to support private sector banks. Yet these obligations though unrecognised have been of extreme significance to some countries, e.g. Ireland, Iceland.

Many such implicit contingent liabilities extend beyond PFM to the realm of political decisions. Nevertheless, in establishing a system to manage and record contingent liabilities as far as feasible implicit as well as legal contingent liabilities should be identified and recorded.

9. PUBLIC INTERNAL FINANCIAL CONTROL

Public Internal Financial Control (PIFC) is the overall financial control system performed internally by a Government or by its delegated organisations, aiming to ensure that the financial management and control of its national budget spending centres (including foreign funds) complies with the relevant legislation, budget descriptions, the principles of sound financial management, transparency, efficiency, effectiveness and economy. PIFC comprises all measures to control all government income, expenditure, assets and liabilities. It represents the wide sense of internal control. It includes but is not limited to Ex Ante Financial Control (EAFC) and ex-post Internal Audit (IA)

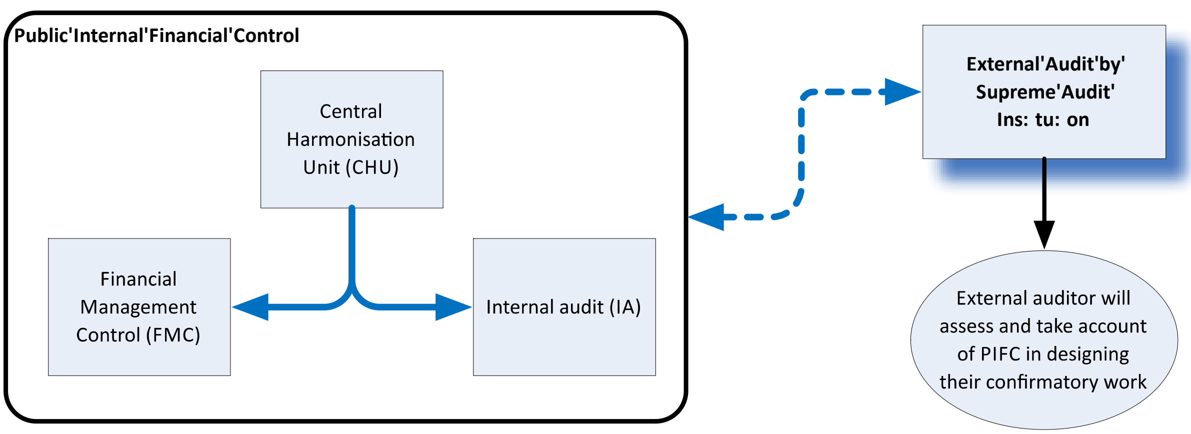
The PIFC model was developed by the European Commission for its own needs and later considered as part of the *Acquis Communautaire* to be transposed into the legal framework of all new EU Member States. The model reflects implicitly the so-called COSO[14] model under which most internal control systems, in both the public and private sector are now being developed. Amongst other things, this model highlights the importance of a two-way (top-down and bottom-up) control system based on the establishment of a sound control environment.

The main international standards for Public Internal Financial Control are the INTOSAI Guidelines for Internal Control in the Public Sector and the EC IIA Position Paper on Internal Audit in Europe. The Association of Internal Auditors issues International Internal Audit Standards

The concept of Public Internal Financial Control is a three-component system that comprises three sets of tools aimed at providing Public Managers with a **Harmonised and Comprehensive System** that enables and promotes **Managerial accountability** and its **subsequent control**.

The components of PIFC and their relationship to external audit are summarised in the model below.

Figure 5: PIFC and external audit



Note the difference between audit and control:

- **Audit** involves investigation and reporting.
- **Control** involves actions (which may be based on audit reports) to manage and correct failures or weaknesses that have been identified.

[14] COSO stands for "Committee Of Sponsoring Organizations " of the Treadway Commission (US, 1985)

Risk management

The concepts of risk management are the foundation of PIFC. **Risk management** is defined as a process effected by an entity's legislative body, management and other personnel, applied in strategy setting and across the entity, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

Central harmonisation Unit (CHU)

It is essential to have in place a central structure – referred to as the Central Harmonisation Unit (CHU) – that is empowered to manage the development of PIFC.

The CHU is responsible for developing and promoting internal control and audit methodologies on the basis of internationally accepted standards and best practice and for co-ordinating the implementation of new legislation on managerial accountability (financial management and control systems) and internal audit. The CHU is best placed in the Ministry of Finance.

In summary the CHU:

- Coordinates activities of PIFC
- Central direction
- Training and technical support to PIFC

Financial Management Control

Otherwise known as Internal Control may be defined as follows:

Box 4: Internal Control

A process, affected by an entity's legislative body, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations

Ex ante financial control (EAFC) is the set of control activities prior to carrying out financial decisions relating to appropriations, commitments, tender procedures, contracts (secondary commitments), and related disbursements and recovery of unduly paid amounts. Such decisions can only be taken after the explicit approval of the ex ante financial controller.

EAFC is sometimes also called "preventive control". This is the narrower meaning of financial control. If described as EAFC there can be no ambiguity.

Each public manager is responsible for establishing and maintaining adequate financial management and control (FMC) systems to carry out the tasks of planning, programming, budgeting, accounting, controlling, reporting, archiving and monitoring.

Internal audit

The Institute of Internal Auditors definition is as follows:

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

More concretely, it is the functional means by which the managers of an entity receive an assurance from internal sources (including internally subcontracted sources) that the internal controls are achieving their internal control objectives. It will cover, inter alia, Financial Audits, System Based Audits, Performance Audits and IT Audits. It has most of the characteristics of external audit except that it finally reports to the management and therefore can never have the same level of independence as external audit.

10. ACCOUNTABILITY

There are a number of definitions of accountability as summarised below

Accountability is a function of a relationship between two parties whereby one party confers a power on the other subject to a condition that the party receiving the power must account as specified for its possession and use. OECD1

The condition of being responsible for an action, asset, entity, procedure, or process. Individuals with accountability are usually required to justify their actions or decisions in the areas they monitor or safeguard. Modern corporate governance is dedicated to defining organizational accountability, and to establishing suitable mechanisms for its enforcement and reporting. A board of directors effects a large part of its accountability for stewardship of a corporation to investors and other stakeholders through the mechanism of published financial statements. It is sometimes noted that chains of accountability generally run upward through organizational structures, in contrast to chains of delegation of authority, which tend to run downward. Audits are often depicted as central to accountability: auditing has been described as a means of "securing the accountability of individuals and organisations" (Flint, 1988, 3), and it has been claimed that "Without audit, no accountability; without accountability, no control; and if there is no control, where is the seat of power?. . . great issues often come to light only because of scrupulous verification of details". W. J .M MacKenzie, foreword to Normanton, 1966

Accountability is an obligation to answer for the execution of one's assigned responsibilities. In simpler terms, accountability is reporting. People account, or report, to other people. Therefore, it is useful to consider accountability in context of the relationships between the people or organizations involved. The basic ingredients of successful accountability relationships are as follows:

- Set measurable goals, and responsibilities,
- Plan what needs to be done to achieve goals,
- Do the work and monitor progress,
- Report on results,
- Evaluate results and provide feedback.

A government policy or management concept that means (i) politicians and public officials have to respond periodically to questions concerning their activities (answerability) and (ii) must be held responsible for the exercise of the authority provided to them. For effective accountability, clear lines of responsibility must be firmly established and consistently maintained. Accountability measures should address three questions: accountability by whom; accountability for what; and accountability to whom. To ensure that accountability is properly enforced, there is a need for predictable and meaningful consequences related to performance. In the public sector, accountability of individual officials, within their organisation and to external controlling bodies, is applied most often to how money has been spent and what results have been achieved. Crucial too in democratic systems is the general accountability of ministers to parliament and to the public at large. Allen & Tommasi

11. MULTI YEAR BUDGET

The term “Multi Year Budgeting” embraces a range of concepts and different terms. The table below identifies some of the common terminology and the general meaning. Note that there are no absolute definitions, and the same terms are often used with different meanings.

Table 1: Terminology of multiyear budgeting

Name	Abbreviation	Usual meaning
Multi year (or medium term) Budget Framework	MTBF	A budget that extends over more than one year, e.g. 3 years
Medium Term Expenditure Framework	MTEF	Usually used to refer to an approach to budgeting that integrates an MTBF with programme and output based budgeting
Medium Term Fiscal Framework	MTFF	A medium term fiscal forecast as the basis of a an MTBF
Programme Budgeting	-	Budgets are built around programmes with specific goals and targets (in contrast to traditional budgeting based on administrative structures)
Output budgeting	-	A budget focussed on delivering outputs (or outcomes) rather than input based budgeting
Input based budgets	-	Budgets where the focus is on the amount spent rather than the outputs to be delivered

Recently many countries have moved to implement an MTEF approach to the budget, using the term in the broad sense described above.

MTEF

A MTEF rests on three pillars:

1. The top-down multi-year projections of resource envelope targets (what is affordable);
2. The bottom-up multi-year cost estimates of sector programs (what has to be financed with a focus on performance);
3. The institutional (politico-administrative) decision making process to integrate the above two pillars (making the necessary trade-offs).

The table below summarises the stages of an MTEF.

Table 2: The Six Stages of a Comprehensive MTEF

Stage	Characteristics
Development of Macroeconomic/Fiscal Framework	Macroeconomic model that projects revenues and expenditure in the medium term (multi-year)
Development of Sectoral Programs	Agreement on sector objectives, outputs, and activities Review and development of programs and sub-programs Program cost estimation

Stage	Characteristics
Development of Sectoral Expenditure Frameworks	Analysis of inter- and intra-sectoral trade-offs Consensus-building on strategic resource allocation
Definition of Sector Resource Allocations	Setting medium term sector budget ceilings (cabinet approval)
Preparation of Sectoral Budgets	Medium term sectoral programs based on budget ceilings
Final Political Approval	Presentation of budget estimates to cabinet and parliament for approval

Source: *PEM Handbook* (World Bank, 1998: 47-51).

The goal of the MTEF approach is to link goals with available resources through a multiyear budget process. The MTEF provides the "linking framework" that allows expenditures to be "driven by policy priorities and disciplined by budget realities" (World Bank, 1998: 32). If the problem is that policy making, planning, and budgeting are disconnected, then a potential solution is an MTEF. Given that this disconnect between policy making, planning, and budgetary processes is a common condition of country governance, the MTEF has increasingly come to be regarded as a central element of PFM reform programs.

However, a number of recent studies have called into question the extent to which MTEFs achieve their goal. Problems include:

- Lack of linkage between the MTEF and budget processes, so that the MTEF becomes a planning process that is delinked from the actual resource allocation in the budget
- Failure to establish an integrated approach that links the three elements described above so that the MTEF fails in its central goal of linking resources, policies and allocations.
- The MTEF becomes an extension of the budget without any real change in the process of resource allocation.

Budget reporting and IPSAS 24

IPSAS 24 and the Cash Basis IPSAS both require that the Financial Statements include a report comparing the original and revised budget with the actual outturn. The actual requirements are as set out in the box below.

Box 5: Budget Comparison IPSAS 24

The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

(a) The original and final budget amounts;

(b) The actual amounts on a comparable basis; and

(c) By way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts,

This is a mandatory requirement for all Financial Statements whether on the cash or accrual basis.

The term “comparable basis” means that the figures must be on the same accounting base. Thus, in the budget is cash based and the Financial Statements accrual based, then one of the two sets of figures must be adjusted to a common basis. Normally this will involve modifying the accrual accounting information to show the information on a cash basis. This can present problems for automated accrual accounting systems.

Also note:

- Original budget is the initial approved budget for the budget period
- Final budget is the original budget, adjusted for all reserves, carry-over amounts, transfers, allocations, supplemental appropriations, and other authorized legislative or similar authority, changes applicable to the budget period.

12. AUDIT

In its most generic sense this can mean any examination ex-post of a transaction, procedure or report with a view to verifying any aspect of it – its accuracy, its efficiency, etc. The word usually needs to be qualified more narrowly to be useful DG Budget.

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives. (IIA)

An audit is an expert examination of legal and financial compliance or performance. Audits can either be carried out to satisfy the requirements of management (internal audit), or carried out by an external audit entity or any other independent auditor to meet statutory obligations (external audit). See also Financial Audit and Performance Audit. OECD

Expert examination of legal and financial compliance or performance, carried out to satisfy the requirements of management (internal audit), or an external audit entity, or any other independent auditor, to meet statutory obligations (external audit). A particular task of internal audit is to monitor management control systems and report to senior management on weaknesses and recommend improvements.

The scope of audits varies widely, as does the terminology in this area, and includes according to the auditing standards prepared by the International Organisation of Supreme Audit Institutions (INTOSAI):

- Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions of financial statements.
- Attestation of financial accountability of the government administration as a whole.
- Audit of financial systems and transactions including an evaluation of compliance with applicable statutes and regulations.
- Audit of internal control and internal audit functions.
- Audit of the probity and propriety of administrative decisions taken within the audited entity.
- Reporting of any other matters arising from or relating to the audit that the SAI considers should be disclosed.

Note that the first two items above are commonly known as attestation audit. The third and fifth items are commonly known as compliance audit.

Performance audit (value for money audit) comprising:

- Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies.
- Audit of the efficiency of utilisation of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies.

4. Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.

13. RISK

Definitions

Note that for each term there are a number of possible definitions. Those quoted are the most appropriate and widely accepted.

- The definition of **risk** as a general concept has been much debated, but the following accords with both common sense and general usage "*The probability and magnitude of a loss, disaster or other undesirable event*"[15]
- The same writer defines **risk management** as "*The identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of unfortunate events*"[16] As we shall see this differs from some of the definitions used in accounting literature.
- **Fiduciary risk** is a concept introduced by the UK Department for International Development (DFID) and is particularly relevant in this context "*the risk that funds are not properly accounted for, not used for the intended purposes or that the expenditure does not represent value for money*"[17]
- **Government treasury** is used to refer to the budget execution, accounting and reporting functions within a Ministry of Finance.

Risk has two dimensions:

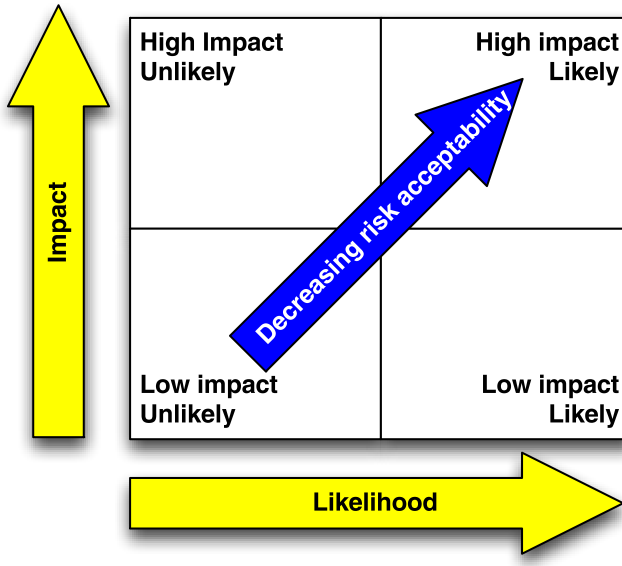
- The likelihood (probability) of risk, and
- The impact (cost) if the risk becomes a reality.

[15] "The Failure of Risk Management" Douglas W Hubbard 2009

[16] Douglas Hubbard, op cit

[17] DFID internal working paper on Fiduciary Risk, 2004

Figure 6: Risk likelihood and impact



Both axis can be expressed quantitatively – impact as a monetary cost and likelihood as a probability. Mathematically it is possible to multiply:

Cost ($) X Probability (P) = expected value of loss

However, there are dangers in simply multiplying risk and cost because this looses important information about the impact of the risk, e.g. the risk of a plane crashing as compared to the risk of the loss of cash. Clearly only a very small risk of the former may be acceptable whereas a significant risk of the loss of cash may be accepted.

Risks are often correlated and linked sequentially. For example the risk of fraud in an entity will probably involve a series of control failures each with risk of such failure, e.g.

- Failure of budget management
- Failure of a supervisor to check the work of a clerk
- Bank reconciliation not carried out.

Each failure has its own probability, but all have to occur for the fraud to take place. Consequently the probabilities have to be multiplied to arrive at the overall probability. The risk could be reduced by addressing just one risk factor – but there might be other risks this would not address.

Modern approaches to risk management involve quantifying risk probabilities and costs, and also identifying correlation of risk factors. These approaches will be discussed further in the last section of this paper.

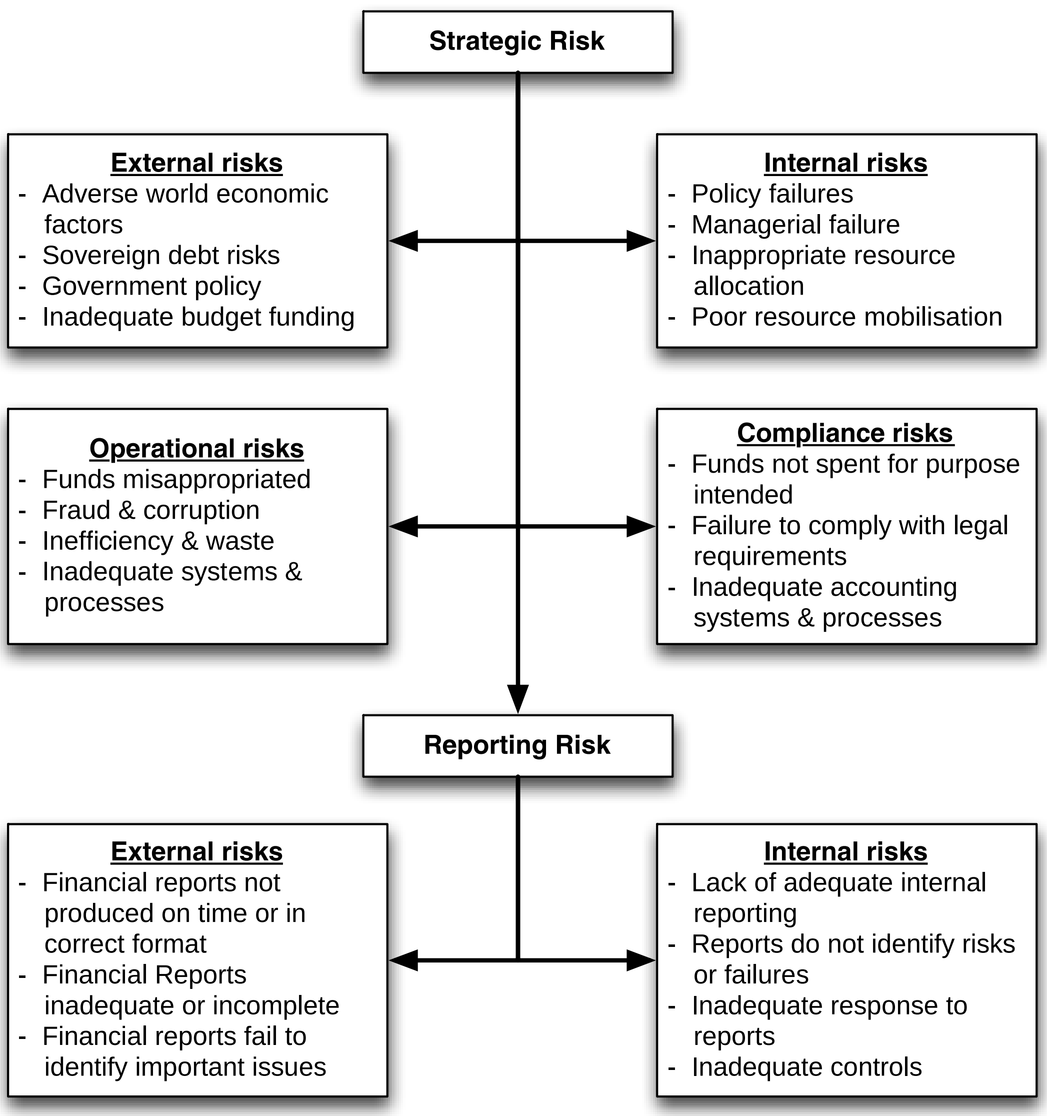
Government financial management is characterised by high levels of risk from external factors. For example the risk of adverse impact from external financial events, e.g. interest rate rises, changes in exchange rates. Whilst this paper is not concerned with such external risks it would be perverse to establish a sophisticated risk management and control system for internal financial management processes whilst ignoring such external risks. Risk management should be system wide and embrace all risks not just those related to internal systems.

However, this paper is concerned with risks in the context of internal actions within the public financial management processes. Examples of risks include:

- Revenues legally owed to the government not being collected, or if collected not being deposited for the benefit of government
- Payments not being made for the purpose intended
- Loss of public money or other assets
- Inefficient or wasteful use of public resources.

It is this type of risk that the DFID refer to as fiduciary risk (see definition above). The model in the diagram below provides and overview of the strategic risks facing a government treasury.

Figure 7: Treasury risk framework



COSO internal control approach

As a result of many high-profile business scandals and increased awareness of the level of corruption in many countries, as noted by the Corruption Perception Index published by Transparency International, calls were made for enhanced corporate governance and risk management, with new law, regulation, and listing standards. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued *Internal Control – Integrated Framework*[18]*. However, t*he need for an overall risk management framework for the entity as a whole, providing key principles and concepts, a common language, and clear direction and guidance, became even more compelling. Thus, COSO published Enterprise Risk Management – Integrated Framework in 2001 that fills this need. This framework expands on internal control, providing a more robust and extensive focus on the broader subject of enterprise risk management. This does not replace the internal control framework, but rather incorporates the internal control framework. Entities may decide to look to this framework both to satisfy their internal control needs and to move toward a fuller risk management process.

According to the COSO approach among the most critical challenges for managements is determining how much risk the entity is prepared to and does accept as it strives to create value. Using the integrated framework, legislation has been enacted or is being considered by many countries to extend the long-standing requirement for governments to maintain systems of internal control.

The underlying premise of risk management is that every entity exists to provide value for its stakeholders. All entities face uncertainty, and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Risk management enables management to deal with uncertainty and associated risks and opportunities.

Value is maximized when management sets strategy and objectives to strike an optimal balance between growth, returns and related risks, and efficiently and effectively deploys resources in pursuit of the entity's objectives. Risk management encompasses:

- *Aligning risk appetite and strategy* – Management considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks.
- *Enhancing risk response decisions* – Risk management provides the rigour to identify and select among alternative risk responses—risk avoidance, reduction, sharing, and acceptance.
- *Reducing operational surprises and losses* – Entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses.
- *Identifying and managing multiple and cross-entity risks* – Every entity faces a myriad of risks affecting different parts of the organization, and risk management facilitates effective response to the interrelated impacts, and integrated responses to multiple risks.
- *Seizing opportunities* – By considering a full range of potential events, management is positioned to identify and proactively realize opportunities.

[18] "Internal Control– Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission, 2000

- *Improving deployment of capital* – Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

These capabilities inherent in risk management help management achieve the entity's performance and prevent loss of resources. Risk management helps ensure effective reporting and compliance with laws and regulations, and helps avoid damage to the entity's reputation and associated consequences. In sum, risk management helps an entity get to where it wants to go and avoid pitfalls and surprises along the way.

COSO defines risk management as "*a process, effected by an entity's legislative body, management and other personnel, applied in strategy setting and across the entity, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives*". Contrast this definition with the definition at the start of the paper. THE COSO definition views risk management as a process; it also introduces the concept of "risk appetite" – the willingness of an entity to accept certain levels of risk.

Within the context of an entity's established mission or vision, management establishes strategic objectives, selects strategy, and sets objectives cascading through the entity. The risk management framework is geared to achieving an entity's objectives, set forth in the following categories:

- *Strategic* – high-level goals, aligned with and supporting its mission
- *Operations* – effective and efficient use of its resources
- *Reporting* – reliability of reporting
- *Compliance* – compliance with applicable laws and regulations

Because objectives relating to reliability of reporting and compliance with laws and regulations are within the entity's control, risk management can be expected to provide reasonable assurance of achieving those objectives.

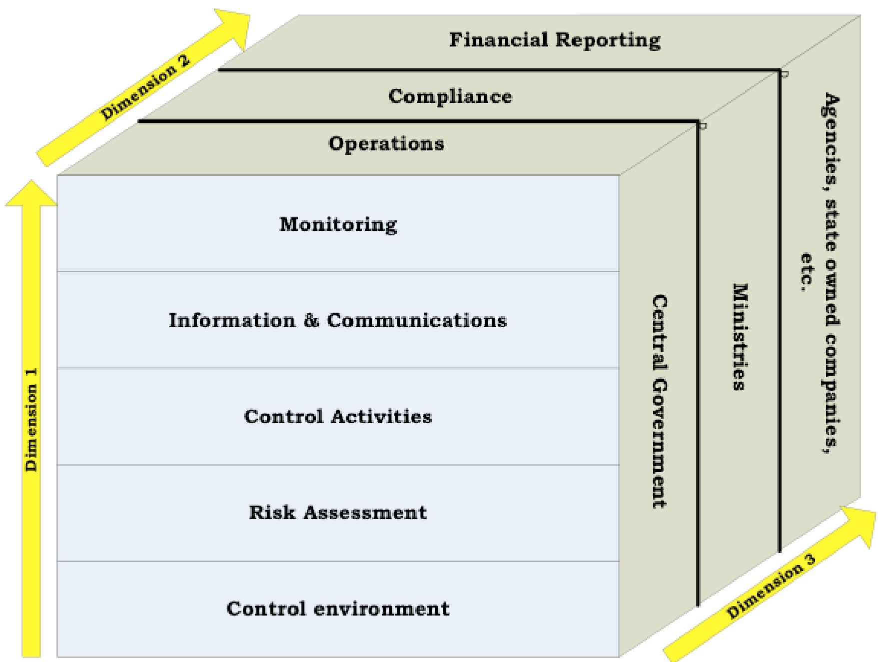
Risk management consists of eight interrelated components. These are derived from the way management operates an entity and are integrated with the management process. These components are:

1. *Internal Environment* – The internal environment encompasses the culture of an organization, and sets the basis for how risk is viewed and addressed by an entity's staff, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.
2. *Objective Setting* – Objectives must exist before management can identify potential events affecting their achievement. Risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.
3. *Event Identification* – Internal and external events affecting achievement of an entity's objectives must be identified, distinguishing between risks and opportunities. Opportunities are channelled back to management's strategy or objective-setting processes.
4. *Risk Assessment* – Risks are analysed, considering likelihood (probability) and impact, as a basis for determining how they should be managed.
5. *Risk Response* – Management selects risk responses—avoiding, accepting, reducing, or sharing risk.

6. *Control Activities* – Policies and procedures are established and implemented to help ensure the risk responses are effectively carried out.
7. *Information and Communication* – Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities.
8. *Monitoring* – The entirety of risk management is monitored and modifications made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations or both.

There is a direct relationship between objectives, which are what an entity strives to achieve, and risk management components, which represent what is needed to achieve them. The relationship is depicted in a three-dimensional matrix as illustrated in the model below.

Figure 8: The COSO risk management model



Under the COSO approach determining whether an entity's enterprise risk management is "effective" is a judgment resulting from an assessment of whether the eight components are present and functioning effectively. Thus, the components are also criteria for effective risk management. For the components to be present and functioning properly there can be no material weaknesses, and risk needs to have been brought within the entity's risk appetite.

When risk management is determined to be effective in each of the four categories of objectives, respectively, the legislative body and management have reasonable assurance that they understand the extent to which the entity's strategic and operations objectives are being achieved. Further, they are assured that the entity's reporting is reliable and that applicable laws and regulations are being followed.

The EU Public Internal Financial Control (PIFC) approach

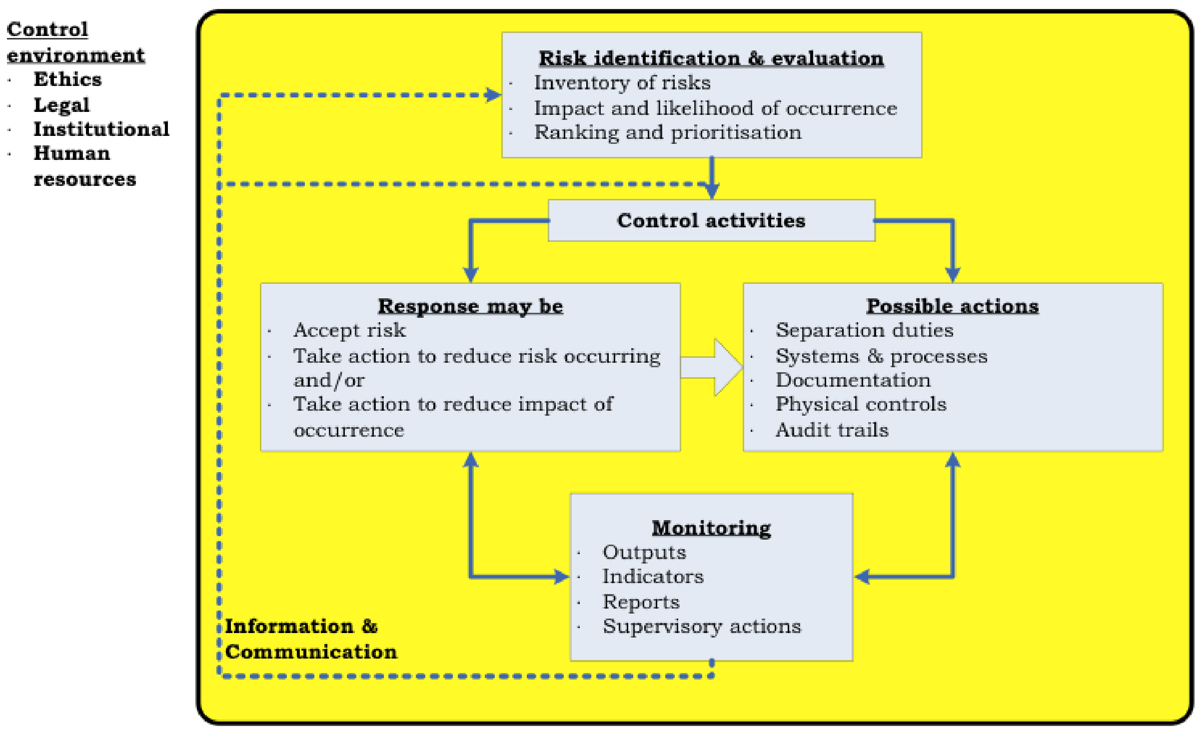
The EU has developed the PIFC structure based on COSO approach to internal control and risk management. Public Internal Financial Control (PIFC) is an exercise in risk management. All transactions involving the use of other people's money involve an element of risk that the resources will be lost, used improperly, not used for the purpose intended, or used properly but inefficiently. PIFC seeks to balance the risks of such events against the costs of their prevention.

The PIFC approach provides an institutional approach to risk management and it envisages three aspects:

1. Internal financial control established in every entity financed from the public budget
2. Internal audit in every entity
3. A Central Harmonization Unit coordinating internal control and internal audit.

The PIFC model is mandatory for EU accession countries. The approach to risk management is based on the COSO framework and summarised in the model below.

Figure 9: Risk management framework



This model summarises current approaches to risk management in public financial management and is being widely implemented in EU accession countries.

A quantitative approach to risk management

The approaches of the COSO and PIFC framework are essentially non-quantitative. They rely on subjective judgements of likelihood and impact of risk factors. Risks are ranked in on a general scale, e.g. high, medium, low.

However, a more scientific approach to modelling and quantifying risk is well established and increasingly used for risk management. The key elements of such an approach comprise:

1. Assigning costs (or a range of costs) to risk factors together with estimates of probability. Probability estimates can be subjective, based on historic experience or there can be specific research to assess event probabilities.
2. Building a model of the risk relationships. Bayesian theory can be used to model dependencies and relationships. Monte Carlo simulation can be used to test the model through a number of different scenarios.
3. Use the model to assess the benefits of risk management strategies. This can enable an informed decision on the benefits of spending on different controls, and also how much it is worth spending to provide more reliable estimates of the probability and costs of uncertain outcomes.
4. Test and amend the model against actual experience.

The quantitative approach to risk management enables a number of questions to be answered. For example, it may be worth expenditure to provide a better understanding of the probability of certain types of risk. The approach will certainly provide a mechanism for cost/benefit evaluation of expenditures to reduce risk.

A quantitative approach does not change the nature of risk management but it does provide a less subjective basis for decisions. As far as is known the quantitative approach has not so far been used in public financial management but is likely to be developed in the future.