4
Assurances of Integrity

149. It is essential for fiscal transparency that fiscal data reported by the government meet basic criteria that attest to their quality, and that there are mechanisms in place which provide assurances to the legislature and the public about data integrity. Principles and practices in this regard concern data quality standards, and public and independent scrutiny of fiscal data.

Data Quality Standards

4.1 Fiscal data should meet accepted data quality standards.

150. The Code includes good practices relating to: (1) budget data; (2) the *accounting basis*; and (3) assurances of data quality. All of these good practices are basic requirements of fiscal transparency.

Budget Data

4.1.1 Budget data should reflect recent revenue and expenditure trends, underlying macroeconomic developments, and well-defined policy commitments.

151. Serious problems with budget execution—such as ad hoc short-term cash rationing, payment arrears, unappropriated expenditure, frequent supplementary budgets—can often be traced to poor budget preparation. A credible budget that functions as an effective tool of fiscal management requires at the outset that the revenue forecasts and expenditure estimates on which it is based are of high quality. It is a basic requirement of fiscal transparency that summary information on revenue forecasts and expenditure estimates should be provided in a background paper that is part of the budget documentation, and that detailed supporting information should be available for independent scrutiny.[119]

152. Realistic revenue forecasts are especially important since relatively small errors in forecasting this large aggregate can have a large impact on the fiscal balance given that expenditure is often difficult to adjust in response to revenue shortfalls. Revenue forecasts should be fully explained in terms of recent revenue trends, likely macroeconomic developments, and

[119]See paragraphs 174–176 for a discussion of independent assessment of fiscal and macroeconomic forecasts.

the estimated impact on revenue of any emerging consequences of existing tax policies and of any new tax changes. Countries will differ in their capacities to apply advanced revenue forecasting techniques. All, however, should indicate as precisely as possible the method used. Different approaches to revenue forecasting are outlined in Box 22.

153. On the expenditure side, reliability of estimates is more a function of rigorous costing and effective control mechanisms than of forecasting. Clearly, recent expenditure trends (which may reveal rising demand for certain public services) and likely macroeconomic developments (which will affect spending on interest payments and certain price or cyclically sensitive programs, for example, unemployment compensation) are important. However, the key requirement for reliable expenditure estimates is that they include all past and current spending obligations of the government. Persistent emergence of payment arrears is usually evidence that existing obligations are not fully covered in the budget, and therefore that there is a systemic data quality problem. Frequent and substantial use of supplementary budgets within the year is likely to indicate that the original budget does not fully reflect the government's underlying obligations. Open budget procedures and thorough costing of budget policies provide a general assurance that supplementary budgets are unlikely to be needed.

Accounting Basis

4.1.2 The annual budget and final accounts should indicate the accounting basis (e.g., cash or accrual) and standards used in the compilation and presentation of budget data.

154. Although there is no internationally accepted standard for government accounting or financial reporting, work by IFAC-PSC to develop such standards has progressed substantially, as indicated in Box 17. It is a basic requirement of fiscal transparency that reference should be made to the recognized or generally accepted accounting standards that are followed.[120] Accounting policies should also be indicated.[121] It should be clear where accountability lies within government for setting accounting standards and policies, and for monitoring and certifying compliance with standards. Any recent revisions in accounting methodology and practices should be disclosed, together with the reasons for the changes and an indication of their impact on fiscal aggregates (to facilitate comparability between years). Advance notice should be given of any significant planned changes in accounting policies or practices. Best practice is that mechanisms should be set up to provide for openness of the standard setting process for government accounting and financial reporting, and for its independence from government.[122]

Assurances of Data Quality

4.1.3 Specific assurances should be provided as to the quality of fiscal data. In particular, it should be indicated whether data in fiscal reports are internally consistent and have been reconciled with relevant data from other sources.

[120]For instance, IPSAS, GAAP, as in the **United Kingdom** and **New Zealand**, or Federal Financial Accounting Standards applied by the **United States** federal government (see *http://www.financenet.gov/fasab.htm*).

[121]"Accounting policies are the specific principles, bases, conventions, rules and practices adopted . . . in preparing and presenting financial statements;" see paragraph 7, IFAC (2000b). The accounting basis may differ between budget documents and financial reports, as it does for example in the **United States**. In **France**, accounting standards used in the preparation of the final accounts have recently been changed to reflect accrual principles in a number of areas, and these standards are clearly explained in the Final Accounts—see the ROSC for France, Fiscal Transparency, Box 1, at *http://www.imf.org/external/np/rosc/fra/index.htm*. Some countries that have moved to accrual budgeting first went through a transitional period of reporting on an accrual basis while still budgeting on a cash basis.

[122]For example, in the **United States** the Federal Accounting Standards Advisory Board is responsible for developing proposals to improve accounting and financial reporting in the Federal Government. In **New Zealand**, the Fiscal Responsibility Act requires the government to prepare and present all its fiscal reports in accordance with GAAP, i.e., accrual accounting. GAAP is the responsibility of the New Zealand Accounting Standards Review Board, a body independent of the government that establishes accounting standards for the private and public sectors.

Box 22. Revenue Forecasting

There are four main approaches to revenue forecasting.

Effective rate approach. Under this approach, the forecast for each tax is made by multiplying a forecast of the tax base by the corresponding effective tax rate. The effective tax rate is calculated by dividing the tax collected for the latest available period by the estimated tax base.[1] Typically, the effective tax rate will differ from the statutory rate because of exemptions or incomplete taxpayer compliance. This approach can yield poor results when the tax base, tax rates, tax administration capacity, and taxpayer compliance are changing. For transparency, it is necessary to disclose the way in which the effective tax rate is calculated, the economic assumptions underlying the tax base forecast, and any adjustments that are made to reflect any of the aforementioned changes.

Elasticity approach. This approach establishes a stable empirical relationship between the growth in revenue for each tax and the growth in the corresponding tax base, which is specified as an elasticity. The increase in revenue is then forecast by multiplying the forecast increase in the tax base by the elasticity, and adding the estimated impact of changes in the tax structure and tax administration/compliance. For transparency, these components of the revenue forecast should be shown separately.

Model-based approach. Some advanced economies use aggregate general-equilibrium models to produce revenue forecasts which take into account the interdependence of the tax system and the economy. Others use a sample of tax returns to build micro-simulation models that describe the actual provisions of tax law, and use such models to produce micro-level forecasts that are then aggregated. These models can also be used in combination with the above two approaches. The effective rate approach or the elasticity approach can be used to produce a forecast on the basis of current policies, and micro-simulation models can be used to produce estimates of the revenue impact of tax changes. Transparency requires that information on the models used, and various parameter values, are made available.

Trend and autocorrelation approach. In some cases, it is difficult to link revenue developments to underlying macroeconomic variables. This particularly applies to nontax revenue, which is linked to specific fees and charges, to profits of enterprises, or to property values. In such cases, past trends, supplemented by specific information related to each source of revenue, may be the only practical approach to forecasting. For transparency, the way in which the underlying trend has been determined should be specified, along with the relevant specific information that influences the forecast.

[1]Ideally, the tax base used should align closely with the category of tax collections but where such information is not available a broader measure, such as GDP, may have to be used.

155. The Code requires a public commitment to timely publication of fiscal information. The term "fiscal information" implicitly embodies a concept of quality. There is a presumption that any data published should be both reliable and relevant to fiscal analysis. However, it has become apparent that, in practice, more explicit standards need to be set to ensure that fiscal data are indeed of a high quality. For this reason, the Code has been modified to iden-

tify all data quality related aspects more clearly. Many aspects dealt with in earlier sections of the Code, such as classification, and coverage, timeliness, and periodicity, are aspects of data quality, but are sufficiently important in their own right to be dealt with separately. Fiscal data consistency and reconciliation are emphasized in this section of the Code.

Internal Consistency

156. Cross-checks of internal consistency of fiscal data should be undertaken, and the effectiveness of these procedures reported. Fiscal reports, as indicated in Box 7, include the budget documentation, within-year budget reports, final accounts, financial reports, and GFS fiscal reports. It is essential that all of these reports meet high standards of reliability. It is a basic requirement of fiscal transparency that final accounts should be fully reconciled with budget appropriations, and that each should be reconciled with GFS reports. The latter provides assurance that all relevant accounts are covered by GFS reports. GFS reports should be compiled in parallel with budget reports, and should be actively used in the process of formulating and evaluating fiscal policy. Another basic requirement of fiscal transparency is that the change in the stock of debt (and financial assets) should be reconciled with the reported budget balance. Maintenance of a comprehensive government balance sheet is a systematic way of tracking changes in debt and assets, and can therefore provide a means of checking overall data reliability.

157. Assurance should also be provided as to the quality of fiscal data over time. For instance, where aggregate fiscal data are presented in the budget documentation for prior years (which is a good practice included in the Code), the status of the numbers (e.g., provisional or final) should be indicated. Any changes to the classification or presentation of items in the budget and fiscal reports from year to year should be disclosed, together with the reasons for the changes and their approximate fiscal consequences. Revisions to fiscal should follow a regular, established, and published schedule.

158. A further basic requirement of fiscal transparency is that a background paper should be included with the budget documentation which analyzes the difference between budget forecasts of the main fiscal aggregates and the outturn for recent years. Best practice is that fiscal forecasts and outturns should be fully reconciled and all significant differences should be explained (preferably in the background paper mentioned above). In particular, differences between fiscal forecasts and outturns should be broken down into those due to macroeconomic factors, those that reflect the costs of existing policies, and those that reflect the costs of new policies.[123] Where it is known that data are internally inconsistent, or that the reconciliation necessary to verify consistency has not been done, this should be clearly stated.

Reconciliation with Other Data

159. Reconciliation should be undertaken between fiscal data and related nonfiscal data, primarily monetary data but also balance of payments and national accounts data.[124] It is a basic requirement of fiscal trans-

[123] **Australia** provides a good example of routine accountability in these terms. See *http://www.budget.gov.au/finaloutcome/*.

[124] In **Albania**, fiscal financing data are reconciled with financial sector claims on and liabilities to the government; and government debt and official flows are reconciled with the balance of payments. See *Toward a Framework for Assessing Data Quality*, by Carol S. Carson, Annex IV, Sample C, at *http://dsbb.imf.org/dqrs_work.htm*.

parency that there should be rigorous reconciliation of fiscal and monetary data, and that where reconciliation processes are weak, this should be drawn to public attention (e.g., in audit reports) in a timely manner.[125] *Individual government ledger accounts* should be fully reconciled with bank accounts. The overall balance measured as the difference between revenue and expenditure should be reconciled with domestic and external financing data as reported both by the government and by the central bank, the rest of the banking system, and other lenders. Financing data should also be reconciled with detailed information on changes in debt and financial assets. For all reports, any unexplained discrepancy between the government ledger accounts and bank accounts should be disclosed.

160. One way for countries to signal a commitment to improving the quality of fiscal data is to participate in the GDDS, and this is a basic requirement of fiscal transparency. A key purpose of the GDDS is to encourage member countries to improve data quality. The GDDS provides a framework for evaluating needs for data improvement and setting priorities in this respect. Participation requires, among other things, a commitment to using the GDDS as a framework for statistical development, that meta data are prepared describing current practices in the production and dissemination of official statistics, and that plans are announced for short and long-term improvements in these practices.

161. The general topic of data quality is also being dealt with systematically by the IMF through the development of a data quality assessment framework comprising a generic framework and a number of dataset-specific applications.[126] A specific application for fiscal data is being developed that is consistent with the revised *GFS Manual*.[127] The data quality assessment framework gives structure and provides a common language for the assessment of data quality. It is designed to be a flexible, comprehensive tool that can be used in a variety of country situations by experts and non-experts alike. The framework aims to bring together best practices and internationally accepted concepts and definitions in statistics, including those of the UN *Fundamental Principles of Official Statistics*[128] and the SDDS and GDDS.

162. A summary of the draft generic data quality assessment framework is presented in Box 23. The framework follows a cascading structure that flows from five main dimensions that have been identified as critical constituents of data quality. For each of these interrelated and somewhat overlapping dimensions, the framework identifies pointers, or observable features that can be used in assessing quality. These pointers to quality are broken down into elements (major identifiers of the quality dimensions), and further, into more detailed and concrete indicators (not shown in Box 23).

163. The data quality assessment framework recognizes that the quality of an individual dataset, in this case, government finance statistics, is intrinsically bound with that of the institution producing it. This theme runs throughout the data quality assessment framework, but can be seen most clearly in the first two items in Box 23. Quality-of-the-institution issues with respect to the production of fiscal data are discussed in the next section.

[125]In **Pakistan**, following a significant breakdown of the processes of accounts reconciliation, and the discovery of substantial fiscal data discrepancies, the government has begun to reestablish basic processes of accounting and reconciliation. The creation of an inter-agency Fiscal Monitoring Committee—and its strong support by the government—is an important step toward improving the quality of data used for monitoring budget performance. It has also resulted in a strengthening of internal reconciliation and control. See the ROSC for Pakistan, Fiscal Transparency Module, paragraph 26 and Box 1, at *http://www.imf.org/external/np/rosc/pak/fiscal.htm.*

[126]For detailed information concerning this framework, which was developed by the IMF's Statistics Department, see *Toward a Framework for Assessing Data Quality*, by Carol S. Carson (2000), at *http://dsbb.imf.org/dqrs_work.htm.*

[127]The fiscal data quality assessment framework is undergoing an intensive process of consultation with international experts and IMF staff, as well as field-testing.

[128]See *http://www.un.org/Depts/unsd/statcom/1994docs/e1994.htm.* To further promote these principles, the UN Statistical Commission established a task force to develop a draft code of best practice. See United Nations Statistical Division, "Common Code of Statistical Practice in the United Nations Systems," Part I and Part II, April 1996 at *http://www.un.org/Depts/unsd/demotss/tcnjun96/tony.htm.*

Box 23. Data Quality Framework—Main Dimensions

Prerequisites of quality	The **legal and institutional environment** is supportive of statistics; **resources** are commensurate with the needs of statistical programs; and **quality** is recognized as a cornerstone of statistical work.
Integrity	**Professionalism** in statistical policies and practices is a guiding principle; statistical policies and practices are **transparent**; and are guided by **ethical standards**.
Methodological soundness	**Concepts and definitions** used are in accord with standard statistical frameworks; the **scope** of the statistics is in accord with internationally accepted standards; **classification and sectorization** systems are in accord with internationally accepted standards; and flows and stocks are valued and recorded to internationally accepted standards (**basis for recording**).
Accuracy and reliability	**Source data** available provide an adequate basis to compile statistics; **statistical techniques** employed conform with sound statistical procedures; there is regular **assessment and validation** of source data.
Serviceability	Statistics cover **relevant** information in the subject field; **timeliness and periodicity** follow internationally accepted dissemination standards; statistics are **consistent** over time, internally and with other major data systems; and **data revisions** follow a regular and predictable procedure.
Accessibility	Statistics are presented in a clear and **accessible** manner, forms of dissemination are adequate, and statistics are made available on an impartial basis; up-to-date and pertinent **metadata** are made available; and prompt and knowledgeable **assistance to users** is available.

Public and Independent Scrutiny

4.2 Fiscal information should be subjected to independent scrutiny.

164. The Code includes good practices relating to: (1) independent audit; (2) independent assessment of fiscal and macroeconomic forecasts; and (3) the integrity of fiscal statistics.

Independent Audit

4.2.1 A national audit body or equivalent organization, which is independent of the executive, should provide timely reports for the legislature and public on the financial integrity of government accounts.

165. This is a basic requirement of fiscal transparency. National audit bodies[129] are found in most countries, although precise forms and degrees of

[129]These are also known as supreme audit institutions. The national audit body is the highest level audit body in a country.

independence vary. However, new institutions need to be created in many countries in transition. In francophone countries, such institutions are known as the *Cour des Comptes*, in Commonwealth countries they are often designated as the National Audit Office or Auditor-General's Office,[130] and in Latin American countries as the *Contraloría General*. Their essential function is to uphold and promote public accountability. Their role can take on added importance in ensuring adequate public accountability as many governments move to devolve decision-making authority. It is a basic requirement of fiscal transparency that a national audit body should be set up under law.

166. The core component of government auditing is the regularity audit. This covers attestation of financial accountability of individual agencies—involving evaluation of financial records—and the expression of opinions on financial statements; attestation of the financial accountability of the government as a whole; and audit of financial systems and transactions, and of internal control and audit functions—including an evaluation of compliance with regulations and statutes.

167. In completing a regularity audit, the auditor expresses a written opinion on his or her findings. An unqualified opinion is given when the auditor is satisfied that: the financial statements have been prepared using acceptable accounting bases and consistently applied policies; the statements comply with statutory requirements and regulations; the view presented by the financial statements is consistent with the auditor's knowledge of the audited agency; and there is adequate disclosure of all material matters relevant to the financial statements.

168. An important feature of national audit bodies is that they should not be under the control of the government of the day. The INTOSAI 1977 *Lima Declaration of Guidelines on Auditing Precepts* had the chief aim of calling for independent government auditing. The guidelines call for the establishment of supreme audit institutions to be laid out in the constitution, and for their independence to be protected by a Supreme Court.[131] Establishment of procedures independent of the executive for the appointment of the chief auditor, and for his or her removal from office, is a common mechanism to assure independence. In a number of countries, however, chief auditors are appointed by the president or prime minister, and report to that official rather than to the legislature. The independence of chief auditors can be strengthened in such cases by ensuring that they are at least appointed by the legislature.

169. The chief auditor should be allowed to report directly to the legislature.[132] There should also be a presumption that all reports of the national audit body are automatically publicly available once submitted to the legislature—either immediately or within a specified period of time. In contrast, in some countries the audit office's report on the final accounts is transmitted to the legislature, or to the Speaker of the legislature, but may not be tabled in the legislature and become public information until some considerable time later.

170. One area where external audit reports are often not published is the area of military or security spending. National security considerations may warrant special provisions limiting publication of audit reports. In these situations it is important, however, that all military spending be audited by a non-

[130]The main elements of institutional independence have been established for the Audit Office in **Uganda**. See the ROSC for Uganda, Fiscal Transparency Module, paragraph 29, at *http://www.imf.org/external/np/rosc/uga/index.htm.*

[131]See *http://www.intosai.org/2_LIMADe.html.*

[132]In **India**, an independent comptroller and auditor general reports only to the parliament. It should also be noted that state governments have their own accountants general—working under the comptroller and auditor general—who provide audit reports directly to state legislatures.

military authority, and that the results of the audit be presented to a legislative body, such as a public accounts committee.[133]

171. It is a basic requirement of fiscal transparency that mechanisms should be in place to help ensure that remedial action is taken in response to adverse findings in external audit reports. One mechanism would be a regulatory requirement that the audited agency respond to the findings publicly, in writing, and indicate the actions it will take in response. Another mechanism would be for a public accounts committee to review the public accounts, to consider the chief auditor's report, and to hold the executive accountable for remedying deficiencies exposed through audit.[134]

172. To ensure that the executive cannot render the national audit body ineffective by denying it adequate funding, by controlling its staffing, or by delaying consideration of its reports—which are problems in some countries—there should be procedural mechanisms for providing a greater-than-usual degree of legislative oversight of the operation of the office. One mechanism would be to assign to a legislative committee the responsibility for proposing the office's annual budget and for setting broad areas of priority for the office, while leaving chief auditors some flexibility to initiate reports on any aspect of concern within their brief. It is important that the national audit body be given full access to all necessary records, documents, and personnel. Legislative requirements to this effect would assist in obtaining the cooperation of audited agencies.

173. Standards of external audit practice should be consistent with international standards, such as those set by INTOSAI,[135] which are described in Box 24, or by a regional body. The national audit body should have the necessary core of professionally trained staff, and all staff should be required to exhibit independence in thought and action in the conduct of their duties. The work of the office should be subject to internal assurances of quality and independent appraisal. Some advanced economies give national audit bodies a mandate to report to the public and the legislature on a broad range of issues, including auditing nonfinancial performance information against announced performance targets. Although implementation of the fiscal transparency code has not yet been taken up as a formal audit issue in any country, most of the elements considered under the Code are appropriate subjects for a broad performance audit. It is therefore best practice that a national audit body, or equivalent organization, should report to the legislature and the public on all matters relating to the integrity and transparency of fiscal policy.

Assessment of Fiscal and Macroeconomic Forecasts

4.2.2 Independent experts should be invited to assess fiscal forecasts, the macroeconomic forecasts on which they are based, and all underlying assumptions.

174. As noted earlier, budget estimates should be based on coherent and consistent macroeconomic forecasts, and the fiscal forecasts themselves should be of high quality. Publication of detailed information on the analytical basis of the macroeconomic and fiscal forecasts is a necessary first step that

[133] In **Pakistan**, for instance, defense appropriation accounts are provided to the Public Accounts Committee, but circulation of the documents is restricted for security reasons. See the ROSC for Pakistan, Fiscal Transparency Module, paragraph 30, at *http://www.imf.org/external/np/rosc/pak/fiscal.htm.*

[134] For example, in the **United Kingdom**, the Public Accounts Committee reports its findings both to parliament and to the treasury, and the treasury must subsequently report back to the committee on actions taken or not taken in response. The Public Accounts Committee in **India** plays the same role.

[135] See INTOSAI (1995).

Box 24. INTOSAI Auditing Standards

INTOSAI auditing standards consist of four parts: basic postulates, general standards, field standards, and reporting standards.

Basic postulates: the development of adequate information, control, evaluation, and reporting systems within the government will facilitate the accountability process; appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the government; and each audit body should establish a policy on which INTOSAI standards, or other specific standards, it will follow in order to ensure its work is of high quality.

General standards: individual auditors and the audit body must be independent of the executive, of the individual entity being audited, and of any political influence; they must possess the required competence; and they must exercise due care and concern in complying with INTOSAI auditing standards.

Field standards: auditors should design regularity audit procedures to provide reasonable assurance of detecting errors, irregularities, and illegal acts that could have a direct and material effect on the financial statement amounts; auditors should evaluate the reliability of internal control; and an objective of the regularity audit should be to provide assurance that the budget and accounts are complete and valid.

Reporting standards: following each audit, the chief auditor should prepare a written opinion or report setting out the findings in an easy-to-understand form, including only information that is supported by competent and relevant audit evidence; audit reports should be independent, objective, fair, and constructive (i.e., they should address future remedial action).

makes possible independent assessment and public debate on the quality of forecasts. This information should be included in summary form in a background paper that is part of the budget documentation. More detailed supporting information should be openly available on request.

175. Additional steps should also be taken, however, to facilitate independent assessment. Inclusion with the budget forecasts of a statement of responsibility, which makes it clear which agencies have produced the fiscal and macroeconomic forecasts respectively, would facilitate assessment of the forecasts by making it clear who within the government is accountable for the quality of the forecasts.[136] Regular publication in budget background papers of ex post assessments of the fiscal and macroeconomic forecasts to previous budgets against the actual outcomes would contribute to informed discussion. Regular publication by the central bank of its macroeconomic forecasts, including the technical basis underpinning them, would also facilitate informed debate over the robustness of the government's official macroeconomic forecasts.[137] Working methods and assumptions used in producing fiscal and macroeconomic forecasts should be made publicly available no later than at the time the annual budget is presented to the legislature, and preferably some time in advance of budget presentation. Advance presentation allows time for the legislature, independent forecasters and analysts, the financial press and the general media to scrutinize and comment on the robustness of the macroeconomic forecasts.[138] The public accounts

[136]The OECD best practice guidelines (item 3.2) go further by requiring that each fiscal report should contain a statement of responsibility by the finance minister and the senior official responsible for producing the report.

[137]The **Bank of Norway** regularly publishes its internal staff macroeconomic forecasts. The **Swedish Riksbank** publishes macroeconomic forecasts sanctioned by its policymaking body, not just by the staff, which further aids transparency. Publication by the central bank on a specified schedule of a report on the evolving macroeconomic situation is a requirement of the monetary and financial transparency code (item 2.4.2).

[138]In **South Africa,** the macroeconomic assumptions on which the budget forecasts are based are presented to parliament in a Medium Term Budget Policy Statement three months before budget day. See Folscher (1999) at *http://www.idasa.org.za.*

> **Box 25. The UN Fundamental Principles of Official Statistics**
>
> The following features of the UN Fundamental Principles are particularly important in fostering the integrity of fiscal statistics:
>
> - official statistics are to be compiled and made available on an impartial basis by official statistical agencies;
> - methods and procedures for the collection, processing, storage, and presentation of fiscal data are to be determined solely by the head of the statistical agency according to professional considerations; and
> - statistical agencies are to be entitled to comment on the erroneous interpretation and misuse of statistics.

committee of the legislature may have support staff available to assist it to assess the forecasts, and/or it may invite submissions from independent experts.

176. Best practice is that institutional mechanisms should be established to provide the public with independent assurance that fiscal and macroeconomic forecasts are of high quality. This could include making the fiscal and macroeconomic models available to outside experts.[139] The macroeconomic assumptions used in the budget could also be drawn from those produced by private sector forecasters.[140] Some countries have put in place mechanisms for formal quality reviews by experts, which are made public.[141] Others give an independent public agency the task of critiquing and reporting on the quality of forecasts.[142]

National Statistics Agency

4.2.3 A national statistics agency should be provided with the institutional independence to verify the quality of fiscal data.

177. The national statistics agency, or other principal official producer of government finance statistics, should be set up under legislation that grants it technical independence in the compilation and publication of official statistics.[143] This will enhance the quality and integrity of fiscal and other statistics. In the fiscal area, such an agency would play a vital role by coordinating the collection of basic fiscal data by other official bodies, and by serving as the focal point for the production and dissemination of government finance statistics.

178. To build confidence among users of official statistics, transparency of the practices and procedures of the national statistics agency is also required. Among other things, this means that the statistics agency should be provided with all the basic data it requires; it should compile fiscal data on an impartial basis; it should be entitled to comment on erroneous interpretation and misuse of the information; and it should reveal any government access to fiscal data prior to their release. In addition, terms and conditions under which fis-

[139]In **Australia**, for example, the Treasury Macroeconomic Model can be viewed at *http://www.treasury.gov.au/* and purchased from the Australian Bureau of Statistics. In the **United Kingdom**, the treasury is required by law to make the macroeconomic model publicly available.

[140]In **Canada,** the average of private sector economic forecasts is used as the basis for the economic assumptions underpinning the budget. See OECD (1999).

[141]In **France**, for example, the macroeconomic forecasts are reviewed by the National Economic Commission, chaired by the minister of economy and finance and including 22 members chosen for their economic and financial expertise. The National Economic Commission is supported by a technical group, which reviews macroeconomic forecasts prepared by key independent institutes and banks. See the ROSC for France, Fiscal Transparency Module, paragraph 20, at *http://www.imf.org/external/np/rosc/fra/index.htm.* In the **Czech Republic**, twice a year and before the budget forecasts are released, a panel of experts, including individuals from the private sector, scrutinize the macroeconomic assumptions. See the ROSC for the Czech Republic, Fiscal Transparency Module, paragraph 19, at *http://www.imf.org/external/np/rosc/cze.htm.*

[142]In the **United States**, the Congressional Budget Office, which reports directly to the legislature, prepares a complete set of macroeconomic and fiscal forecasts to be considered alongside those contained in the president's budget proposal.

[143]In a number of countries, most notably those in Latin America, fiscal data are produced and disseminated by the central bank rather than by the national statistics office.

cal data are produced and disseminated should be available to the public, and guidelines for the behavior of the staff of the statistics agency should be clear and well publicized. One way to promote these aspects of quality is through observance of the UN *Fundamental Principles of Official Statistics*—see Box 25—and by meeting the standards for data integrity contained in the SDDS/GDDS.