

Public Financial Management Performance Measurement Report Serbia Municipalities

Municipality of Vranje

REPIM Ltd for SECO

This document covers the Summary Assessment and Section 3 for the PEFA assessment report for Vranje. It needs to be read in conjunction with the PEFA cover report “*Public Financial Management Performance Measurement Report - Serbia Municipalities*”.

May 2015

Currency and indicative exchange rates

Local currency unit = Serbian Dinar

100 RSD= €0.82 =US\$1.105

Fiscal Year

01 January - 31 December

Years covered

FYs 2011, 2012 and 2013 and
Information at time of Assessment

Acronyms

AGA	Autonomous Government Agency
ATU	Administrative Territorial Unit
BC	Budget Circular
BSL	Budget System Law
CG	Central Government
COFOG	Classification of the Functions of Government
DBB	Direct Budget Beneficiaries
EBE	Extra Budgetary Expenditure
EC	European Commission
EU	European Union
FMC	Financial Management Control
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GIZ	Gesellschaft für Internationale Zusammenarbeit
GOS	Government of Serbia
IA	Internal Audit
IBB	Indirect Budget Beneficiaries
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPA	Instrument for Pre-Accession Assistance
IPSAS	International Public Sector Accounting Standards
ISPPIA	International Standards for the Professional Practice of Internal Auditing
IT	Information Technology
LSG	Local Self Government
LM	Line Ministry
MOE	Municipality Owned Enterprises
MOF	Ministry of Finance
MTBO	Medium Term Budget Outlook
MFBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTFO	Medium Term Fiscal Outlook
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIFC	Public Internal Financial Control
PPL	Public Procurement Law
RS	Republic of Serbia

RINO	Register of Reconciliation (Settlement) of Financial Obligations
SAI	State Audit Institution
SCTM	Standing Conference on Towns and Municipalities
SECO	Swiss State Secretariat for Economic Affairs
SEIO	Serbia EU Integration Office SEIO
SN	Sub National
STA	Single Treasury Account
SWG	Sector Working Groups
TA	Technical Assistance
USAID	United States Agency for International Development

Preface¹

First written evidence about Vranje dates from 1093. Vranje is administrative, health care, educational and cultural center of Pčinja district. The City of Vranje covers the space of 860 km², the number of inhabitants is 87,288. Located along the corridor 10 with a distance from big centers: Belgrade 347km, Skopje 95km, Thessaloniki 300km, Sofia 215km and Pristine 115km

Vranje is the city with great industrial and export tradition, qualified and experienced work force. Richness of natural resources provides excellent opportunities for tourism development. Vranjska Banja is distanced from Vranje 11km, and 4 km from the highway E-75. Vranjska Banja is the warmest spa in Europe. Water temperature is 98.7 degrees Celsius, and in deeper wells it may be as high as 125 degrees. The water provides great possibilities for treatment of post- traumatic conditions and rheumatic diseases. Over 5,500 domestic and foreign tourists visit the spa each year and the number increases every year.

The Turks conquered it in 1455 during the Ottoman rule it was a crossroads of Serbia to Macedonia and Bulgaria, an important place in the Morava-Vardar road, famous for the production of weapons and railway items. In 1878 he was released from the Turks.

Vranje is the birthplace of famous writer Bora Stanković. After the Second World War is an industrial center, with factories footwear, textiles, metallurgy and furniture.

Mountain Besna Kobila is 40 km distance from Vranje, and 30 km. from Vranjska Banja The mountain offers excellent prospects for winter sports as the snow stays even 9 months every year. On 1,800 m altitude there is "nebeski put" (the heavenly road) which is unique in Europe, suitable for safari bus, jeep driving, and mountain bicycling.

In recent years, much more attention is paid to education. In the city of Vranje in 2008 registered 10,382 students who attend primary school and 4,948 who attended secondary school. In addition to regular school, there are two schools with dual education, and to the music school "Stevan Mokranjac" and schools for primary and secondary education "Vule Antic".

In addition to primary and secondary schools there is one high school and three colleges. Technical and Technological (founded in 1974 as a high-school education in metal industry) 2008 had 354 students, and has three departments: the forest (woodworking), mechanical (Production Engineering) and technological (shoemaker) directions. After graduation, students receive the title of forestry engineers, technology and engineering.

¹ Paul Harnett and Siniša Jovanović carried out the field work and drafted this assessment

According to the Statute of the City of Vranje (“Official Gazette of Vranje” No. 27/2012 and 32/2012), there are statutory bodies in the municipality which are responsible for oversight and scrutiny of the departments as well as being part of the overall administration.

The Mayor of Vranje who:

- Represents the City;
- Suggests a way of solving the issues to be decided by the Sssembly;
- Orders for the execution of the budget;
- Directs and coordinates the work of the municipal administration;
- Adopts individual acts for which he is authorized by law, statute or decision of the assembly;
- Perform other duties stipulated by the statute and other City’s acts.

City Council consists of 11 members that:

- Proposes statute, budget and other decisions and acts to the Assembly;
- Directly implements and ensures the implementation of decisions and other acts of the City Assembly;
- Decides on interim financing in the case when the Assembly does not adopt the budget before the start of the fiscal year;
- Considers and adopts the annual report on the operation and financial statements of public companies, institutions and other public services whose founder or majority owner is the City, and confirms their work plans and financial plans
- Supervises the work of the City administrations, or abrogate acts of the City administrations that are not in compliance with the law, statute and other general act or decision passed by the Assembly;
- Considers the administrative procedure in the second instance on the rights and obligations of citizens, companies, institutions and other organizations in administrative matters within the jurisdiction of the City;
- Takes care of the execution of the jurisdiction of the rights and duties of the Republic.

The City Assembly which is a representative body dealing with

- the statute, council decisions and other municipal regulations,
- confirms the budget, budget revision (if necessary), and the final budget,
- development and other plans and programs,
- supervises the work of the Mayor and administrative departments,
- elects assembly leadership (president, vice president and secretary of Assembly),
- stipulates its Rules of Procedure, the decision on symbols of the City and perform other tasks stipulated by law and municipal statute.

The City Assembly is composed of councilors that are elected for a term of four years, in accordance with the electoral regulations.

Duties of the City Administration of Vranje are:

- Preparation of draft acts passed by the Assembly, Mayor and City Council;
- Execution of the acts of the City, the Mayor and City Council;
- Solves the administrative procedure, in the first instance, on the rights and duties of citizens, enterprises, institutions and other organizations in administrative matters within the jurisdiction of the City;
- Administrative supervision over the implementation of acts of the Assembly;
- Enforcement of laws and regulations which is entrusted to the City;
- To submit a report on its work to the execution of tasks within the jurisdiction of the City and delegated tasks, Mayor, City Council and City Hall, where necessary, and at least once a year; and
- Technical and other duties as determined by the City Assembly, the Mayor and City Council.

The main organizational units of the City Administration are:

- Mayor's Office,
- Office of the President of the City Assembly,
- Department of Information Systems,
- Department for the Legal Aid ,
- Department for Public Procurements that also performs related tasks from the primary jurisdiction of the Secretariat of Finance and Economy and the Secretariat for Education, Culture, Sport, Youth and Information. Within the scope taken, activities in the field of public procurement of goods, services or works for all users of budgetary funds and coordinates the planning of public procurement with budget users. Coordinate its work with the Secretariat for Economy and Finance, in conjunction with the budget planning and procurement
- Department of Budget Inspection, Audit and Control conducts audits and inspections of the direct and indirect beneficiaries of the budget of the City of Vranje and the public enterprises, public institutions and other legal entities over which the City has direct or indirect control,
- Secretariat of Finance and Economy performs tasks related to financial planning, cash management, expenditure control, debt management, budget accounting and reporting, and management of financial information system;
- Secretariat for Urban Planning and Property Affairs;
- Secretariat for Health, Social, Child and Veterans protection, refugees and internally displaced persons;
- Secretariat for Education, Culture, Sport, Youth and Information proposes the current and capital maintenance of kindergartens, primary and secondary schools in the City of Vranje and take care of its realization;
- Secretariat for Inspections and Environmental Protection; and Secretariat of General Administration.
- Professional Service for Assembly Affairs performs professional, administrative and organizational tasks for the purposes of the Mayor, the Assembly of the City Council and its working bodies.
- Common Affairs.

Official website of the City of Vranje is <http://www.vranje.org.rs> and contains Official Gazettes, annual Information Booklets of the city of Vranje, information about public procurements and other relevant resources.

In addition, there is Public Enterprise “Directorate for the development and construction of the City of Vranje”, responsible for all technical, financial, administrative and other professional tasks for the financing and implementation of the municipal program of communal activities and programs for the construction land. Web address is <http://www.direkcijavr.org>.

Legal framework:

- Article 189 and 191 of the Constitution of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 98/06),
- Article 20 of the Law on Territorial Organization of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 129/2007), Article 11 and Article 32, item 1 of the Law on Local Self-Government ("Official Gazette of the Republic of Serbia", No. 129/2007),
- Statute of the City of Vranje (“Official Gazette of Vranje” No. 27/2012 and 32/2012)
- <http://www.vranje.org.rs> contains Official Gazettes

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Summary Assessment							
PFM Performance Indicator		Scoring Method	Dimension Ratings				Rating 2014
			i.	ii.	iii.	iv.	
A.							
HLG-1	Predictability of Transfers from Higher Level of Government	M1	C	NR	A		NR
B. PFM-OUT-TURNS: Credibility of the budget							
PI-1	Aggregate expenditure out-turn compared to original approved budget	M1	A				A
PI-2	Composition of expenditure out-turn compared to original approved budget	M1	A	A			A
PI-3	Aggregate revenue out-turn compared to original approved budget	M1	B				B
PI-4	Stock and monitoring of expenditure payment arrears	M1	D	A			D+
C. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5	Classification of the budget	M1	A				A
PI-6	Comprehensiveness of information included in budget documentation	M1	A				A
PI-7	Extent of unreported government operations	M1	A	A			A
PI-8	Transparency of inter-governmental fiscal relations	M2	N A	NA	NA		NA
PI-9	Oversight of aggregate fiscal risk from other public sector entities	M1	C	NA			C
PI-10	Public access to key fiscal information	M1	B				B
D. BUDGET CYCLE							
D (i) Policy-Based Budgeting							
PI-11	Orderliness and participation in the annual budget process	M2	C	C	A		B
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting	M2	A	A	B	A	A
D (ii) Predictability and Control in Public Execution							
PI-13	Transparency of taxpayer obligations and liabilities	M2	A	A	C		B+
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	M2	C	A	D		C+
PI-15	Effectiveness in collection of tax payments	M1	D	A	A		D+
PI-16	Predictability in the availability of funds for commitment of expenditures	M1	B	B	A		B+
PI-17	Recording and management of cash balances, debt and guarantees	M2	A	A	B		A
PI-18	Effectiveness of payroll controls	M1	A	A	A	C	C+
PI-19	Competition, value for money and controls in procurement	M2	A	A	A	A	A

Summary Assessment							
PFM Performance Indicator		Scoring Method	Dimension Ratings				Rating 2014
			i.	ii.	iii.	iv.	
PI-20	Effectiveness of internal controls for non-salary expenditure	M1	C	C	A		C+
PI-21	Effectiveness of internal audit	M1	D	D	NA		D
D (iii) Accounting, Recording and Reporting							
PI-22	Timeliness and regularity of accounts reconciliation	M2	A	A			A
PI-23	Availability of information on resources received by service delivery units	M1	A				A
PI-24	Quality and timeliness of in-year budget reports	M1	C	A	A		C+
PI-25	Quality and timeliness of annual financial statements	M1	A	A	A		A
D (iv) External Scrutiny and Audit							
PI-26	Scope, nature and follow-up of external audit	M1	A	B	D		D+
PI-27	Legislative scrutiny of the annual budget law	M1	C	A	B	B	C+
PI-28	Legislative scrutiny of external audit reports	M1	A	D	D		D+
E. DONOR PRACTICES							
D-1	Predictability of Direct Budget Support	M1	N A	NA			NA
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	M1	D	D			D
D-3	Proportion of aid that is managed by use of national procedures	M1	D				D
NA = Not applicable NR = Not Rated							

I. SUMMARY ASSESSMENT

There is a significant inter-relationship between the centre of Government such as the Ministry of Finance and the municipalities in Serbia with respect to Public Financial Management. The overall legal basis is served by the Budget System Law, revenue collection is administered through a set of tax laws, procurement is regulated by one Procurement Law and the State Audit Institution is responsible for the conduct of external audits for the whole of the public sector. Municipalities depend on un-earmarked grants and earmarked grants from Central Government to finance the majority of their expenditures. The Central Government and municipalities operate under a shared Single Treasury Account with their own sub accounts within it and accounting and reporting within the Single Treasury account follow the same standards and timetable.

(i) Integrated Assessment of PFM Performance

1. Budget credibility

Budget credibility is closely linked to the budget formulation process and to the extent that the budget is forward looking. If the budget is not well prepared and does not take account of future expenditure implication of existing policies, expenditure on investment to project competition and the recurrent cost of implementation once completed, expenditures for executing the budget in any one year will be subject to demands for funding items not in the budget but which actually need supporting. This will require supplementary budgets or the by-passing of controls which then lead to arrears if revenues are not available.

During the period 2011 to 2013, the budget has been a good predictor of the expenditure outturns with an A score. The performance on realising budgeted expenditure is closely linked to revenue which come from own sources (property tax and a range of fees and charges which contribute significantly more of own source revenue and are difficult to forecast) and transfers from Central Government (general (including a share of income tax raised in the municipality) and earmarked grants). While the score for own source revenue is B, for transfers from higher level of Government (Indicator HLG-1), the deviation of actual from budgeted has a C. Earmarked transfers are, whilst a low proportion of all transfers, highly unpredictable. The stock of payment arrears is high with a D score which is reflected in the A scores for predictability.. Despite this the database for arrears is good with all invoice dates entered into the accounting software. In order to discourage arrears, the Republic Ministry of Finance penalises municipalities who do not pay invoices to private firms after 45 days by suspending transfers until invoices have been paid. Budget credibility is closely linked to the budget formulation process and to the extent that the budget is forward looking and Vranje has been strong in this area.

2. Comprehensiveness and transparency

The budget is based on administrative, economic and subfunctional classifications mirroring the structure developed at the Central government level and is consistent with all relevant international classification systems. There is also a programme structure being introduced to the classification system to serve as a strategic resource allocation and analytical tool, but this is as yet in its infancy. The budget document contains significant details and information on revenues and expenditures, and key macroeconomic aggregates, deficit and its financing but not on financial assets. Neither is there a backward looking time series to compare the proposed budget. The budget is comprehensive in its coverage with no extra budgetary expenditures or revenues and any donor projects that exist are included as well.

Public access to financial information is good with a B score. Monitoring of fiscal risks arising from the municipality owned enterprise takes place but results are not consolidated into an overall report.

3. Policy-based budgeting

The Budget Circular is dependent on receiving information from the Ministry of Finance on transfers and this has always been considerably later than specified in the scheduled calendar. Although the budget formulation process is well established, it suffered some setbacks due to the untimely issuance of the budget circular which does not include expenditure ceilings. A weakness in budget formulation process has been the rather late involvement of the political class in the municipalities as there is no formal involvement by the Assembly in the budget process until the budget proposal is submitted to the Assembly for approval. There is a participative process with the stakeholders where the members of Assembly are included but not formally. Their early consideration and endorsement of the strategic priorities, and their reflection in the budget envelopes for the sectors, would provide greater legitimacy to the budget circular and help in ensuring that the submissions to the budget department are in-tune with municipality's chosen strategic direction. This would aid the capacity to maintain aggregate fiscal discipline and strategic allocation. Both the time taken to produce the budget and the involvement of the political class are relatively weak with a C score. Nevertheless the budget is always approved on time. Despite issues with the timeliness of information from the Ministry of Finance, Vranje has been particularly proactive and innovative in producing fiscal and budgetary policy that includes a medium-term perspective. The focus of forward planning is also reflected in strong scores for the existence of costed sector strategies and linking future recurrent expenditure to investment with a B and A scores respectively. The municipality has also more loans than other municipalities and has developed fiscal sustainability analysis as part of its fiscal strategy. The municipality has clearly been very proactive in addressing budget preparation constraints that it faces.

4. Predictability and control in budget execution

Municipality administered taxation is based on a property tax that was previously implemented at the Central Government level and transferred to municipalities in 2009 who then had to establish their own administrative structures. The taxation system is based on comprehensive legislation providing clarity on the tax liabilities of taxpayers with no discretionary powers. The provisions for tax concessions are transparently set out. Taxpayer education is organized and scores B. The appeals mechanism lacks an independent arbitration mechanism between a petition to the tax administration (processed either at the municipality or Ministry of Finance district level) and the courts. The database of properties and land is expanding but links to some external databases are ineffective. Property tax clearance certificates are required for participation in public procurement purposes as well as access to certain state aid. Overall the mean score is a B. Penalties are well defined and are high enough to be a deterrent in the law and are enforced in Vranje scoring A as a result of using Compliance Procedures. Arrears are still high scoring D despite these efforts. However, arrears are also high due to the cumulative impact of high interest rates charged and the inherited arrears from when the property tax was administered by the Central government. The Law does permit write-off after 5 years but this is not implemented. Audit investigations are carried out on an ad hoc basis if staff time is available. Payments are made directly into the Single Treasury Account via the banking system with cash payments received at the office being transferred the next day. Taxpayer records are maintained electronically and updated when payments are received.

On the expenditure side, overall measures to improve execution and strengthen controls have been implemented throughout the public sector in Serbia as a result of the adoption of the Budget System Law. Overall the predictability of the availability of funds for the commitment of expenditure merits a B+. Supplementary budgets are generally few and follow the same procedures for the annual budget. The municipality's cash balance is consolidated in their single treasury bank account. Loans are accounted for in the accounting system and where a loan is undertaken, the procedures require approval by the Ministry of Finance (Public Debt Law) with limits on borrowing linked to previous budget execution. There are no fiscal targets established reflecting in part the lack of national forward budget planning.

Procurement processes and procedures are based on the national system under the Public Procurement Law and score A in all respects. The evidence from the assessment relating to procurement was that the regulations relating to shopping and opening competition were followed in its entirety. All procurement that should use open completion, used open competition. In the instances of complaints, if the complaint is accepted by the Commission, the contractor is obliged to reimburse the fee to the bidder. Procurement was discussed with the Chamber of Commerce to triangulate information from procurement officers in the municipalities. There were no specific concerns expressed.

The payroll controls are well established and are working well; partial payroll audits are conducted as part of the external audit process. The municipality has not as yet set up the

internal audit function – this is a clear weakness in the overall control system. Commitment controls do not exist – control is at the invoice rather than at the purchase decision stage after procurement procedures have been fulfilled. The degree of compliance in processing and recording of transactions is high with an A score, but the established rules and procedures for other non-procurement activities are relatively underdeveloped. There is no formal internal control function.

5. Accounting, recording, and reporting

Considerable effort has been directed towards improving the quality and comprehensiveness of the accounts and financial reports in line with the adoption of the single treasury account, accounting and reporting throughout the whole of the public sector in Serbia. Apart from the lack of accounting and reporting on commitments, in-year and annual accounting, recording and reporting score an A that reflects the well-established system and its timeliness. The accounting system is set up so that it is possible to produce reports at the level of service delivery units that provides transparency as to resource allocation at this level.

6. External scrutiny and audit

The external audit is mainly compliance and transaction orientated with some elements of system reviews, occasionally highlighting substantive concerns. The municipality is audited annually. Dealing with recommendations is poor. Audit reports are generally sent to the Assembly in a timely manner but the level of scrutiny is cursory and recommendations are not issued. With respect to the budget approval process there is a well-established set of procedures, but the time available for their implementation falls short of the one month to score a B. The assembly as a whole only assesses the annual budget when it is presented though there is a brief committee stage beforehand. Virement rules reflect the national procedures in the Budget System Law of up to 5 per cent with considerable number of reallocation.

(ii). Assessment of the Impact of the PFM weaknesses on budgetary outcomes

Aggregate fiscal discipline

Process weaknesses, such as the lack of timely availability of information on annual transfers and inconsistent delivery of earmarked transfers from the Central Government, and late involvement of the political process in the budget formulation process have the potential to threaten aggregate fiscal discipline. Also the relatively recent handover of property tax administration as well as the structure of own sourced revenue has seen large fluctuations in revenues which have been hard to estimate. Vranje has been proactive in developing an MTEF to counteract these negative aspects, rolling over expenditure commitments from existing policies into the medium term to ensure that potential fiscal problems can be anticipated. However, weaknesses in the external oversight mechanisms and the ineffectiveness of the assembly scrutiny of the government financial operations make the system still vulnerable. This can be compounded by the absence of internal audit and formal internal control units.

The well-functioning mechanism for avoiding payment arrears offsets the lack of commitment controls at the purchase decision stage after procurement procedures have been fulfilled. Nevertheless, municipalities would be better positioned to control and monitor execution of the budget by addressing commitment control and thus maintain overall budget discipline.

Strategic allocation

The strategic allocation of resources can be weakened by an absence of medium-term fiscal and budget frameworks, inadequate policy-budget linkage through sector strategies, and the lack of early involvement of the political process in the budget formulation process. Vranje has taken commendable steps to address these weaknesses so as to allocate resources efficiently over the medium term to reflect a realistic timeframe for implementation of policy. Implementing strategic priorities is nevertheless weakened by inconsistent delivery of earmarked grants.

Operational efficiency

Weaknesses in the accountability mechanisms from the absence of internal audit and the scrutiny of external audit as well as the deficiency of external audit recommendations render these ineffective as counter checks on inefficient use of resources. On the revenue side, operational efficiency is compromised by the accumulation of tax arrears. There is a need to introduce measures to target arrears collection and well as write off clearly uncollectable arrears. Lack of effective tax debt collection undermines credibility of tax assessments and the principle of equal treatment to taxpayers. The consolidation of cash balances; cash flow forecasting and cash management have enhanced budget execution and improved operational efficiency.

iii) Prospects for reform planning and implementation

Municipality Public Financial Management has benefited from the implementation of the Budget System Law, the Procurement Law and the creation of the State Audit Institution. The Single Treasury Account and the associated accounting system has meant that by and large accounting, recording and reporting is effective providing timely information for management. The procurement system has a legal and regulatory framework that is transparent, comprehensive and provides for competition. The impact of audits carried out by the State Audit Institution can be measured by the implementation of its recommendations and improvements in management and control in the municipalities that the SAI have audited. Some reform initiatives have yet to be implemented in the municipality particularly with respect to Internal Audit. While programme budgeting is being rolled out to municipalities the foresight of a medium term fiscal framework and sector strategies can only make programme budgeting a possible development in Vranje.

A comprehensive PFM reform at the local government level can be achieved only within a wider central level PFM reform, especially having in sight the uniformity of the local

government regulatory and functional framework as well as the nature of much of PFM systems across both central and local government. Since there is a parallel PEFA assessment on the central government level and a need for PFM improvement as a part of EU accession process it is expected that the requirements toward acceleration of the local government PFM will be increasingly present.

II. PFM PERFORMANCE ASSESSMENT

HLG-1 Predictability of Transfer from Higher level of the Government

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
HLG-1 Predictability of transfer from higher level of the government	Score D+	
(i) Annual deviation of actual total HLG transfers from the original total estimated amount provided by HLG to the municipal entity for inclusion in the latter's budget	C	In no more than one out of the last three years have HLG transfers fallen short of the estimate by more than 15%.
(ii) Annual variance between actual and estimated transfers of earmarked grants	NR	Information not available by Sector for earmarked grants
(iii) In-year timeliness of transfers from HLG (compliance with timetable for in-year distribution of disbursements agreed within one month of the start of the local government's fiscal year)	A	A disbursement timetable forms part of the agreement between HLG and SN government and this is agreed by all stakeholders at or before the beginning of the fiscal year and actual disbursements delays (weighted) have not exceeded 25% in more than one of the last three years

This indicator assesses how well Central Government integrate their support into the Municipality budget process so that it reflects all available resources in a timely manner.

(i) Annual deviation of actual total transfer of the HLG from estimated amount of the initial budget by HLG to the municipal entity for their involvement in the subsequent budget

Budgeted and actual Income Tax transfer (over 80% of income tax collected in the municipality) and General Transfers from the Central Government to the Municipality are as follows

S Dinar	2011			2012			2013		
	Budget	Actual	% Dev	Budget	Actual	% Dev	Budget	Actual	% Dev
Income tax Transfer	420,000,000	333,472,956		408,000,000	379,402,368		404,000,000	403,333,872	
Earmarked recurrent	0.00	17,497,020		0	59,681,265		72,550,000	70,002,422	
Earmarked Capital	0.00	1,700,000		0	300,000		0	0	
Total Transfer	420,000,000	352,669,976	16.0	408,000,000	439,383,633	7.7	476,550,000	473,336,294	0.7

The shortfall in transfer in 2011 resulted from a recalculation in transfers as a result of income tax and also VAT which was supposed to be value neutral, but resulted in a reduction in Income tax transfers in that year. Score C

(ii) Annual variance between actual and estimated transfers of earmarked grants

Data on earmarked grants at the budget stage are in aggregate for capital and current for transfers from the Central Government, although actual are available at the sector level. Earmarked transfers are mostly project related, which means that they depend on result of competition with projects proposals from other municipalities and sometimes on the availability of the funds on the CG level or realisation of international donors arrangements. Hence, the earmarked revenues are usually not budgeted which is enabled by the BSL provision (article 61, para 9) that in the case of additional revenue expenditure appropriations can be increased accordingly. Using the budget information and the general grants and income tax, the following deviation has been calculated.

HLG-1 (ii)	
Variance	
2013	0.9%
2012	27.3%
2011	19.1%

Earmarked grants are not broken down by sector but only by capital and recurrent resulting in Not Rated score.

Score NR

(iii) In-year timeliness of transfers from HLG (compliance with timetable for in-year distribution of disbursements agreed within one month of the start of the local government's fiscal year)

A time table of twelve equal tranches is agreed for General Transfers and this has been adhered to.

Score A

A. Budget credibility

PI-1 Aggregate expenditure out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-1 Aggregate expenditure out-turn compared to original approved budget.	Score A	
(i) The variance between aggregate budgeted and actual primary expenditure	A	In no more than one of the past three years has the actual expenditure deviated from budgeted expenditure by more than amount equivalent to 5% of budgeted expenditure.

This indicator assesses the credibility of the budget by calculating the extent to which actual aggregate expenditure deviates from the original budget for the last three years of available data. If expenditure consistently varies from the original budget, this points to issues with the quality of budget planning and/or challenges in budget execution. The assessment of this indicator is based on the information available for the fiscal years 2011 to 2013.

(i) The difference between actual primary expenditure and the originally budgeted primary expenditure (excluding debt service charges and externally financed project expenditure)

As can be seen by the table below, actual expenditure (excluding debt charges and externally funded project expenditure) has fallen behind budgeted expenditure by over 10% in 2011, and by under 5% in 2012 and 2013. In 2012 this is explained by the reduction in transfer from central government as well as changes in the law.

Year	Total expenditure deviation
2013	4.6%
2012	4.1%
2011	13.9%

Score A

PI-2. Composition of expenditure out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-2 Composition of expenditure out-turn compared to original approved budget	Score A	
(i) Extent of variation in expenditure composition excluding contingency items	A	Composition Variance exceeded 5% in no more than one of the past three years
(ii) Average amount of expenditure actually charged to the contingency vote over the last three years	A	The contingency vote has been on average less than 3% of the budget over the past three years

This indicator assesses the credibility of the budget by calculating the degree to which the composition of expenditures differs compared to the original approved budget for the past three years of available data. The assessment of this indicator is based on the information available for the fiscal years 2011 to 2013.

(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items

Dimension (i) measures the variance between budgeted and actual expenditure at the disaggregated MDA level, controlling for the variance in the aggregate expenditure. It reflects the government’s ability to pursue its policy objectives, as intended and stated in the budget. Significant variance in disaggregated expenditure renders the budget less credible as a policy intent statement. The indicator requires separate consideration of expenditures met from contingency reserves as they tend to influence the variance in disaggregated expenditure. The scoring of dimension (i) requires calculating the absolute value of the variance between adjusted expenditure (i.e. the original budget for each budget agency multiplied by the aggregate actual expenditure divided by the original aggregate budget) compared to the original budget for each MDA and then summing these as a percentage of the total adjusted budget to determine an overall variance.

The table below indicates the composition variance of the budget over the review period:

Year	Composition Variance
2013	3.8%
2012	6.3%
2011	4.6%

See annex for raw data

In the case of Vranje the greatest changes in budgeted to actual expenditures are in the category “Ekonomski Poslovi” under the responsibility of Urban Planning. Changes are largely associated with the development of industrial parks under their responsibility which have undergone planning changes and therefore delays in implementation. Composition variance has exceeded 5% in only one of the past 3 years.

Score A

(ii) Average amount of expenditure actually charged to the contingency vote over the last three years

The table below indicates the contingency share of the budget over the review period:

Year	Contingency Vote Share
2013	0.0%
2012	1.0%
2011	0.6%

The Municipality operates a policy of maintaining only a small contingency budget. The average over the review period amounts to 0.5%, less than 3% of the original budget.

Score A

PI-3 Aggregate revenue out-turn compared to original approved budget

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-3 Aggregate revenue out-turn compared to original approved budget	Score B	
(i) Actual domestic revenue compared to domestic revenue in the original, approved budget	B	Actual domestic revenue was between 94% and 1125 of budgeted revenue in two of the past 3 years.

The indicator measures the variance between the actual revenues collected and the revenue estimates presented in the annual budget. Variance in revenue collection impacts overall budget credibility. Having sound revenue forecasts in the budget is essential for fiscal planning as significant variances in actual revenue outcomes will require either in-year adjustments to expenditures and/or changes in external funding in order for deficit targets to be reached. Under-realization leads to larger deficits and/or spending cuts, whereas over-realization tends to result in unplanned spending running the risk of sub-optimal resource utilization.

(i) Actual domestic revenue compared to domestic revenue in the original, approved budget

Budgeted and actual revenue for the past 3 years is presented in the table below.

Vranje Local Revenue RSD	Budget	Actual	Deviation	% Deviation
2011	542,572,000	403,639,459.	138,932,541	25.6
2012	464,694,000	456,735,026	7,958,974	1.7
2013	502,225,000	485,017,235	17,207,765	3.4

The municipality own source revenue base is small relative to transfers from Central Government (see HLG-1). Property tax is the main source of tax revenue but fees, charges and fines and sales of goods are an additional source of revenue but are more difficult to forecast due to their dependence on people's actions rather than economic conditions. The structure of own source revenue is not dissimilar to local authorities around the world. Domestic Revenue collected was over 94% in two of the past three years. This relatively good performance reflects the early planning of property tax in Vranje which was taken over from CG in 2007 and so estimates of revenue are now easier to make. Score B

PI-4 Stock and monitoring of expenditure payment arrears

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-4 Stock and Monitoring of expenditure payment arrears	Score D+	
(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in stock	D	Arrears constitute over 10% of total expenditure
(ii) Availability of data for monitoring the stock of expenditure payment arrears	A	Reliable and complete data on the stock of arrears is generated through routine procedures at least at the end of each fiscal year (and includes an age profile).

This indicator assesses the credibility of the budget having regard to the existence of expenditure arrears. The quality of information regarding arrears and the size of reported arrears are both assessed by this indicator. The existence of expenditure arrears suggests that there are weaknesses in budget planning and execution.

(i) Stock of expenditure payment arrears (as a percentage of actual total expenditure for the corresponding fiscal year) and any recent change in the stock

Recent years has seen arrears at year end reach between 7.64% and 14.4% of total expenditure, almost all of which is to public sector entities. The reduction in 2012 was as a result of a targeted approach on arrears using the credit software described in PI-12. The increase in 2013 reflects the shortage of income in the municipality and therefore an increase in deficit financing using arrears.

Year	Arrears	Total Expenditure	Arrears as % of Total Exp.
2013	239,700,000.00	1,664,618,000.00	14.40
2012	164,828,000.00	2,134,413,000.00	7.72
2011	227,006,000.00	2,148,533,037.73	10.57

Score D

(ii) Availability of data for monitoring the stock of expenditure payment arrears

The accounting system routinely includes the date of the invoice which means arrears can be age profiled with monitoring and classification as arrears if not paid on time.

There is additional system to foster financial discipline based on centralized application for registering invoices received by private sector companies. According to the Act on Deadlines for the Fulfillment of Financial Obligations in Commercial Transactions (“Official Gazette RS” 119/12), invoices that have not been paid after 45 days are flagged and the Ministry of

Finance suspends the transfers of specific grants and share of income tax until the invoices have been paid². The Ministry of Finance posts a list of such suspended municipalities on its website, according to the Regulations on the procedure for exercising supervision over the implementation of the said Act between beneficiaries of public funds and companies when public funds beneficiaries are debtors (“Official Gazette RS” 21/2013). There are initiatives to broaden the scope of RINO application to cover liabilities to public sector entities also (mostly Public Utilities).Score A

B. Budget comprehensiveness and transparency

PI-5 Classification of the Budget

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-5 Classification of the Budget	Score A	
(i) The classification system used for the formulation, execution and reporting of the municipality’s budget	A	The budget formulation and execution is based on administrative, economic and sub-functional classification, using GFS/COFOG standards or a standard that can produce consistent documentation according to those standards. (Program classification may substitute for sub-functional classification, if it is applied with a level of detail at least corresponding to sub-functional.)

This indicator assesses the quality of the classification system used for formulating, executing and reporting of the municipality’s budget. The assessment is based on the classification system in place for the 2014 budget formulation and execution processes.

(i) The classification system used for the formulation, execution and reporting of the municipality’s budget

The classification system used for budget formulation, execution and reports used administrative, economic and sub-functional classification as provided in The Rulebook on Standard Classification Framework and the Chart of Accounts for the Budget System (“Official Gazette RS” 103/2011, 10/2012, 18/2012, 95/2012, 99/2012, 22/2013, 48/2013 and 61/201) and The Rulebook on Amendments and Supplements to The Rulebook on Standard Classification Framework and the Chart of Accounts for the Budget System (“Official Gazette RS” 61/2013). It mirrors the classification system used by the Central Government. Score A

² RINO web application

PI-6 Comprehensiveness of information included in budget documentation

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-6 Comprehensiveness of information included in budget documentation	Score A	
(i) Share of the nine elements of listed information in the budget documentation most recently issued by the municipality	A	Budget Documentation fulfils 7-9 of the required elements

This indicator assesses whether the coverage of the annual budget documentation as submitted to the legislature for scrutiny and approval, presents a complete picture of municipality fiscal forecasts, budget proposals and out-turn of previous years. The assessment of this indicator is based on the documentation for the 2014 budget, which was presented to the Assembly.

(i) Share of the nine elements of listed information in the budget documentation most recently issued by the municipality

As noted in the table below, the 2014 budget documentation fulfills six of the eight applicable information benchmarks. Alongside the budget proposal, explanatory notes are also sent which summarise background information (national), and most important legal changes impacting on the budget. This information is sourced from the MOF BCC, Standing Committee on Local Government, as well as trends in the local economy.

Score A

Information contained in budget documentation			
	Item	Included	Source
1	Macroeconomic assumptions, including at least estimates of aggregate growth, inflation, and exchange rate	Yes	Budget Proposal including explanatory notes
2	Fiscal deficit, defined according to GFSM, or other internationally recognized standard	Yes	Budget Proposal including explanatory notes
3	Deficit financing, describing anticipated composition	Yes	Budget Proposal including explanatory notes
4	Debt stock, including details at least for start of current year	Yes	Budget Proposal including explanatory notes
5	Financial assets, including details at least for the beginning of the current year	No	
6	Prior year's budget outturn, presented in the same format as the budget proposal	No	
7	Current year's budget (revised budget or estimated outturn), presented in same format as budget proposal	Yes	Budget Proposal including explanatory notes
8	Summarized budget data for both	Yes	Budget Proposal including explanatory notes

	revenue and expenditure according to main heads of classifications used, including data for current and previous years		
9	Explanation of budget implications of new policy initiatives	Yes	Budget Proposal including explanatory notes

(Source: Budget Proposal including explanatory notes)

PI-7 Extent of unreported government operations

This indicator measures whether all budgetary and extra-budgetary activities of municipality are included in budget estimates, in-year execution reports, year-end financial statements and other fiscal reports for the public. This is needed to provide a complete picture of municipality government revenue, expenditures across all categories, and financing. The assessment of this indicator is based on the information and reports available for 2013.

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-7 Extent of unreported government operations	Score A	
(i) The level of extra-budgetary expenditure (excluding donor-funded projects) which unreported	A	The level of unreported extra-budgetary expenditure (other than donor funded projects) is insignificant (below 1% of total expenditure).
(ii) The income/expenditure information on donor-funded projects included in fiscal reports	A	Complete income/expenditure information for all donor funded projects is included in fiscal reports

(i) The level of extra-budgetary expenditure (excluding donor-funded projects) which is unreported

Municipalities are not allowed to hold accounts outside of the STA so there is no extra-budgetary expenditure.

Score A

(ii) The income/expenditure information on donor-funded projects included in fiscal reports

Since the new BSL, it is now obligatory that all information on project expenditures and donations are channeled through the municipal accountant. All donor projects have financial reports sent to the municipality.

Score A

PI-8 Transparency of intergovernmental fiscal relations

This indicator is not applicable as there is no sub-national government under the level of municipalities.

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-8 Transparency of intergovernmental fiscal relations	NA	
(i) Transparent and rules based systems in the horizontal allocation among sub national governments of unconditional and conditional transfers from municipality.	NA	
(ii) Timeliness of reliable information to sub national governments on their allocations from municipality for the coming year.	NA	

At the time of the assessment there were proposals at budget preparation stage to make regular transfers (in the region of RSD 90 million) to the sub-municipality of Vranske Banje. A BCC was issued to Vranske Banje in August 2014, and a budget proposal is expected along the lines of other budget beneficiaries. Given the low capacity, it is envisioned that all procurement, payments and audit will take place using the Vranje systems.

PI-9 Oversight of aggregate fiscal risk from other public sector entities

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-9 Oversight of aggregate fiscal risk from other public sector entities	Score C	
(i) Extent of municipality monitoring of AGAs and public enterprises	C	Most major AGAs/PEs submit fiscal reports to municipality government at least annually, but a consolidated overview is missing or significantly incomplete.
(ii) Extent of municipality monitoring of sub national governments' fiscal position	NA	

This indicator measures the ability of municipality to fulfil its oversight role in monitoring and managing the fiscal risks arising from activities of autonomous government agencies (AGA) and public enterprises (PE). The assessment of this indicator is based on the information available for 2013.

(i) Extent of municipality monitoring of AGAs and public enterprises

All PEs are regularly monitored by the Municipality. City Councilors are responsible for the monitoring of PEs in their respective sectors. There is no single person who receives all PE reports. The PEs include a ski resort, Urban Planning, Heating, Waste, Water and a Works Directorate. Quarterly and annual reports summarise their financial positions (fiscal reports

and audits) but fiscal risks are not consolidated into a report. Fiscal Inspectors can also monitor these companies on request of the municipality. There are no AGAs.

Score C

(ii) Extent of municipality monitoring of sub national governments' fiscal position

There is no sub national government under the Municipality.

Score NA

PI-10 Public access to key fiscal information

	Minimum Requirements (Scoring Method M1)	
	2014	Explanation
PI-10 Public access to key fiscal information	Score B	
(i) Number of the eight listed elements of public access to information that is fulfilled.	B	The Municipality makes available to the public 5-6 of the 8 listed types of information

This indicator assesses transparency of fiscal information by ascertaining the accessibility to the public against a number of information benchmarks. The assessment of this indicator is based on the information available for the fiscal years 2013 and 2014 (to date).

(i) Number of the eight listed elements of public access to information that is fulfilled

As presented in the table below the municipality currently makes available six of the eight listed elements of public access to information in the timeframe specified.

Score B

Key fiscal information made available to the public			
	Item	Available	Source
1	Annual budget documentation can be obtained by the public when it is submitted to the legislature.	No	Website only at the time of approval by the legislature http://www.vranje.org.rs
2	In-year execution reports within one month of end of period	Yes	Gazette and Website http://www.vranje.org.rs within one month of end of period
3	Year-end financial statements within 6 months after completed audit	Yes	Website within 6 months of completed audit.
4	External audit reports within 6	No	The 2011 external audit by the SAI is on their website.

	months of completed audit		Privately commissioned external audits such as 2013 are not presented on the municipal website
5	Contract awards above USD100, 000 posted quarterly	Yes	Both Procurement and Municipal Websites posted within days of award
6	Resources available to primary service units	Yes	Website of units– includes schools and cultural institutions (not health as still centralized). Also from the Municipality on request.
7	Fees, charges and taxes (if any) that belong legally to the SN entity	Yes	Website and gazette.
8	services provided to the community such as potable water, sewage, illumination etc.	Yes	Website of the Utility companies

C. Policy-based budgeting

PI-11 Orderliness and participation in the annual budget process

	Minimum Requirements (Scoring Method M2)	
	2014	Explanation
PI-11 Orderliness and participation in the annual budget process	Score B	
(i) Existence of and adherence to a fixed budget calendar.	C	An annual budget calendar exists, but is rudimentary and substantial delays may often be experienced in its implementation, and allows budget units so little time to complete detailed estimates, that many fail to complete them timely
(ii) Guidance of the preparation of budget submissions	C	A budget circular is issued to Budget Units, including ceilings for individual administrative units or functional areas. The budget estimates are reviewed and approved by cabinet only after they have been completed in all details by budget units thus constraining cabinet's ability to make adjustments.
(iii) Timely approval by the legislature	A	The budget is always approved before the start of the financial year

This indicator aims to assess whether budget formulation adheres to a fixed and predictable budget calendar each year and is organized in a way that facilitates effective participation by spending and revenue collecting agencies, as well as the cabinet and political leadership in the budget formulation process. It also assesses whether the instructions given to MDAs for the preparation of their budget submissions reflect high level political decisions about the allocation of available funding, and whether the budget circular allocates spending ceilings within which MDAs have to work. The assessment of this indicator is based on the documentation for the 2014 budget.

(i) Existence of and adherence to a fixed budget calendar

Article 31 of the Budget System Law stipulates the budget calendar to be adopted by municipalities. The implementation of the municipality budget calendar is dependent on the Ministry of Finance providing the fiscal strategy and instruction from the Ministry of Finance (which includes the amount of the general transfer). The provision of the Law and the actual implementation of the calendar for the preparation of the 2014 budget is detailed below. It is instructive that Vranje predicts the late delivery of the MOF BCC and issues its own BBC, usually on the 1st August (though it was delayed in 2013) using ceilings predicted by conversations with the MOF. Adjustments are usually minor when the actual BCC arrives from MOF.

The budget calendar allowed just under 4 weeks in 2013 for Budget Units to prepare their budget estimates.

Municipality Budget Calendar

Action	Law requirement Date	Actual date 2014 budget
The Minister (of Finance) shall deliver the instruction for the decision preparation on the budget to the local government as well as the Fiscal strategy to the organizations for mandatory social insurance;	5 July	07 Oct 2013
Local government finance authority shall issue the instructions for the preparation of the draft local government budget	1 August	30 August ³
Direct beneficiaries of the local government budget shall submit the draft financial plan to the local government finance authority for the budget year and the two following fiscal years	1 September	25 September
Local government finance authority shall submit Draft Budget Decisions to the local government executive authority	1 November	1st November 2013
Local government assembly shall adopt the local government Budget Decision	20 December	17 th December 2013
Local government finance authority shall furnish the Minister with the local government Budget Decision.	25 December	25 th December

Score C

³ Vranje prepares the instruction in advance with expectation of a certain level of transfer from CG, thereby allowing an immediate issuance of the Budget Instruction to Budget Units. . Changes that have to be made after the receipt of the budget circular may require changes at the margin for the administrative units who have already carried out the allocations based on the initial information from within the municipality.

(ii) Guidance of the preparation of budget submissions

Ceilings are determined by the Head of Budget and Finance together with the mayor, and then sent to budget units. These initial ceilings are an estimate of what the MOF might send later. The City Council as a whole reviews the budget submissions once they have been finalized by budget units, and then passes the proposal onto the Assembly.

Score C

(iii) Timely approval by the legislature

The following dates for budget approval were found on both the Municipal Website and in the Municipal Gazette:

Budget year	Approval date
2012	6 Dec 2011
2013	13 Dec 2012
2014	17 Dec 2013

Score A

This dimension measures the extent to which the budget is approved before the start of the relevant fiscal year. Delays in passing the budget may create uncertainty about the level of approved expenditures and delays in some government activities. The assessment of this dimension is based on the last three years' budgets, i.e. 2012, 2013 and 2014.

PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting

	Minimum Requirements (Scoring Method M2)	
	2014	Explanation
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	Score A	
(i) Multi-year fiscal forecasts and functional allocations	A	Forecasts of fiscal aggregates (on the basis of main categories of economic and functional/sector classification) are prepared for at least three years on a rolling annual basis. Links between multi-year estimates and subsequent setting of annual budget ceilings are clear and differences explained
(ii) Scope and frequency of debt sustainability analysis	A	DSA for external and domestic debt is undertaken annually.
(iii) Existence of costed sector strategies	B	Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75% of primary expenditure.
(iv) Linkages between investment budgets and forward expenditure estimates	A	Investments are consistently selected on the basis of relevant sector strategies and recurrent cost implications in accordance with sector allocations and included in forward budget estimates for the sector.

This indicator refers to the extent to which the Government plans their fiscal framework, expenditure policies and budget plans over the medium-term.

(i) Preparation of multi-year fiscal forecasts and functional allocations

Vranje was one of 10 municipalities that received and was trained on an Excel based credit analysis tool in 2006. Since then it has maintained this database and also added functionality so that estimated revenues and expenditures can be forecast until 2020 along the lines of a MTEF. This includes the insertion of national inflation estimates from the Central Bank, national growth figures together with local growth estimates, exchange rate predictions (some municipal loans are denominated in €), with a view to predicting future revenues and expenditures as well as the municipality's ability to finance loans on a rolling basis for over 2 years ahead. Budget ceilings are estimated using projections from current year revenues, carry overs and also the impact of investments on recurrent expenditure.

Score A

(ii) Scope and frequency of debt sustainability analysis. As noted above the credit analysis tool is primarily used for debt sustainability analysis. All loans are entered into the database and, along with other macro forecasts, the software calculates all repayments on a monthly basis. Limits on repayments are calculated and have been used to advise politicians against the taking of loans despite Vranje being well within the 50% of total expenditure limit imposed by the CG. Reports are made quarterly but can also be generated on request. This is only for domestic debt as the municipality does not generate external debt

Score A

(iii) Existence of sector strategies with multi-year costing of recurrent and investment expenditure

The Exchange II Programme under the EU assisted Vranje in developing a Local Development Strategy from 2009-19. Costings are quite detailed as is the list of projects. However the Plan is not constrained by any fiscal estimates. It does prove its worth in budget preparation as all new projects are taken from the Plan and entered into the budget. Consequently the implementation rate is over 50% according to plan. Parallel to (and linked to) this is the Capital Development Plan, which accounts for just over 25% of expenditure broken down into 14 sectors, and is constrained by fiscal estimates, provided by the credit analysis tool, which also estimates future recurrent costs for up to 6 years ahead.

Score B

(iv) Linkages between investment budgets and forward expenditure estimates

The Capital Investment Plan mentioned above (PI-12 (iii)) is integrated into the credit analysis tool and the future recurrent costs of all investments are projected for up to 6 years ahead and automatically adjust expenditure estimates for future year ceilings.

Score A

D. Predictability and control in budget execution

PI-13 Transparency of taxpayer obligations and liabilities

	Minimum Requirements (scoring Method M2)	
	2014	Explanation
PI-13 Transparency of Taxpayer Obligations and Liabilities	Score B+	
(i) Clarity and comprehensiveness of tax liabilities	A	Legislation and procedures for all major taxes are comprehensive and clear, with strictly limited discretionary powers of the government entities involved.
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	Taxpayers have easy access to comprehensive, user friendly and up-to-date information on tax liabilities and administrative procedures for all major taxes, and th RA supplements this with active taxpayer campaigns.
(iii) Existence and functioning of a tax appeals mechanism	C	A tax appeals system of administrative procedures has been established, but needs substantial redesign to be fair, transparent and effective.

This indicator assesses whether the overall control environment that exists in the revenue administration system and the direct involvement and co-operation of the taxpayers from the individual and corporate private sector allow for effective assessment of tax liability. The quality of such control is very much linked to the degree of transparency of tax liabilities, including clarity of legislation and administrative procedures, access to information in this regard, and ability to contest administrative rulings on tax liability.

(i) Clarity and comprehensiveness of tax liabilities

The municipality tax is based on property and land. A new property tax system was introduced in 2013 to commence in 2014 with the Law on Property Taxes („Official Gazette RS“ br. 26/2001, " Official Gazette SRJ", br. 42/2002 - decision SUS and " Official Gazette RS", br. 80/2002, 80/2002, 135/2004, 61/2007, 5/2009, 101/2010, 24/2011, 78/2011, 57/2012 - decision US, 47/2013 and 68/2014). The owner of a property is liable for the tax except when a rental agreement is in place for more than one year, the person who is renting is liable for payment. Liability to pay property tax is assessed on a number of factors relating to the municipality – location with respect to one of 5 zones (which may be updated to 6 in 2015), the type of property and its size (usable square metre) and the average market prices for that

type of property (which is based on information on sales). These factors determine the tax base and a progressive rate of tax on property for properties other than office buildings and business premises of the taxpayer who does not keep books is applied:

- 0.4% to amounts below RSD10 million,
- between RSD10 to 25 million 0.4% + 0.6% on the amount that exceeds 10 million,
- between RSD 25 million to 50 million 0.4% & 0.6% + 1.0% on the amount that exceeds 25 million,
- above RSD 50 million 0.4, 0.6% & 1.0% + 2.0% on the amount that exceeds 50 million.

Two factors can reduce the tax payable. The assessment on a property is reduced by 1 per cent for each year of its age up to a total of 40 percent and owners who occupy the property receive a reduction of 50 per cent of the assessment.

All the information to compute the tax (except average relevant prices which is based on a survey) relating to a property is contained in an application form that was sent out to all properties in the municipality in 2013 for the introduction of the new property tax. All the relevant information is fed into the computer software system which then generates the liability automatically. There are no discretionary powers to allow a taxpayer to avoid a liability. The assessment notice is sent to each property as official notification. It is also possible for taxpayers to self-assess using a tax calculator on the municipal website.

Score A

(ii) Taxpayer access to information on tax liabilities and administrative procedures

Tax payer education by the local tax office is reactive and proactive. A tax payer who comes and asks for information may get information, and information is routinely provided beyond what is included in the annual budget relating to any relevant changes such as zoning, average prices and applicable ad valorem rates. Such information is also included in the official gazette. As well as the tax office, the municipality hosts a tax service centre where most queries are taken and bills are paid. Furthermore the tax office advertises widely in the municipality each quarter so that tax payers do not miss the deadline for payment.

Score A

(iii) Existence and functioning of a tax appeals mechanism

The right to appeal is in the Law. Tax payers can appeal an assessment directly to tax office that will check for errors and omissions and any such errors and omission are rectified. Addressing appeals related to other than errors and omissions are directed to the regional office of the Ministry of Finance based on a file compiled by the Municipality Taxation Department.

According to the Law on General Administrative Procedures (“Official Gazette SRJ” 33/97 and 31/2001 and “Official Gazette RS” 30/2010), Appeals, or “administrative disputes” can only be directed to the Administrative Court. . There is no intermediate tax appeals mechanism other than to the regional office of the Ministry of Finance so the overall system needs substantial redesign. Most recent appeals have arisen as a result of discrepancies unearthed in the inherited database.

Score C

PI-14 Effectiveness of measures for taxpayer registration and tax assessment

	Minimum Requirements (scoring Method M2)	
	2014	Explanation
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	Score C+	
(i) Controls in the taxpayer registration system	C	Taxpayers are registered in database systems for individual taxes, which are not fully and consistently linked. Linkages to other registration licensing functions are weak. There are occasional surveys of potential taxpayers.
(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	A	Penalties for all areas of non-compliance are set sufficiently high to act as deterrence and are constantly administered.
(iii) Planning and monitoring of tax audit and fraud investigation programs	D	Tax audits and fraud investigations are undertaken on an ad hoc basis if at all.

Effectiveness in tax assessment is ascertained by an interaction between registration of liable taxpayers and correct assessment of tax liability for those taxpayers. This indicator assesses these elements of tax administration.

(i) Controls in the taxpayer registration system

A New Property Tax system was introduced in 2009, with the transfer of administration to municipalities also occurring then, but Vranje Municipality began working on the local database in 2007, increasing registrations from about 12,000 in 2007 to almost 18,000 in 2011. Since then registration has plateaued with even a small decrease since 2012 as properties move out of the threshold for payment. The tax offices maintain computerized files of all registered properties and relevant details. The database is not linked to other governmental databases but court decisions and Ministry of Interior records are used to identify property owners. There is no linkage to utility company databases.

Score C

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations

Contrary to other municipalities, Vranje does not use the court system for the imposition of penalties. Instead it uses a “Forced Collection Procedure” system. Taxpayers (in the main companies) are warned that tax has not been paid (3,500 warnings were issued in 2014). If taxes are not paid, or part paid with a payment plan, within a week, a legally enforced “Forced Collection Procedure” is initiated. Bank accounts are blocked in association with the banks, and taxes owed (including punitive interest payments at 10% above bank rate) are then automatically taken from accounts. The municipality pays a small payment to the banks for the service. At present about 150 collection procedures are in progress, i.e. 3,350 warning notices resulted in the payment of taxes owed using this procedure.

Score A

(iii) Planning and monitoring of tax audit and fraud investigation programs

Staff shortages have not allowed for tax audits and fraud investigations. In any case this is the responsibility of the National Tax Administration. Controls are limited to accessing court decisions regarding inheritance or purchase and issuing liability notices.

Score D

PI-15 Effectiveness in collection of tax payments

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-15 Effectiveness in collection of tax payments	Score D+	
(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)	D	The debt collection ratio for 2013 was below 60% and the amount of tax arrears is significant
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	All payments are paid directly into accounts controlled by the treasury.
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury	A	Reconciliation occurs daily on Treasury-linked software

This indicator assesses the accumulation of tax arrears and the collection of tax debt as they lend credibility to the tax assessment process and reflects equal treatment of all taxpayers.

Prompt transfer of the collections to the Treasury is essential for ensuring that the collected revenue is available to the Treasury for spending.

(i) Collection ratio for gross tax arrears, being the percentage of tax arrears at the beginning of a fiscal year, which was collected during that fiscal year (average of the last two fiscal years)

Arrears are very significant. In 2011, they amounted to 200 per cent of taxes collected, in 2012 295 per cent and in 2013 290 per cent. The collection ratio is zero between 2011 and 2012 and between 2012 and 2013 as the amount of arrears is increasing annually.

The property tax database inherited from the Central Tax Administration does not identify payments on arrears. Each year, arrears are added to the current year's target and then the database calculates payments made irrespective of whether arrears or current liabilities. Arrears are increasing at year end as in the following table, largely as a result of the compounding of interest rates on arrears:

Property Tax RSD	2011	2012	2013
Total Arrears	445,124,154	580,633,725	750,784,393
Total Tax Collection	222,267,825	196,694,644	258,860,252

Score D

(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration

Property tax payments are paid either directly to the treasury using Treasury offices (most common method given lack of charges), or to a Treasury bank account through a commercial bank. They all arrive in Treasury accounts on the same day of payment.

Score A

(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records and receipts by the Treasury

Property Tax assessments, collections, arrears and receipts are all captured on Municipal Tax Office software which is linked to Treasury software providing for the daily reconciliation of accounts. Accounts are maintained electronically and are up-dated as soon as payment is received. If an assessment has been made and payment has not been received by the date specified on the assessment, arrears will be automatically generated in the tax payers electronic file and interest is simultaneously added to the liability. A reminder notice is generated immediately.

Score A

PI-16 Predictability in the availability of funds for commitment of expenditures

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-16 Predictability in the availability of funds for commitment of expenditures	Score B+	
(i) Extent to which cash flows are forecast and monitored	B	A cash flow forecast is prepared for the fiscal year and updated on a quarterly basis, on the basis of actual cash inflows and outflows
(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment	B	Budget Units are provided expenditure commitment ceilings every quarter
iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs	A	Adjustments to budget allocations can only be made for sectors under a supplementary budget typically twice a year, which follows similar transparent and predictable procedures as in the original budget.

This indicator assesses whether the spending ministries, departments and agencies (MDAs) receive reliable information from the Ministry of Finance on availability of funds within which they can commit expenditure for recurrent and capital inputs.

(i) Extent to which cash flows are forecast and monitored

Appropriations are made for the year. A cash flow is then prepared taking into account seasonal needs, on a quarterly basis. This is then updated each quarter on the basis of actual and future cash inflows and outflows.

Score B

(ii) Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure commitment

Budget units are provided with expenditure commitment ceilings every quarter, enabling expenditure planning. This may be adjusted upwards suddenly if unbudgeted for earmarked grants are transferred from Central Government or resources transferred by donors. Similarly ceilings may be adjusted downwards if revenues do not meet expectations.

Score B

(iii) Frequency and transparency of adjustments to budget allocations, which are decided above the level of management of MDAs

Adjustments to budget allocations can only take place between sectors under a supplementary budget, which follows the same procedures as the original budget in terms of documentation but often has reduced time for budget preparation and scrutiny by the assembly. Recently, there have typically been 1 or 2 supplementary budgets per year.

Score A

PI-17 Recording and management of cash balances, debt and guarantees

	Minimum Requirements (scoring Method M2)	
	2014	Explanation
PI-17 Recording and management of cash balances, debt and guarantees	Score A	
(i) Quality of debt data recording and reporting.	A	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis with data considered of high integrity. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly
(ii) Extent of consolidation of the government's cash balances	A	All cash balances are calculated daily and consolidated
(iii) Systems for contracting loans and issuance of guarantees	B	Municipalities' contracting of loans and issuance of guarantees are made within limits for total debt and total guarantees, and always approved by a single responsible government entity.

Efficient management of debt and debt guarantees is an essential component of fiscal management. Poor management of debt and debt guarantees can create unnecessarily high debt service costs. With regard to efficient cash management, an important requirement for avoiding unnecessary borrowing and interest costs is that balances in all government-held bank accounts are identified and consolidated (including those for extra-budgetary funds and government controlled donor-funded project accounts).

Municipalities are not allowed to contract loans or debt without the agreement of the Ministry of Finance. There are 9 bank loans which are being serviced, with the agreement of the Ministry of Finance.

(i) Quality of debt data recording and reporting

Debt Data and reporting occurs on a monthly basis as part of the reporting requirements of the CG Ministry of Finance. The quality of recording and reporting meets the standards required with a monthly report to the Public Debt Unit (MoF) on interest and principle repaid. The report includes details of the debt service, stock and operations. The details of the reports are consolidated into the Annual account at year end. Furthermore the Credit Analysis Software mentioned in PI-12 (ii) enhances the reporting on debt as simulations are run estimating the municipality's ability to service debts in the future. Documentation relating to the loans (repayments (interest and principle) and outstanding balances) is maintained in separate files.

Score A

(ii) Extent of consolidation of the government's cash balances

Within the STA, all the municipality's cash balances are consolidated on a daily basis.

Score A

(iii) Systems for contracting loans and issuance of guarantees

The municipality requires the authorization of the Minister of Finance in order to borrow and this is subject to the requirement of the Law on Public Debt (“Official Gazette of RS” No. 61/05”) as well as the Budget System Law. The Law on Public Debt stipulates municipality borrowing can only be up to a limit of 50% of the previous year’s executed budget or 25% of the CG non-earmarked transfer. The Municipal Assembly must also authorize any borrowing. Given PI 12 (i) there are no fiscal targets. Guarantees are prohibited by law.

Score B

PI-18 Effectiveness of payroll controls

This indicator assesses the integrity of personnel records and efficiency of the processes of human resource management and payroll processing in Government.

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-18 Effectiveness of payroll controls	Score C+	
(i) Degree of integration and reconciliation between personnel records and payroll data	A	Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.
(ii) Timeliness of changes to personnel records and the payroll	A	Required changes to the personnel records and payroll are updated monthly, generally in time for the following month’s payments. Retroactive adjustments are rare.
(iii) Internal controls of changes to personnel records and the payroll	A	Authority to change records and payroll is restricted and results in an audit trail.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	C	Partial payroll audits or staff surveys have been undertaken within the last three years.

The municipality has 230 employees and the Works Directorate (a Municipality Owned Enterprise) has 72 employees, a significant number of local publically funded salaries. As such, both payroll systems were analysed and found to be separate but similar in processes.

(i) Degree of integration and reconciliation between personnel records and payroll data

Payroll and personnel records are maintained as two separate but related systems: one for personnel and one for payroll. Personnel records are firstly updated in hardcopy files by the Human Resources Department, and any changes are sent immediately they are made to the Accounting Department which then enters changes into the payroll software, resulting in a direct link. Given that the municipality has only 230 employees, these changes are almost always carried out within a day and always within 5 days. A similar situation prevails at the Works Directorate. Retroactive payments are rare, perhaps once a year at most.

Score A

(ii) Timeliness of changes to personnel records and the payroll

All changes to the personnel records are made immediately the information becomes available, generally within a day and always within 5 days and immediately sent to payroll which in turn takes a similar period for updating.

Score A

(iii) Internal controls of changes to personnel records and the payroll

The Human Resources Division maintains hardcopy personnel records and immediately presents any changes to the Accounting Department, which has 2 members of staff authorised to enter such changes to its payroll software (password protected). This provides an audit trail of changes made. The Works Directorate has a similar system but only one person authorised to make changes in the software. At the Works Directorate, a further control mechanism is the linkage between the electronic “clocking in” system of employees which produces a report to be signed by each administrative head every month, which is used to corroborate salary payments. Currently the clocking in system for the municipality is broken.

Score A

(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers

External Audits always carry out a partial payroll audit of both Municipality and Works Directorate employees.

Score C

PI-19 Transparency, competition and complaints mechanisms in procurement

A well-functioning procurement system that creates transparency and competition to obtain fair and reasonable prices and overall value for money is assessed in this indicator.

	Minimum Requirements (scoring Method M2)	
	2014	Explanation
PI-19 Transparency, competition and complaints mechanisms in procurement	Score A	
(i) Transparency, comprehensiveness and competition in the legal and regulatory framework	A	The legal framework meets all 6 of the listed requirements
(ii) Use of competitive procurement methods	A	When contracts are awarded by methods other than open competition, they are justified in accordance with the legal requirements in all cases

(iii) Public access to complete, reliable and timely procurement information	A	All of the key procurement information elements are complete and reliable for government units representing 90% of procurement operations (by value) and made available in a timely manner to the public through appropriate means.
(iv) Existence of an independent administrative procurement complaints system	A	The Procurement Complaints System meets all seven criteria

Given that about just under 25% of municipal expenditure (and about 40% of public procurement in Vranje) falls under the management of the Works Directorate (a Municipality Owned Enterprise), both procurement systems were assessed. Essentially, the systems operate in a similar manner although the Works Directorate has greater expertise in large procurements and civil engineering projects. As such, it is sometimes asked to carry out Municipal procurements in its area of expertise e.g. water projects.

(i) Transparency, comprehensiveness and competition in the legal and regulatory framework

Table: Compliance of the Act with PEFA requirements		
Is the legal and regulatory framework for procurement:	Compliance	Explanation
(i) organized hierarchically and precedence clearly established	Yes	DPP acts in accordance with the PPL ("Official Gazette RS" 124/12), Rulebook on Contents act which shall regulate the procedure for public procurement within the Contracting Authority ("Official Gazette of RS", no. 106/13) and the Internal Act.
(ii) freely and easily accessible to the public through appropriate means	Yes	Information is published simultaneously on the official website and on the Public Procurement Portal, in accordance with the Article 20 of the PPL, the Law on Free Access to Information of Public Importance ("Official Gazette of RS" No. 120/04, 54/07, 104/09 & 36/10) and the Internal Act.
(iii) applied to all procurement undertaken using government funds	Yes	City acts in accordance with Article 2 related to the Article 7 of the PPL.
(iv) making open competitive procurement the default method of procurement and define clearly the situations in which other methods can be used and how this is to be justified	Yes	Open competitive procurement is the default method for procurements valued more than 400.000,00 RSD, according to the Article 39.2 of the Public Procurement Law.
(v) providing for public access to all of the following procurement information: government procurement plans, bidding opportunities, contract awards, and data on resolution of procurement complaints	Yes	Information is published simultaneously on the official website and on the Public Procurement Portal, in accordance with the Article 20 of the PPL and the Internal Act. Additional information is provided in accordance with the Law on Free Access to Information of Public Importance. Reports are generated quarterly

		and sent to the Public Procurement Office of Serbia and the State Audit Institution.
(vi) providing for an independent administrative procurement review process for handling procurement complaints by participants prior to contract signature	Yes	Complaints are handled in accordance with the Chapter VIII of the Public Procurement Law.

(ii) Use of competitive procurement methods

Most procurement over RSD 400,000 is carried out by the Works Directorate. No procurements in the Works Directorate and only 1 procurement in the municipality were carried out using non-competitive methods in 2013, which arose as 3 out of 7 bidders withdrew from the €1 million tender when no bidders' financial proposal was below the estimated contract price, resulting in a negotiation procedure. This procedure was according to NPA procedures. 100% of cases were justified.

Score A

(iii) Public access to complete, reliable and timely procurement information

Information is published simultaneously on the official website and on the Public Procurement Portal, in accordance with the Article 20 of the PPL and the Internal Act. Additional information is provided in accordance with the Law on Free Access to Information of Public Importance ("Official Gazette RS" 120/2004, 54/2007, 104/2009 & 36/2010). Reports are generated quarterly and sent to the Public Procurement Office of Serbia and the State Audit Institution.

The information covers

- Procurement plan: Law on Public Procurements, Article 51.
- Bidding opportunities: Article 3. that defines all the terms used, Art. 10. Municipality is obliged to provide the greatest possible competition, Art. 12. Municipality (as a purchaser) is obliged to provide equal status to all bidders in all phases of the public procurement
- Contract awards: Art. 107. defines conditions for awarding a contract, Art. 112. defines all necessary conditions for concluding a contract, Art. 13. is related to the deadlines.
- Complaints: Chapter VIII of the Law.

Score A

(iv) Existence of an independent administrative procurement complaints system

Complaints are handled in accordance with the Chapter VIII of the Public Procurement Law and in timely manner. All appeals are decided by the Republican Commission for the Protection of Bidders Rights, which is an independent body. The composition of the Commission is prescribed by PPL (Articles 140 and 141) and it consists of the President and

six members which are appointed by the Parliament for a five years period. The President and the members have to fulfil the requirements for judges in the primary level courts, while the President also need five years working experience in the Public Procurement area.

Members are full time employees of the Republican Commission and are drawn from citizens based on their qualifications and suitability of experience. The Commission establishes a list of experts who participate in the work of the Commission on as-needed basis. To be registered on the list, one has to be on the list of the standing court experts and pass the exam for public procurement officer (Article 143 of the PPL).

The only complaint on record for the municipality occurred in 2013, though this was eventually withdrawn. In the Works directorate there were 3 complaints none of which were upheld.

Complaints Characteristics	
(i) is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector and civil society as well as government;	Yes
(ii) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions;	Yes
(iii) does not charge fees that prohibit access by concerned parties;	Yes
(iv) follows processes for submission and resolution of complaints that are clearly defined and publicly available;	Yes
(v) exercises the authority to suspend the procurement process;	Yes
(vi) issues decisions within the timeframe specified in the rules/regulations;	Yes
(vii) issues decisions that are binding on all parties (without precluding subsequent access to an external higher authority).	Yes

Bidders are allowed to file a complaint at any stage of the tender procedure. Fees differ according to the value of a particular tender and are 40.000 RSD for tenders in range 400.000 RSD – 3.000.000 RSD and 80.000 RSD for tenders in range 3.000.000 RSD – 80.000.000 RSD and 0,1% of the tender’s value if that value is more than 80.000.000 RSD. If the complaint is accepted, the municipality must reimburse the fee to the bidder.

Discussions with the Chamber of Commerce indicated that its members did not have issues with the Procurement system in the municipality in any respects of the legal basis. However it was felt that the procurement procedures in general were onerous in terms of time and paperwork.

Score A

PI-20 Effectiveness of internal controls for non-salary expenditure

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-20 Effectiveness of internal controls for non-salary expenditure	Score C+	
(i) Effectiveness of expenditure commitment controls	C	Expenditure commitment control procedures exist and are partially effective, but they may not comprehensively cover all expenditures or they may occasionally be violated.
(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures	C	Other internal control rules and procedures consist of a basic set of rules for processing and recording transactions, which are understood by those directly involved in their application. Some rules and procedures may be excessive, while controls may be deficient in areas of minor importance.
(iii) Degree of compliance with rules for processing and recording transactions	A	Compliance with rules is very high and any misuse of simplified and emergency procedures is insignificant.

This indicator assesses the existence, understanding and compliance with internal control systems relating to expenditure commitments and payment of goods and services purchased by public entities.

(i) Effectiveness of expenditure commitment controls

Expenditure commitment control is generally effective but actual commitments (e.g. purchase orders) are not relayed to The Finance Department, rather invoices once raised (which cannot be rejected). Given the effectiveness of cash flow planning and regular communications with the Finance Department, this situation does not result in the creation of unplanned expenditure arrears⁴, although theoretically this could occur. Entering the information at the purchase order stage would ensure that commitment control is fully effective.

Score C

(ii) Comprehensiveness, relevance and understanding of other internal control rules/ procedures

The internal control system is only partially established, given the absence of some formal documents requested by the CG rulebook (e.g. risk management strategy). Although the workflow and control procedures are documented to a great extent the system cannot be considered as comprehensive.

⁴ Arrears noted in PI-4 are a recent feature and occur as a result of revenue shortages i.e. a method of deficit financing.

Score C

(iii) Degree of compliance with rules for processing and recording transactions

There is a rule book for processing transactions and a related training manual which includes emergency procedures. Discussions with the Treasury and the Administrative Units indicated that compliance is high and effective. A rejection rate of less than one transaction per month indicates efficiency in implementation and wide understanding of internal rules/procedures, despite the previously stated deficiencies.

Score A

PI-21 Effectiveness of internal audit

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-21 Effectiveness of internal audit	Score D	
(i) Coverage and quality of the internal audit function	D	
(ii) Frequency and distribution of reports	D	
(iii) Extent of management response to internal audit findings	NA	

This indicator assesses the effectiveness of the internal audit function based on the scope and quality of the audit function, in the manner and timing of the report of the findings, and in the administration's reaction to the findings and recommendations of the internal audit.

Internal Audit has not been established as yet in Vranje

(i) Coverage and quality of the internal audit function

Score D

(ii) Frequency and distribution of reports

Score D

(iii) Extent of management response to internal audit findings

Score NA

E. Accounting, recording, and reporting

PI-22 Timeliness and regularity of accounts reconciliation

	Minimum Requirements (scoring Method M2)	
	2014	Explanation
PI-22 Timeliness and regularity of accounts reconciliation	Score A	
(i) Regularity of bank reconciliations	A	Bank Reconciliations for all Municipal bank accounts takes place at least monthly at aggregate and detailed levels , usually within weeks of end of period
(ii) Regularity of reconciliation and clearance of suspense accounts and advances	A	Reconciliation and clearance of suspense accounts and advances takes place at least quarterly, within a month of end of period and with few balances brought forward

This indicator assesses the extent to which both bank accounts and suspense accounts or advance accounts, are regularly reconciled, adjusted, or settled in order to ensure that government financial statements are accurate.

(i) Regularity of bank reconciliations

The accounting department software uses Single Treasury Account data so that reconciliation is performed daily, and a report reconciling the information on the accounts and the bank records is produced within the first week of the following month. A Single Treasury account for each municipality is operated by the Ministry of Finance - Treasury Administration acting as a payment agent for all Public Sector entities, providing consolidation of all municipal money in a single account. The Direction (company/AGA) is funded wholly from the budget and does not earn any revenue from commercial operations. It acts as if it is a municipality department - it is included in the STA. All municipality funds and expenditures are transacted through the STA. According to article 2 of the Budget System Law, consolidated treasury account of the local government means a single account of domestic and foreign currency funds of local government budget beneficiaries and other public funds beneficiaries that are included in the consolidated treasury account of the local government, which shall be opened for the local government and kept with the Treasury. Every budget beneficiary (direct and indirect) has its own sub-account under STA. Within the sub-account separate records are kept for the budgetary funds as well as for the beneficiary's own revenues, as defined by the Regulations on the procedure of payment transactions within the consolidated treasury account ("Official Gazette RS" No. 92/2002, 100/2003 and 10/2004).

Score A

(ii) Regularity of reconciliation and clearance of suspense accounts and advances

Advances are usually reconciled the day after the return of an officer from travel. The legal requirement is 7 days after return. There are no suspense accounts.

Score A

PI-23 Availability of information on resources received by service delivery units

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-23 Availability of information on resources received by service delivery units	Score A	
(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units	A	Routine data collection or accounting systems provide reliable information on all types of resources received in cash and in kind by both primary schools and primary health clinics across the country. The information is compiled into reports at least annually.

The indicator covers primary education and health care service delivery units that are under the responsibility of the Government. This indicator verifies whether information is available and reported on with respect to the planned and actual resources received by primary service delivery units.

(i) Collection and processing of information to demonstrate the resources that were actually received (in cash and kind) by the most common front-line service delivery units (focus on primary schools and primary health clinics) in relation to the overall resources made available to the sector(s), irrespective of which level of government is responsible for the operation and funding of those units

Municipality expenditure is accounted for at the level of all budget beneficiaries including schools and cultural centres (the municipality has no responsibility for health care). Salaries paid by the Republic in the municipality on the education sector are also available at the individual units, as is any other revenue source e.g. donors and also resources in-kind. Spending units then compile this information into an annual report, which is sent to all sources of funding e.g. CG, Municipality, donors.

Score A

PI-24 Quality and timeliness of in-year budget reports

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-24 Quality and timeliness of in-year budget reports	Score C+	
(i) Scope of reports in terms of coverage and compatibility with budget estimates	C	Comparison to budget is possible only for main administrative headings. Expenditure is captured either at commitment or at payment stage (not both).
(ii) Timeliness of the issue of reports	A	Reports are prepared quarterly or more frequently, and issued within 4 weeks of end of period.
(iii) Quality of information	A	There are no material concerns regarding data accuracy.

This indicator assesses the extent to which comprehensive, timely and accurate budget execution reports are prepared for management. Timely and regular information on actual budget performance must be available to MoF (and Cabinet), in order to monitor performance.

(i) Scope of reports in terms of coverage and compatibility with budget estimates

Reports on expenditure at the payment stage only is produced monthly, quarterly and annually using the same classification as the budget. Commitments are not captured (see PI-20 (i))

The same format and coverage is used based on the uniform accounting system and budget classification. Annual and 6-months reports must be presented to the Mayor, Council and Assembly and are therefore gazetted. The annual report must be sent to the Ministry of Finance by end March of the following year.

In-year budget reporting is regulated by:

- Decree on budget accounting⁵: All indirect budget beneficiaries (IBB) prepare quarterly reports on budget execution within 10 days after the end of the quarter and submit to their respective direct budget beneficiaries (DBB). They reconcile these reports with the data in Treasury General Ledger, consolidate and submit to the entity in charge for finance within 20 days after the end of the quarter.
- Rulebook on content and procedure of financial reporting on planned and executed revenues and receipts and planned and executed expenses and outflows by local government units: Reporting is performed using: Form 1 – Revenues and receipts,

⁵ Public Gazette No 125/2003 and 12/2006 – the highest legal act regulating the matter of accounting in public sector

Form 2 – Expenses and outflows according to economic and functional classification, Form 2a – transfers for elementary and secondary education, Form 3 – surplus and deficit with deficit covering account, Form 4 – payroll and number of staff in local government, Form 5 – debt level. All forms are submitted to the Treasury Administration within 15. January of the current budget year. Form 1, 2, 2a and 5 are submitted on the monthly and quarterly basis within a 15 days from period expiration.

Score C

(ii) Timeliness of the issue of reports

Reports are prepared quarterly within 20 days maximum of the end of quarter and are gazetted immediately.

Score A

(iii) Quality of information

The quarterly reports are realistic statements of actual expenditure in the previous months. The accuracy and comprehensiveness of the reported data are assured by reconciliation with STA held within Treasury Administration and automated numeric and logic control within Treasury Administration. Score A

PI-25 Quality and timeliness of annual financial statements

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-25 Quality and timeliness of annual financial statements	Score A	
(i) Completeness of financial statements	A	A consolidated government statement is prepared annually and includes full information on revenue, expenditure and financial assets/liabilities.
(ii) Timeliness of submission of the financial statements	A	The statement is submitted for external audit within 6 months of the end of the fiscal year.
(iii) Accounting standards used	A	IPSAS or corresponding national standards are applied for all statements.

(i) Completeness of the financial statements

The annual financial statement covers all revenues received by the municipality and expenditures by direct and indirect beneficiaries (including the Works Directorate and utilities), as well as assets and liabilities, into a single profit and loss consolidated statement.

The details of financial reporting is regulated by the Rulebook on preparation, compilation and submission of financial reports of budget funds users and users of social funds: Financial reports are: final account, annual financial report, periodic and consolidated report. Financial reports/statements are: Form 1 – Balance sheet, Form 2 – Profit and loss statement, Form 3 –

Capital expenses and revenues statement, Form 4 – Cash flow statements and Form 5 – Budget execution report.

Score A

(ii) Timeliness of submission of the financial statements

The Financial Statements are sent to CG Treasury by the 15th May each year. Under the new BSL, the annual report (which includes the Financial Statement) is accompanied by an audit opinion.

Score A

(iii) Accounting standards used

Cash-based IPSAS is the basis of the accounting standards used throughout the public sector in Serbia and this is used in the municipality. Decree on Budget Accounting declares cash base of accounting according to IPSAS for recognition of revenues and expenses. Assets and liabilities are recognized on historical or purchase value.

Score A

F. External scrutiny and audit

PI-26 Scope, nature and follow-up of external audit

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-26 Scope, nature and follow-up of external audit	Score D+	
(i) Scope and nature of audit (including adherence to audit standards)	A	All entities of municipality are audited annually covering revenue, expenditure and assets/liabilities. A full range of financial audits and some aspects of performance audit are performed and generally adhere to auditing standards, focusing on significant and systemic issues.
(ii) Timeliness of submission of audit reports to legislature	B	Audit reports are submitted to the legislature within 8 months of the end of the period covered and in the case of financial statements from their receipt by the audit office
(iii) Evidence of follow-up on audit recommendations	D	There is little evidence of response and follow up.

This indicator assesses quality of the external audit function and the degree to which audits identify and promote changes to address systemic issues.

(i) Scope and nature of audit (including adherence to audit standards)

The complete financial statements have been audited in the past 3 years covering 100% of revenue and expenditures funded from revenue, as well as assets and liabilities. The 2011 audit was carried out by the SAI and the 2012 and 2013 audit was tendered and a private audit

company approved by the SAI was selected through competitive tendering. The audits were based on INTOSAI standards and included assets and liabilities as well as elements of a performance audit. Score A

(ii) Timeliness of submission of audit reports to legislature

The 2013 audit report was received by the Head of the Municipal Assembly by the 15th June of the following year as was the 2012 report. The 2011 audit report conducted by the SAI was not presented to the Assembly until January 2013.

Score B

(iii) Evidence of follow-up on audit recommendations

The audits of the 2011, 2012 and 2013 accounts were given a positive opinion by the auditor and no substantial recommendations were made. There is no recognized procedure for follow-up should substantial recommendations be made.

Score D

PI-27 Legislative scrutiny of the annual budget law

This indicator assesses the role of Parliament in setting fiscal policy and having this reflected in the annual budget. The power to give the government authority to spend rests with the legislature, and is exercised through the passing of the annual budget law and is an important link in the chain of accountability for fiscal policy outcomes. Assessing the legislative scrutiny and debate of the annual budget law will be informed by consideration of several factors, including the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allowed for that process.

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-27 Legislative scrutiny of the annual budget law	Score C+	
i) Scope of the legislature's scrutiny	C	The legislature's review covers details of expenditure and revenue, but only at a stage where detailed proposals have been finalized.
(ii) Extent to which the legislature's procedures are well-established and respected	A	The Legislature's procedures for budget review are firmly established and respected. They include internal organisational arrangements, such as specialised committees and negotiation procedures.
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget	B	The legislature has at least one month to review the budget proposals.

preparation cycle (time allowed in practice for all stages combined)		
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	Clear rules exist for in-year budget amendments by the executive, and are usually respected, but they allow extensive administrative reallocations

(i) Scope of the legislature’s scrutiny

Once the draft budget has been reviewed by the executive (Municipality Council), it is passed to the Assembly to initiate public debate and review on all aspects of revenue and expenditure. There is a Committee for Budget and Finance which reviews the budget proposals and issues an opinion on the budget to the Assembly, which in turn passes this on at the beginning of the public debate. A positive opinion triggers a debate in the Assembly which negotiates the full budget as proposed by the executive. All Assembly decisions are published in the Official Gazette.

Score C

(ii) Extent to which the legislature’s procedures are well-established and respected

The procedures outlined in (i) are established by way of Municipal statute (on the Municipal website) and respected.

Score A

(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)

The new BSL indicates that the draft budget should be passed to Assembly by November 1st, and despite the late issuance of the BCC by MOF, the executive has ensured that this timetable is kept to. In recent years the budget has been approved around the middle of December e.g. 2013 it was approved on December 17th.

Score B

(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature

Clear rules exist concerning changes to the budget by the executive. Article 61 of the BSL allows for a direct budget beneficiary, with the consent of the local government Head of Finance ,to redirect the appropriation approved for certain expenditure up to 5% of the appropriation being reduced. Strict safeguards have been defined with respect to sums and nature of these changes which are being observed, but allow for considerable administrative reallocations. Supplementary budgets must be approved by the Assembly and follow similar

shortened procedures as the annual budget. Vranje usually has one supplementary budget, at most two.

Score B

PI-28 Legislative scrutiny of external audit reports

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
PI-28 Legislative scrutiny of external audit reports	Score D+	
(i) Timeliness of examination of audit reports by the legislature	A	Scrutiny of audit reports is usually completed by the legislature within three months of receipt.
(ii) Extent of hearings on key findings	D	No in-depth hearings are conducted by the legislature.
(iii) Issuance of recommended actions by the legislature	D	No recommendations are being issued by the legislature.

This indicator assesses the role of the Parliament, including the Public Accounts Committee, in ensuring accountability and promoting positive change in public financial management in response to external audit findings.

(i) Timeliness of examination of audit reports by the legislature

Audit reports are routinely distributed to the whole Assembly, which takes less than a month to scrutinize the reports.

Score A

(ii) Extent of hearings on key findings

No hearings are ever organized, though members of the Assembly can ask questions, though the auditee is not necessarily present.

Score D

(iii) Issuance of recommended actions by the legislature

The Assembly has not issued recommendations so far.

Score D

G. Donor practices

D-1 Predictability of direct budgetary support

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
D-1 Predictability of direct budgetary support	Score NA	
(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)	NA	
(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)	NA	

This indicator measures the correlation between forecasted direct budget support provided by external donors and actually disbursed budget support during the last three years. The indicator considers annual deviations of actual budget support from the forecast provided by donors; it also assesses the extent to which the disbursements of the budget support are predictable during the year on a quarterly basis.

(i) Annual deviation of actual budget support from the forecast provided by the donor agencies at least six weeks prior to the government submitting its budget proposals to the legislature (or equivalent approving body)

There is no Direct Budget Support.

Score NA

(ii) In-year timeliness of donor disbursements (compliance with aggregate quarterly estimates)

Score NA

D-2 Financial information provided by donors for budgeting and reporting on project and program aid

The indicator measures the extent to which government receives adequate financial information on donor-executed programs and projects. Information received on a regular and timely basis is important to allow the government to properly allocate

resources towards priorities, to balance the distribution of aid on a sectoral and geographic basis, and to estimate the recurrent cost implications.

Vranje's top 5 donors in 2013 are: Caritas, EU Progress, HELP, and USAID.

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
D-2. Financial information provided by donors for budgeting and reporting on project and program aid	Score D	
(i) Completeness and timeliness of budget estimates by donors for project support	D	Not all major donors provide budget estimates for disbursement of project aid at least for the government's fiscal year and at least 3 months prior to its start.
(ii) Frequency and coverage of reporting by donors on actual donor flows for project support	D	Donors do not provide quarterly reports within two month of end-of-quarter on the disbursements made for at least 50% of the externally financed project estimates in the budget.

(i) Completeness and timeliness of budget estimates by donors for project support

Donors rarely provide estimates for project support which is in time for inclusion in the original budget (though may be included in supplementary budgets). This also means that municipal contributions cannot be predicted within the budget cycle. The exception is the HELP programme (employment creation in South Serbia) and multi-year projects when the outer year disbursement schedules can be included.

Score D

(ii) Frequency and coverage of reporting by donors on actual donor flows for project support.

Donors do not provide quarterly reports, but rather follow their own procedures. The new BSL now ensures that all project expenditures and donations are reported to the Municipal accountant. Not all donations are represented in the budget as there is uncertainty when they will be disbursed.

Score D

D-3 Proportion of aid that is managed by use of national procedures

	Minimum Requirements (scoring Method M1)	
	2014	Explanation
D-3. Proportion of aid that is managed by use of national procedures	Score D	

(i) Overall proportion of aid funds to municipality that are managed through national procedures	D	50% or more of aid funds to the municipal government are managed through national procedures
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Donor procedures frequently pose an additional burden on the already constrained capacities of national authorities. Furthermore, utilizing national procedures helps to strengthen these procedures. The indicator therefore attempts to assess the degree of alignment with national procedures in the management of official development assistance. National procedures are reviewed with respect to procurement, payment/accounting, audit and reporting.

(i) Overall proportion of aid funds to municipality that are managed through national procedures

In 2013 the use of procedures was as follows:

Procurement - 0%

Payments / Accounting - 0%

Audit – 0%

Reporting - 0%

This gives a weighted average of 0%.

Score D

H. Annexes

PI-2

Data for year =	2011					2.3%
					absolute	
administrative or functional head	budget	Actual	adjusted budget	deviation	deviation	22.0%
000 – Social services	81,415,000.00	82,969,128.52	70,288,609.9	12,680,518.6	12,680,518.6	83.7%
100 – General public services	433,351,000.00	411,020,864.70	374,128,101.5	36,892,763.2	36,892,763.2	1.5%
	7,094,000.00	10,315,760.84	6,124,515.1	4,191,245.7	4,191,245.7	
300 – Public order and security						4.0%
	483,905,000.00	300,396,420.84	417,773,257.6	-117,376,836.7	117,376,836.7	
400 - Economy						1.2%
	75,000,000.00	35,986,712.55	64,750,300.8	-28,763,588.3	28,763,588.3	
500 – Environmental protection						1.5%
	152,786,000.00	176,034,928.23	131,905,859.5	44,129,068.7	44,129,068.7	
600 – Community and housing						10.6%
700 - Health	500,000.00	0.00	431,668.7	-431,668.7	431,668.7	5.1%
800 – Sports and culture	235,259,000.00	274,158,189.09	203,107,880.3	71,050,308.8	71,050,308.8	#DIV/0!
900 - Education	458,810,000.00	373,735,995.46	396,107,806.9	-22,371,811.5	22,371,811.5	#DIV/0!
allocated expenditure	1928120000	1664618000	1,664,618,000.2	0.0	337,887,810.3	
contingency	3200000	0				13.9%
total expenditure	1931320000	1664618000				4.6%
overall (PI-1) variance						0.4%
composition (PI-2) variance						
contingency share of budget						
Data for year =	2012					0.045718
					absolute	
administrative or functional head	budget	Actual	adjusted budget	deviation	deviation	0.014109
000 – Social services	87,064,000.00	98,232,587.00	82,390,790.7	15,841,796.3	15,841,796.3	0.2439
100 – General public services	482,880,000.00	600,960,054.00	456,961,143.7	143,998,910.3	143,998,910.3	0.093982

300 – Public order and security	10,055,000.00	17,117,501.00	9,515,292.2	7,602,208.8	7,602,208.8	0.019819
400 - Economy	694,505,500.00	390,235,166.00	657,227,525.6	-266,992,359.6	266,992,359.6	0.18769
500 – Environmental protection	63,000,000.00	56,529,885.00	59,618,439.5	-3,088,554.5	3,088,554.5	0.016245
600 – Community and housing	227,422,000.00	195,573,109.92	215,214,995.9	-19,641,886.0	19,641,886.0	0.166141
700 - Health	0.00	1,400,000.00	0.0	1,400,000.0	1,400,000.0	0.055634
800 – Sports and culture	252,725,500.00	303,691,667.00	239,160,316.2	64,531,350.8	64,531,350.8	#DIV/0!
900 - Education	437,825,000.00	470,673,030.00	414,324,496.2	56,348,533.8	56,348,533.8	#DIV/0!
allocated expenditure	2255477000	2134413000	2,134,412,999.9	0.0	579,445,600.0	
contingency	5700000	22085759.8				4.1%
total expenditure	2261177000	2156498760				6.3%
overall (PI-1) variance						0.4%

composition (PI-2) variance

contingency share of budget						
Table 4						
Data for year =	2013					percent 0.134348
administrative or functional head	budget	Actual	adjusted budget	deviation	absolute deviation	
000 – Social services	100,720,000.00	97,886,037.03	89,861,353.5	8,024,683.5	8,024,683.5	0.087849
100 – General public services	660,532,000.00	626,889,844.97	589,319,892.5	37,569,952.4	37,569,952.4	0.003456
300 – Public order and security	10,699,000.00	25,713,368.35	9,545,538.3	16,167,830.0	16,167,830.0	#DIV/0!
	534,247,000.00	314,533,317.63	476,649,707.6	-162,116,389.9	162,116,389.9	0.032401
400 - Economy						#DIV/0!
	95,367,000.00	45,515,603.00	85,085,461.7	-39,569,858.7	39,569,858.7	#DIV/0!
500 – Environmental protection						#DIV/0!
	178,792,000.00	192,818,357.95	159,516,393.2	33,301,964.8	33,301,964.8	#DIV/0!
600 – Community and housing						#DIV/0!
700 - Health	5,000,000.00	3,400,000.00	4,460,948.8	-1,060,948.8	1,060,948.8	0.043345
800 – Sports and culture	326,682,000.00	352,718,838.83	291,462,338.1	61,256,500.7	61,256,500.7	#DIV/0!
900 - Education	496,118,000.00	489,057,669.97	442,631,403.9	46,426,266.1	46,426,266.1	#DIV/0!

allocated expenditure	2,408,157,000.00	2,148,533,037.73	2,148,533,037.7	0.0	405,494,395.0	
contingency	3,500,000.00	13,634,521.24				4.6%
total expenditure	2,411,657,000.00	2,162,167,558.97				3.8%
overall (PI-1) variance						0.4%
composition (PI-2) variance						
contingency share of budget						

Table 5 - Results Matrix

Year	for PI-1 total exp. Deviation	for PI-2 (i) composition variance	for PI-2 (ii) contingency share
2011	13.9%	4.6%	0.5%
2012	4.1%	6.3%	
2013	4.6%	3.8%	

Calculation Sheet for PFM Performance Indicator HLG-1

Data for year =	2013					94.2%
administrative or functional head	Budget	actual	adjusted budget	deviation	absolute deviation	#DIV/0!
7331 - Recurrent	72,550,000	70,002,422	72,060,745.2	-2,058,323.2	2,058,323.2	#DIV/0!
7332 - Capitals	0	0	0.0	0.0	0.0	#DIV/0!
7331 - Transfers HLG-1	404,000,000	403,333,872	401,275,548.8	2,058,323.2	2,058,323.2	#DIV/0!
allocated expenditure	476,550,000	473,336,294	473,336,294.0	0.0	4,116,646.4	
contingency						20.7%
total expenditure	476,550,000	473,336,294				39.2%
overall (PI-1) variance						0.0%

Data for year =	2012					0.116152
administrative or functional head	Budget	actual	adjusted budget	deviation	absolute deviation	0.526558

7331 - Recurrent	0	59,681,265	0.0	59,681,265.0	59,681,265.0	#DIV/0!
7332 - Capitals	0	300,000	0.0	300,000.0	300,000.0	#DIV/0!
7331 - Transfers HLG-1	408,000,000	379,402,368	439,383,633.0	-59,981,265.0	59,981,265.0	#DIV/0!
allocated expenditure	408,000,000	439,383,633	439,383,633.0	0.0	119,962,530.0	
contingency						
total expenditure	408,000,000	439,383,633				
overall (PI-1) variance						5.0%
composition (PI-2) variance						19.0%
contingency share of budget						0.0%

Table 4

Data for year = administrative or functional head	2011 budget	actual	adjusted budget	deviation	absolute deviation	percent
7331 - Recurrent	0.00	17,497,020	14,692,080.1	2,804,939.9	2,804,939.9	0.035636
7332 - Capitals	0.00	1,700,000	1,427,473.7	272,526.3	272,526.3	0.278503
7331 - Transfers HLG-1	420,000,000.00	333,472,956	280,014,046.2	53,458,909.8	53,458,909.8	#DIV/0!
allocated expenditure	420,000,000	352,669,976	296,133,599.9	56,536,376.1	56,536,376.1	#DIV/0!
contingency						
total expenditure	420,000,000	352,669,976				
overall (PI-1) variance						
composition (PI-2) variance						1.2%
contingency share of budget						16.8%
						0.0%

Table 5 - Results
Matrix

year	for dim (i)		for dim (ii)
	total transfer deviation		
2013	0.7%		0.9%
2012	7.7%		27.3%
2011	16.0%		19.1%

Names and Designation of People consulted

Mayor

1. Mr. Zoran Antić

President of Assembly

2. Mr. Dragan Mitić

Secretary of Assembly

3. Ljiljana Stojanović

Member of City Council for Economy

4. Mr. Perica Janković

Member of City Council for budget and finance

5. Mr. Dragan Spirić

Municipal Administration, Secretariat for finance and economy

6. Mr. Goran Spirić, budget department
7. Mr. Bojan Kostić, budget department
8. Mr. Nebojša Savić, accounting
9. Ms. Suzana Jovanović, Treasury
10. Ms. Vesna Petrović, public procurement

Local Tax Administration

11. Ms. Saša Petković

Local Economy Development

12. Ms. Jasmina Petrović

Works Directorate

13. Mr. Predrag Stošić

Regional Chamber of Commerce/Entrepreneur

14. Mr. Dobrivoje Stefanović