

Accounting Reform and Fiscal Management

The Portuguese Case

1. Introduction

2. Main objectives of the reform

3. Legal foundations

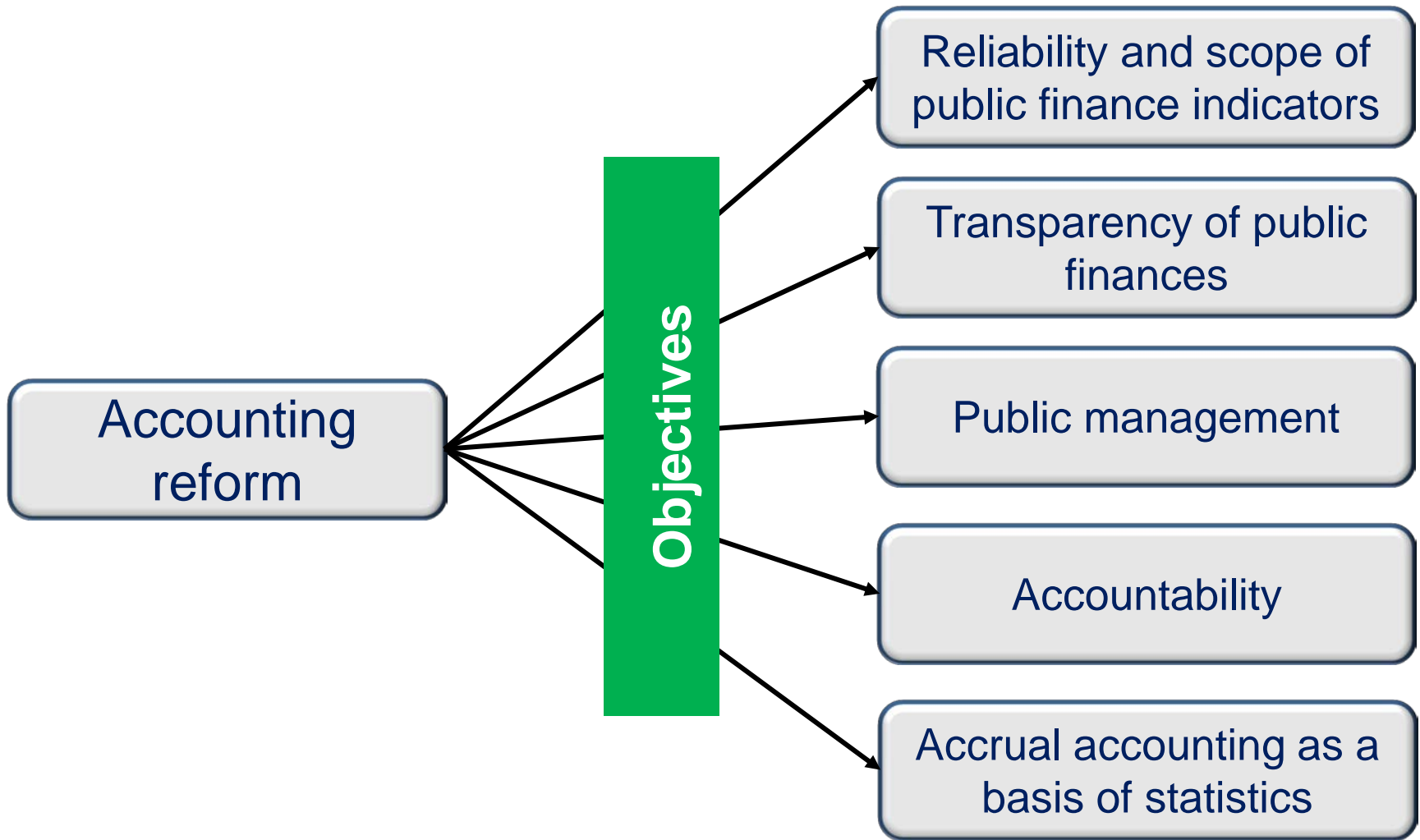
4. Innovations

5. Central accounting and reporting system

6. Conclusions



- ❖ Fragmented and outdated public sector accounting framework
- ❖ IMF technical assistance missions and the 2014 Fiscal Transparency Evaluation
- ❖ Council Directive on requirements for budgetary frameworks of the Member States (2011/85)
- ❖ New accounting framework based on IPSAS (2013-2015)
- ❖ Some actual positive features

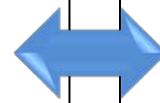


Public Sector Accounting Reform

1. State Accounting Entity
2. Prospective consolidated financial statements on budget documentation
3. Costs and results of public policies
5. Consolidation of accounts
6. True and fair view concept
7. Opinion of the Court of Auditors on consolidated financial statements

1. A single accounting framework for all levels of government
2. IPSAS based standards
3. Models for budget statements
4. Models for financial statements
5. Chart of accounts with codes for national accounts purposes

New BFL
Law 151/2015



Accounting Law - SNC-AP
Decree-Law 192/2015

Accounting subsystems

Portuguese Public Sector Accounting System

Budgetary Accounting Subsystem

NCP 26 (budget consolidation rules)
No IPSAS as reference
A dedicated class of accounts (Class 0) and budget classifications
Double entry system
Receivables and accounts payables accounting (revenue and expense budget phases)

Financial Accounting Subsystem

Conceptual framework (IPSASB based)
25 accounting standards based on IPSAS
Chart of accounts with government finance statistics codification incorporated

Management Accounting Subsystem

NCP 27
No IPSAS as reference
RPG 3 – Reporting Service Performance Information was considered
Link to performance budgeting and reporting

Agents of the Sovereign State

Debt and Treasury Management Agency

Tax and Customs Authority

Heritage Assets Directorate

Budget Directorate

State Buildings and Financial Holdings Directorate

Other entities that act on behalf of the Sovereign State

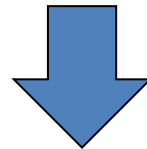
Accounting concentration of the operations managed by the agents

State Accounting Entity

Enhance accrual basis of accounting by filling the accounting gaps

Establish the foundations for the preparation of consolidated financial statements

Increase efficiency in cash management



The view of accounting as a primary, useful and reliable information system

The project started on October 2015

February 2017

September 2016

Phase 3

Phase 2

April 2016

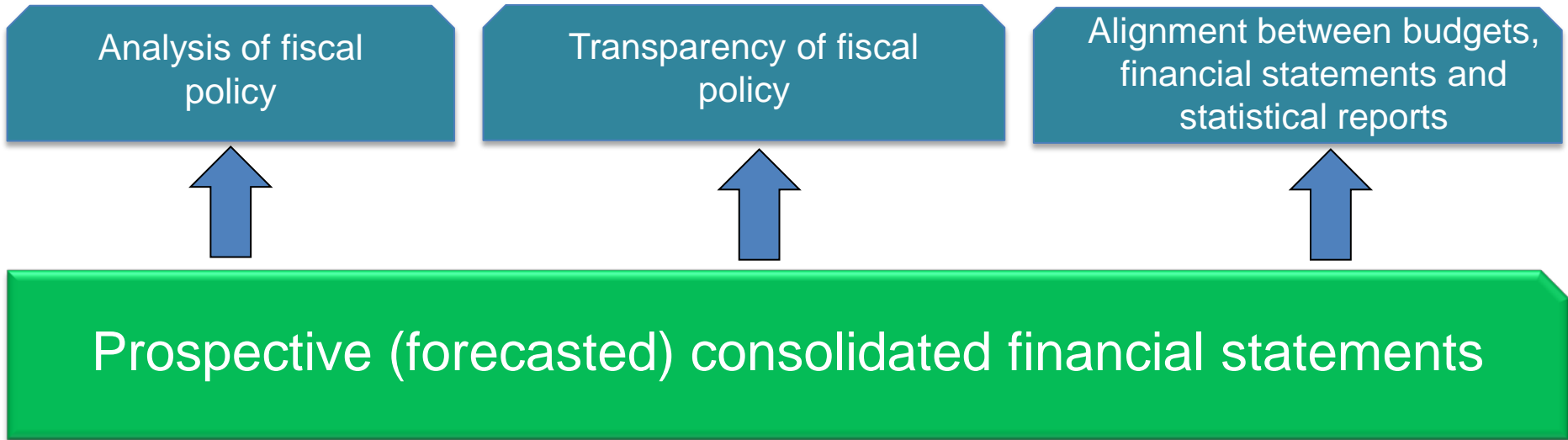
Phase 1

Conceptual model and normative instruments

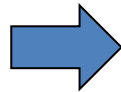
SAE Accounting Information System Implementation

Pilot implementation OBS and SAE transactions

This new accounting and reporting entity will have legal status on 2019



Proposal 1



At EU level prospective consolidated financial statements should be included in budget documentation and in medium term budget frameworks (stability programmes)

Overall understanding
of public finances

Better fiscal planning

New set of fiscal indicators

Consolidated financial statements

Alignment of accounting policies for the consolidated financial statements
with the requirements of ESA 2010

Net worth

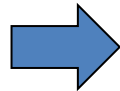
Debt measured in accordance with international standards

Consolidated net debt

Consolidated EBITDA

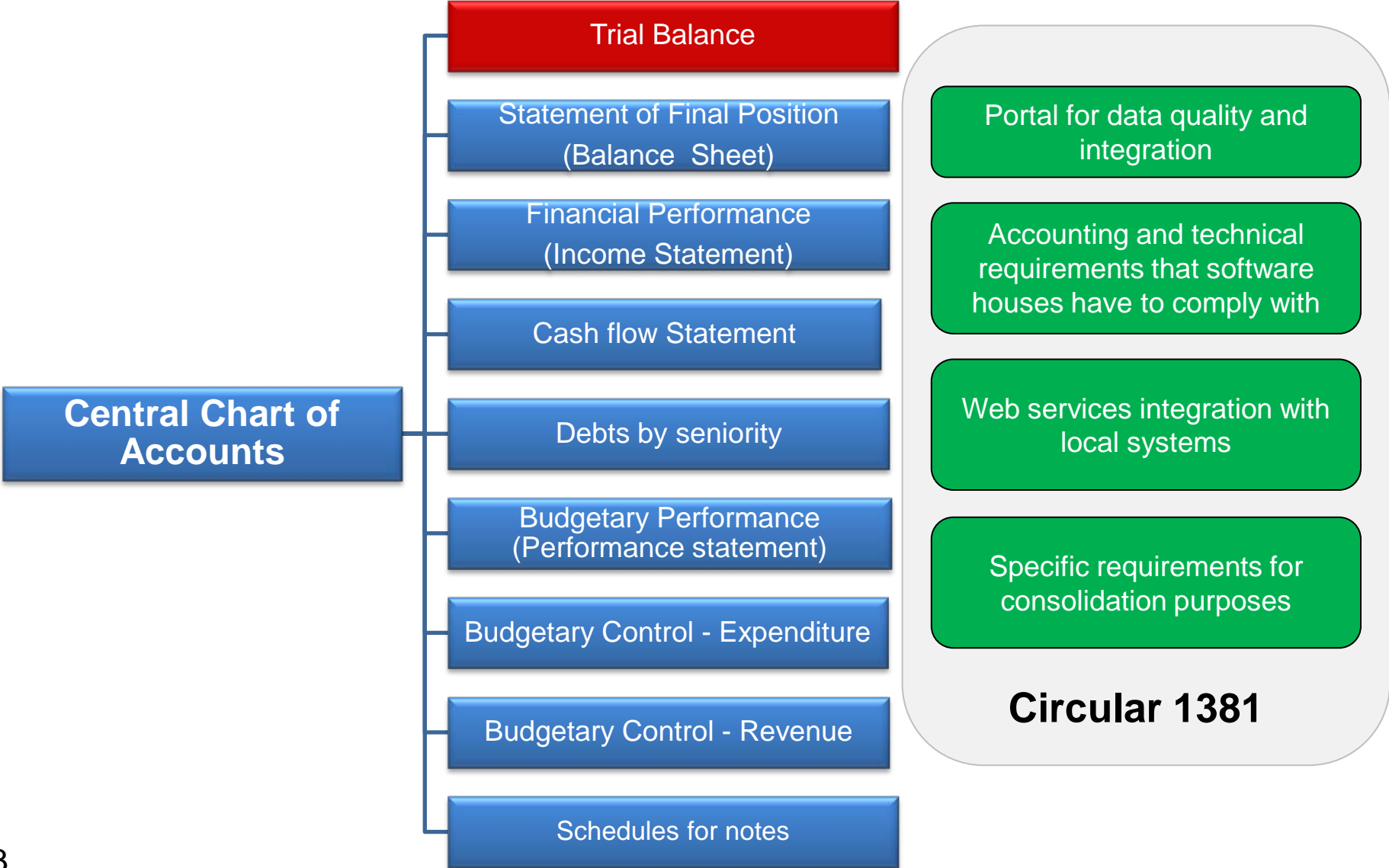
We want to see “The Whole Elephant” (Irwin, 2015)

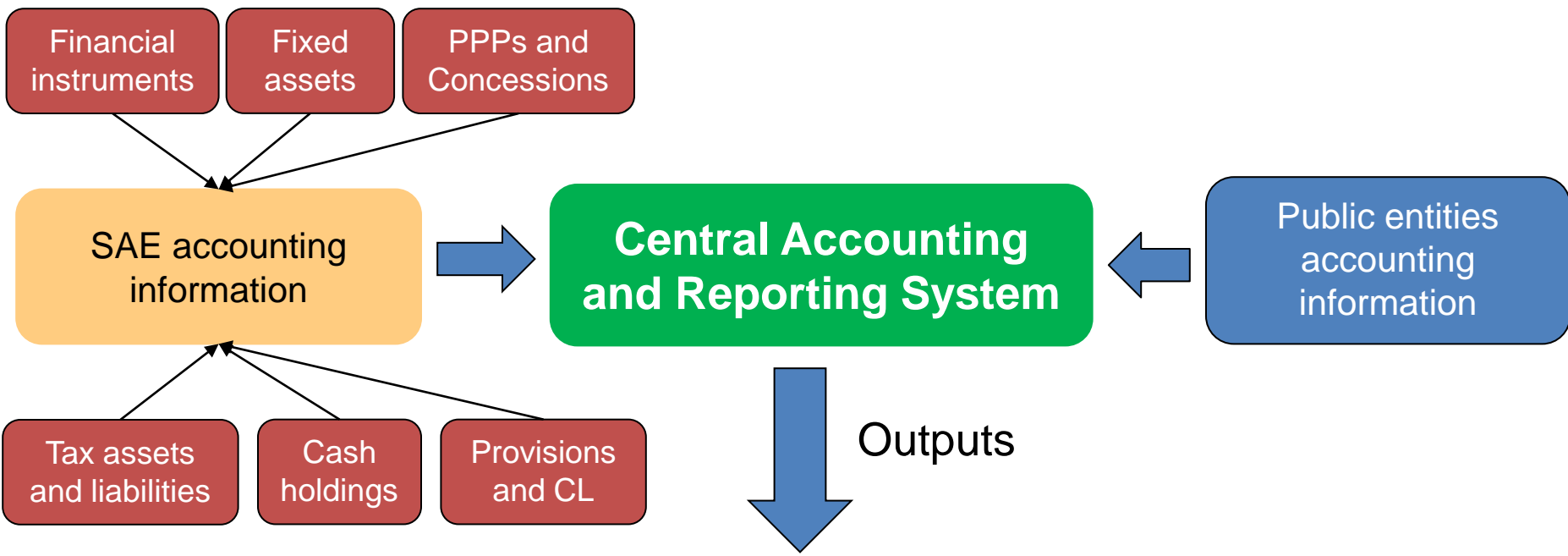
Proposal 2



Introduction of accounting based fiscal indicators on fiscal surveillance at national and EU level

Cross validations between the trial balance, budget statements, financial statements and notes





- Separate Budget and Financial Statements (State Accounting Entity, other public entities from all levels of government)
- Consolidated budget and financial statements (level of ministry, budget program, general government subsectors, whole of government)
- Management reports for budgetary and financial control
- External reporting
- Government finance statistics reporting (ESA 2010)

- ❖ Accrual accounting as a means to a new generation of fiscal rules
- ❖ Accounting as a strong foundation for sound fiscal policies
- ❖ EU enhanced fiscal surveillance needs harmonized accounting standards (EPSAS/IPSAS)
- ❖ Cooperation between the different stakeholders
- ❖ Strengthening of the accounting functions in Ministry of Finance and Line Ministries
- ❖ Change management
- ❖ Proactive discussions between accountants and economists

Many thanks you for your attention!