

PEMPAL TCOP

CoAs/BC working group

Tallinn, Estonia, February 2013

Design of Chart of Accounts

- A poorly designed chart of accounts weakens PFM systems, *but*
- A well designed Chart of Accounts strengthens PFM systems *through*
 - Improved budget processes
 - Improved control
 - Improved accountability
 - Use of country systems
 - Consolidation of public finances

What Should a COAs Do?

- Allow the capture of high level expenditure/revenue information for appropriation control
- Allow the capture of detailed expenditure/revenue information for management/internal control and audit purposes
- Provide a framework for recording and reporting on other financial stocks and flows such as assets and liabilities
- Facilitate the production of predefined reports for a variety of user requirements

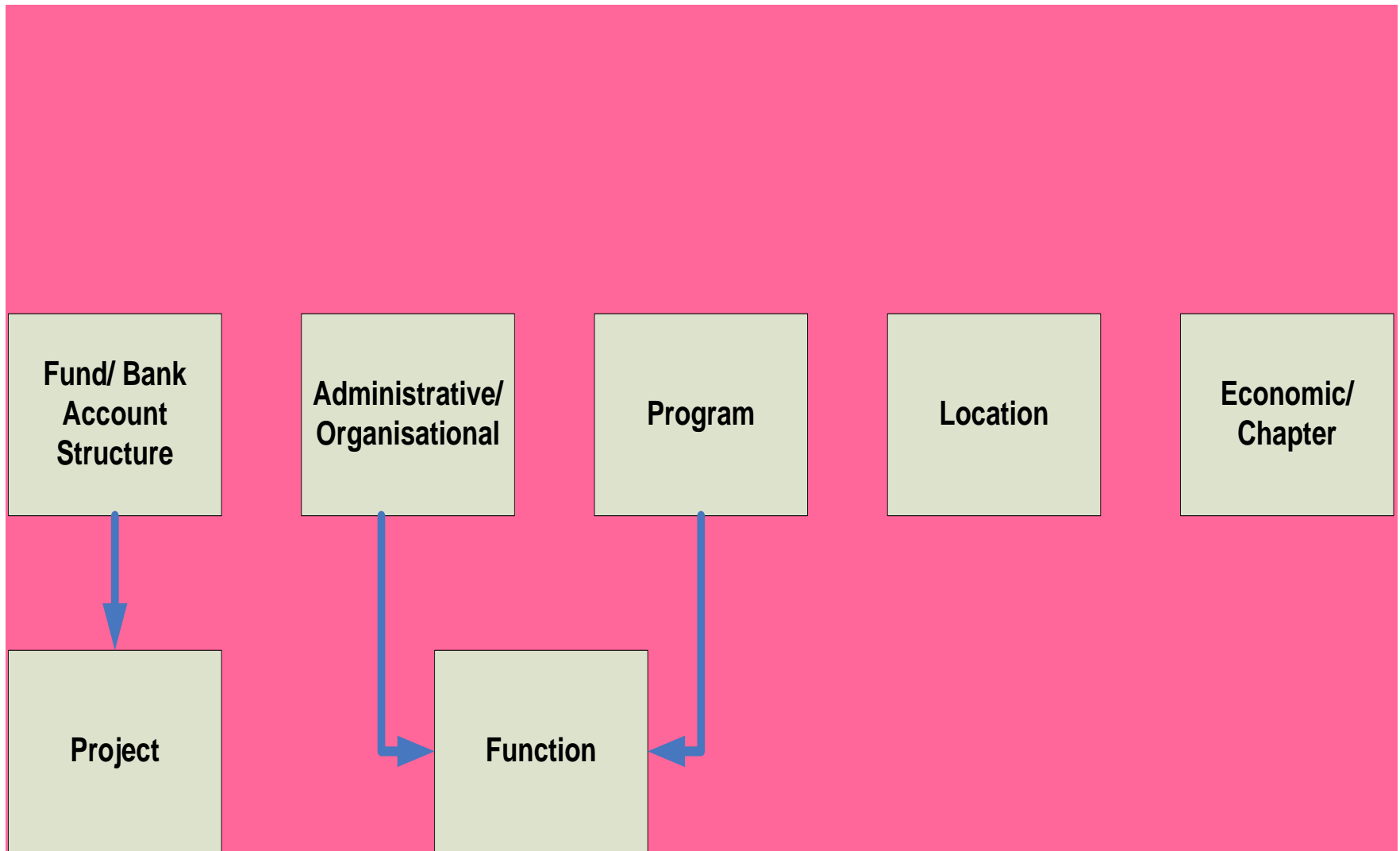
What Should a COAs Do? (cont...)

- Facilitate the production of user-defined reports as required
- Allow international comparison and reporting, including GFS 2001
- Facilitate the production of consolidated and detailed reporting
- Support strategic planning and results-based analysis

Key Questions in Building a COAs *(and in identifying core elements)*

- What is the money collected for?
- Where does the money come from?
- What is the nature of the spending?
- Who collects and spends the money?
- Where is the money spent?
- What reports are required by all users?

Structural Representation of the Segments of a COAs

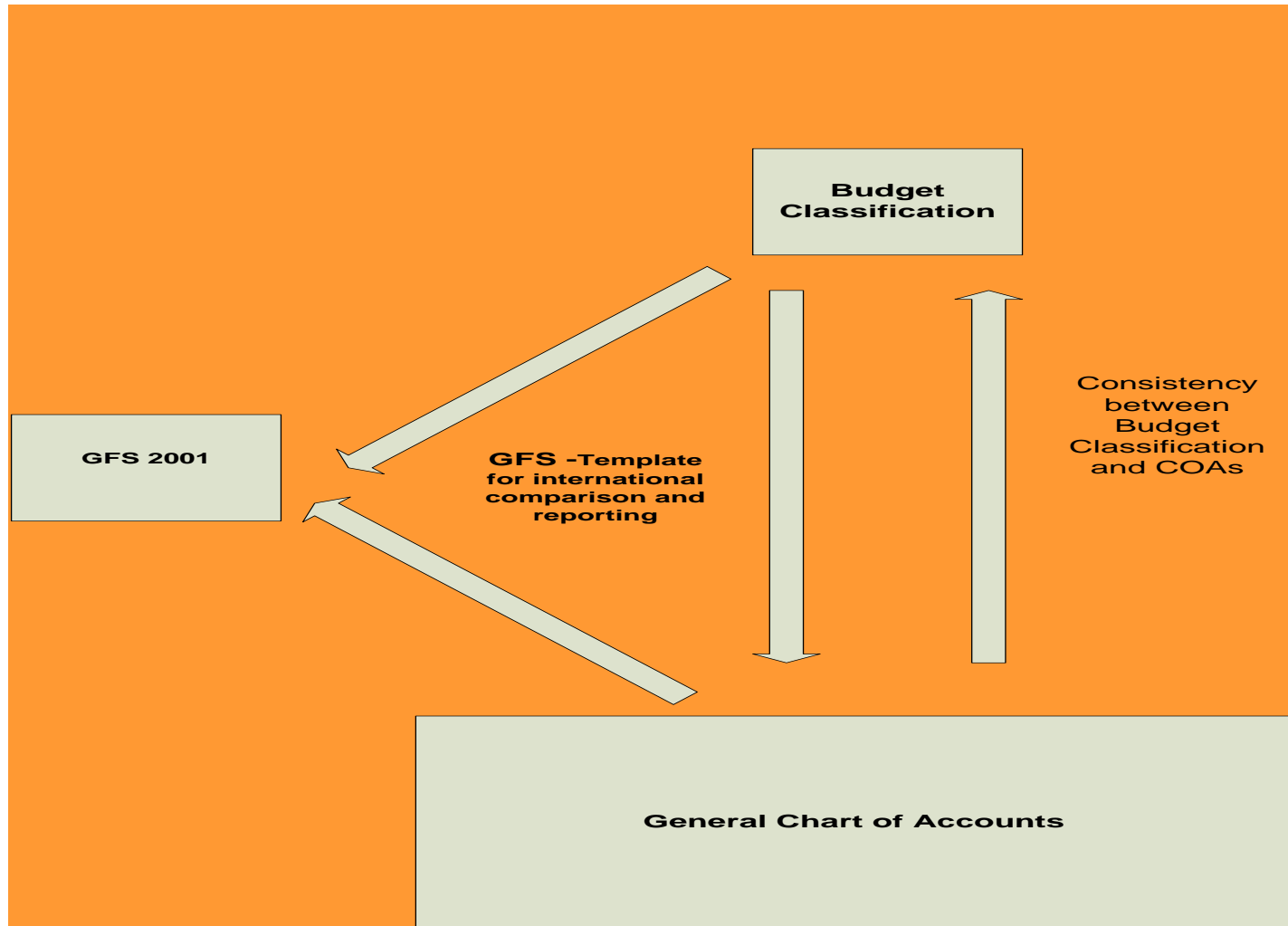


Evolution of CoAs

The Advent of the Relational Database

- Traditional manual system involved “physical” ledger books
- This meant that the CoAs/BC had to be relatively simple – it would be difficult to record more than two elements in a manual cashbook (e.g. beyond organisation and economic)
- The advent of automation has allowed multiple relationships to be defined.
- Many countries have implemented a new IFMIS but retained the old budget classification and CoAs, or in developing a new CoAs, the old manual principles have defined the way the CoAs was designed

Possible Relationship between GFS and Government Financial Requirements



General Structure of GFS 2001

The Five Components

1 Revenues
2 Expenses
31 Non Financial Assets
32 Financial Assets
33 Liabilities

What is Required in a Good Budget?

Accurate Forecast of Revenues

Estimate of Recurrent Expenditures

Estimate of Capital Expenditures

Surplus or Deficit

Financing of the Deficit – Borrowing/use of
Financial Assets

A Good Budget Structure Matched to GFS 2001

Accurate Forecast of Revenues	1 Revenues
Estimate of Recurrent Expenditures	2 Expenses
Estimate of Capital Expenditures	31 NF Assets
Surplus or Deficit	
Financing of the Deficit – Borrowing/use of Financial Assets	32/33 F Assets/ Liabilities

Fiscal Balances

The important report required each day to monitor budget performance

Revenues
Less Expenses
Operating Surplus or Deficit
Net Cashflows from Investing Activities
Fiscal Surplus or Deficit
Financing of the Deficit – Borrowing/use of Financial Assets

Fiscal Balance

Compared to GFS 2001

Revenues	1 Revenues
Less Expenses	2 Expenses
Operating surplus or deficit	
Net Cashflows from Investing Activities	31 NF Assets
Fiscal Surplus or Deficit	
Financing of the Deficit – Borrowing/use of financial assets	32/33 F Assets/ Liabilities

Cashflow Statement

Opening Cash Position

Cashflows from Revenue

Less Cashflows from Expenses

Net Operating Cashflows

Net Cashflows from Investing Activities (acquisition/
sale of non financial assets)

Net Cashflows from Financing Activities (acquisition
and disposal from financial assets and liabilities)

Closing Cash Position

Tallinn February 2013

Cashflow Statement

Opening Cash Position	
Cashflows from Revenue	1 Revenues
Less Cashflows from Expenses	2 Expense
Net Operating Cashflows	
Net Cashflows from Investing Activities (acquisition/ sale of non financial assets)	31 NFA
Net Cashflows from Financing Activities (acquisition and disposal from financial assets and liabilities)	32/33 FA/Liab
Closing Cash Position	

Operating Statement

Revenues
(Less) Expenses
Operating Surplus or Deficit

Operating Statement Compared to GFS 2001

Revenues	1 Revenues
(Less) Expenses	2 Expenses
Operating Surplus or Deficit	

Statement of Assets and Liabilities (Balance Sheet)

Assets
Liabilities (less)
Net Assets (Equity)

Statement of Assets and Liabilities Compared to GFS 2001

Assets	31/32 Assets
Liabilities (Less)	33 Liabilities
Net Assets (Equity)	

GFS 2001 – The Structure

- It supports a well formulated budget
- It allows daily monitoring of the fiscal position
- It supports cashflow management and forecasting
- It supports IPSAS cash modified cash or accrual or full accrual

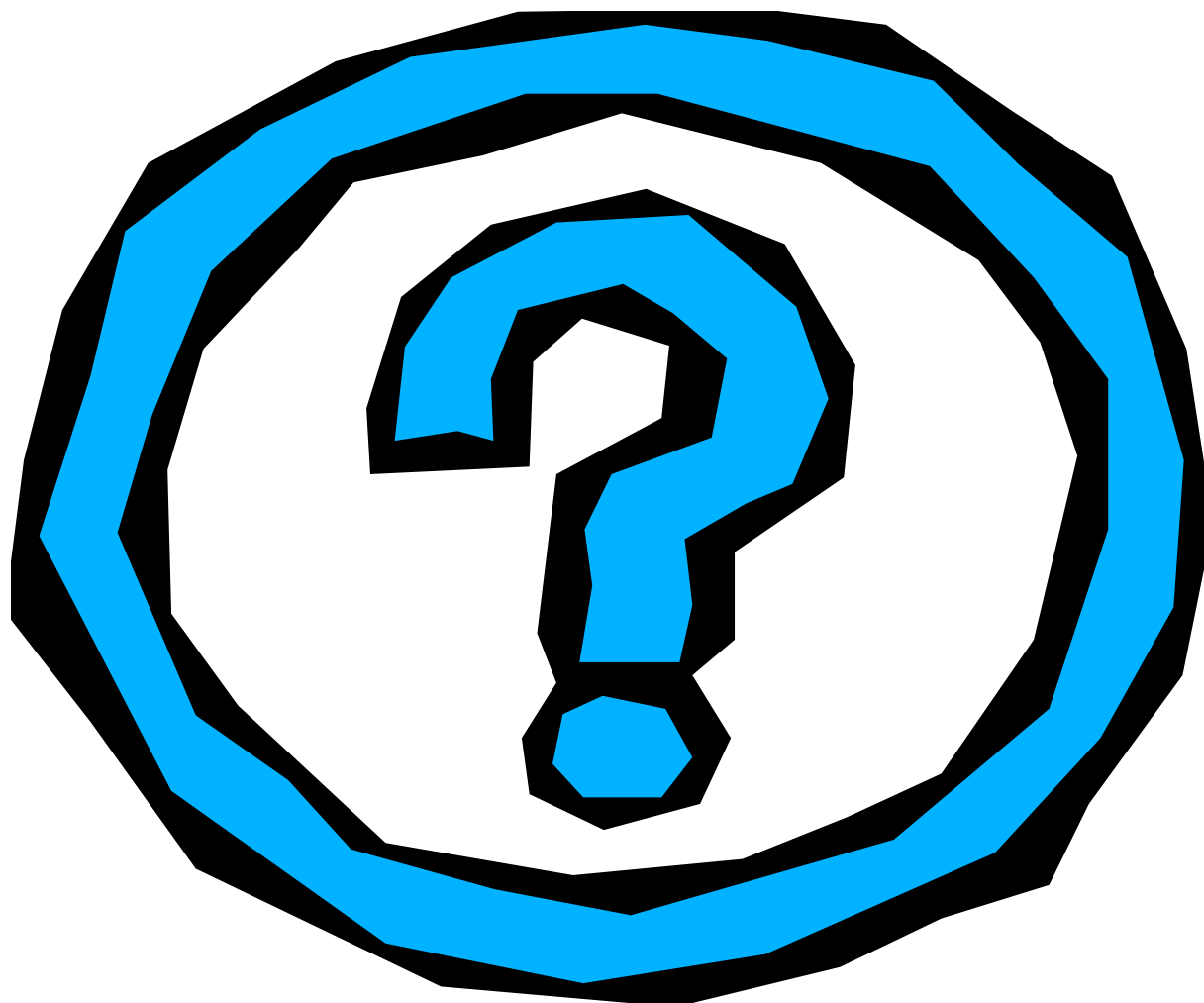
The structure is logical and comprehensive for economic management and reporting

Consolidation issues

What is meant by Consolidation?

- Consolidation of funds
- Consolidation of bank accounts
- Consolidation of cash management
- Consolidation of recurrent and capital/recurrent budgets
- Consolidation of reporting

Consolidation in management and accounting is the key to consolidation in reporting



Tallinn February 2013