CoA working Group
TCOP PEMPAL

5 April 2013

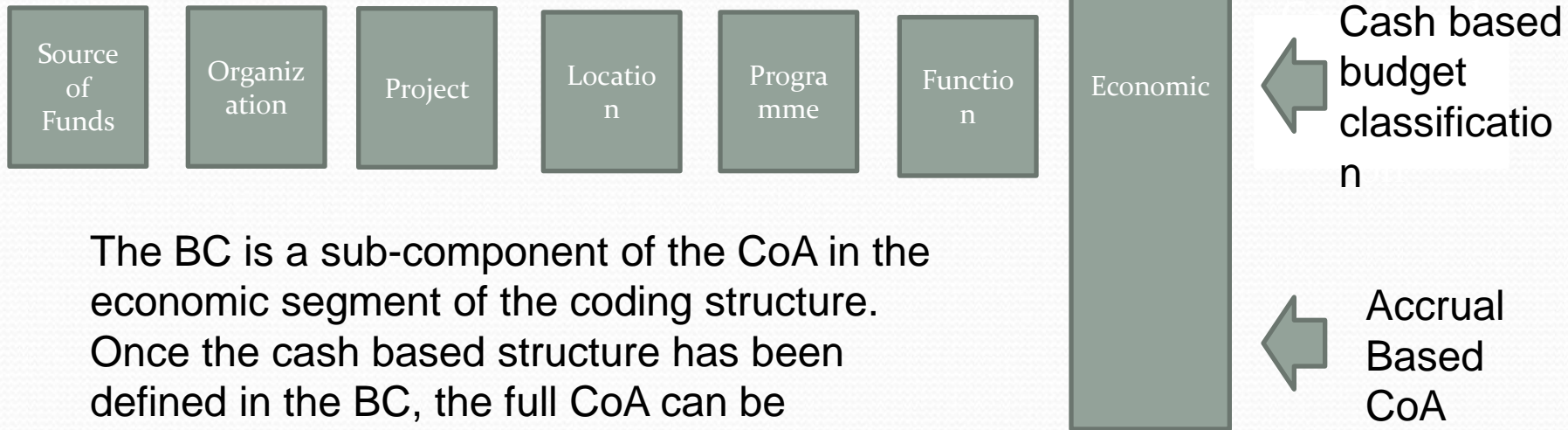Guiding Presentation

Summary of Questions
Tallinn

Questions on BC, CoA and Accounting

- Is it necessary to integrate the public sector accounting CoA with GFS CoA?

- Is it reasonable to fully divide general and treasury accounting?

- Correlation of BC and CoA with the automation of the budget process and public sector accounting

- Developing the CoA in compliance with IPSAS, GFS and national accounts system

- Correlation of BC and CoA with the financial reporting forms

The Tallinn paper may have adequately addressed these questions

The Relationship between a cash based budget classification and an accrual Chart of Accounts

Using a GFS 2001 Template for the structure

Accrual Based CoA

Cash based budget classification

Accrual Based CoA

| Source of Funds | Organization | Project | Location | Programme | Function | Economic |

The BC is a sub-component of the CoA in the economic segment of the coding structure. Once the cash based structure has been defined in the BC, the full CoA can be developed by adding in the non-cash requirements.

The structure of BC, linkage between various types of BC and CoA in public sector – mapping of Ukraine structures

CoA Class	GFS 2001	Budget Spending Institutions	Economic Classification	Unified CoA
Revenues	1	7		7
Expenses	2	8	2	8
Non-Financial Assets	31	1,2	31	1
Financial Assets	32	3		2,3,4
Liabilities	33	5,6		6
Equity		4		5
Off Balance				9

Integrating Different CoA Structures

- *If the accounting is consistent, then a simple approach for integration is to codify the new structure to the lowest level of the respective structures.*

- *This means that you can still produce information for the most detailed level of any structure, and then use intermediate reporting levels or rollup tables to derive the other reports required.*

- *The lowest level only should be used if it provides meaningful information for decision making. In some cases, lower-level accounts may be too detailed or redundant.*

In Moldova, once the mapping was completed for each structure, a spreadsheet was created which showed the alignment of all six CoA in operation. This proved very useful in showing the commonality between the different CoA and also then building the new fully integrated structure.

Supplementary Questions from Working Group – to be addressed at the Video Conference

What is the optimum length of a Government CoA?

- The length that allows all relevant financial information to be captured, stored and reported

- Define your CoA schematic as a first step

- Ensure you understand the level of detail required for each segment, and the relationship between different levels within each segment

- Ensure you first design what you need – do not consider system or other restrictions at this juncture

Typical Government CoA Structure

Organization	Source of Funds	Economic	Location	Program	Function	Project	Total
MMDDSSSS	FFsDD	COOIAA	OORRLL	PPSSAA	FFS	PPPC	
8 digits	5 Digits	6 digits	6 digits	6 digits (not currently in use)	3 digits	4 digits	36 digits

Example of CoA Schematic

Level	Organ.	Source of Funds	Economic	Location	Program	Function	Project
1	Ministry (MM)	Fund (FF)	Class (C)	Oblast (OO)	Program (PP))	Function (FF)	Project (PPP)
2	Department (DD)	Sub-Fund (s)	Object (OO)	Rayon (RR	Sub-Program (SS)	Sub-Function (S)	Component (C)
3	Unit (SSSS)	Development Partner (DD)	Intermediate Reporting Level (I)	Local Govt (LL)	Activity (AA)		
4			Account (AA)				
	8 digits	5 Digits	6 digits	6 digits	6 Digits	3 digits	4 digits

Using Unique Numbers for Components of the CoA

Year	Code	Ministry	Department
X	311234	31 -Education and Social Welfare	Primary Education – 1234
X+1	321234	32- Tourism and Education	Primary Education – 1234

Using Unique Numbers for Components of the CoA

Source of Fund	Project
313 - Donor Fund - EU	4321 - Sector Wide Approach to Health Care
321 Donor Fund - DFID	4321 - Sector Wide Approach to Health Care

Using Numeric vs Alphanumeric Codes

Code Length	Numeric	Alpha-Numeric
1 Digit	10 -	36
2 Digit	10^2 = 100	36^2 = 1,296
3 Digit	10^3 = 1,000	36^3 = 46,656
4 Digit	10^4 = 10,000	36^4 = 1,679,616
5 Digit	10^5 = 100,000	36^5 = 60,466,176
6 Digit	10^6 = 1,000,000	36^6 = 2,176,782,336

The Power of the Relational Database – The "Short Code"

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One to one relationships between the spending Unit and other components of the CoA

Ministry of Education	Floresti Primary Education Program	Floresti Primaria

Floresti Primary School
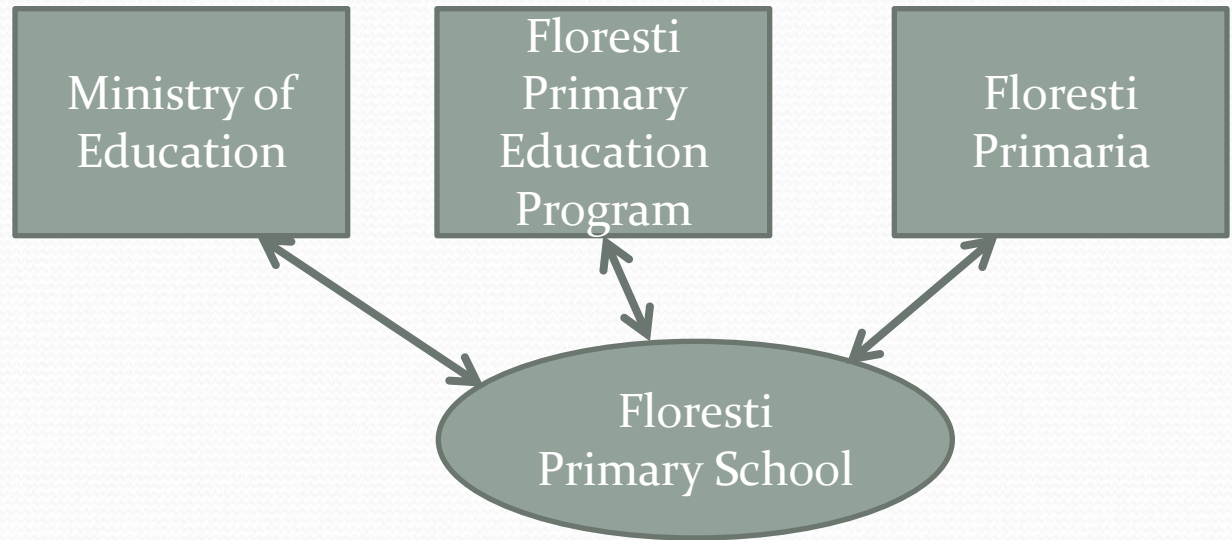
Once the relationship is defined in the CoA, if we know that the transaction involves Floresti Primary School, we also know the ministry, program and location. We do not need to define these in the transaction.

Can a segment in the CoA have different code lengths?

- **FMIS requirements** – most systems require a common code length for some aspects of each segment, as this determines reporting and control requirements within each segment.

- **Ensuring that the CoA is uniform in length makes it more intuitive for users, easier to explain in manuals and easier to use for user-defined reporting.**

Different code lengths for users but the same code length in the FMIS

Project	Number of budget and reporting levels	Codes
Refurbishment of Kiev Hospital –single level	1	12340000
Refurbishment of Kiev Hospital –two level	2	12341100
Refurbishment of Kiev Hospital –three level	3	12341111

Implement a new CoA or make the mapping between the budget classification and accounting?

- Why is the accounting not aligned to the budget classification, given that budget control and reporting against the budget represent an important element of accounting under both the cash and accrual IPSAS?

- If alignment issues are not significant, mapping is an adequate intermediate option (i.e. one-to-one or many to one relationships exist between structures)

- However, if "many-to-many" or "one-to-many" mapping issues between structures exist you will have major reporting issues

- At the next major phase of change to the FMIS/CoA it would be useful to also integrate the BC/CoA

Residual Questions

- Is it necessary to implement (at full scale) program budgeting when the new CoA is introduced?

- What is required for accounting for foreign exchange transactions?

- Should we use the direct or indirect method of reporting cash flow statements?

Is it necessary to implement (at full scale) program budgeting when the new CoA is introduced?

- The implementation of CoA segments, such as a program segment, should only occur when they are required.

- It is standard for countries to take a very gradual, medium- to long-term approach to PB reform.

- When designing a new CoA, it is important to anticipate these requirements, and build them into the proposed structure.

- However, the segment would only be activated at the time that PB recording is required.

- The actual PB segment can also be implemented on a transitional basis, for example programs and sub-programs in phase one, with activities added in the future.

Transition of Budget Control in the CoA from Inputs to Outputs and Outcomes
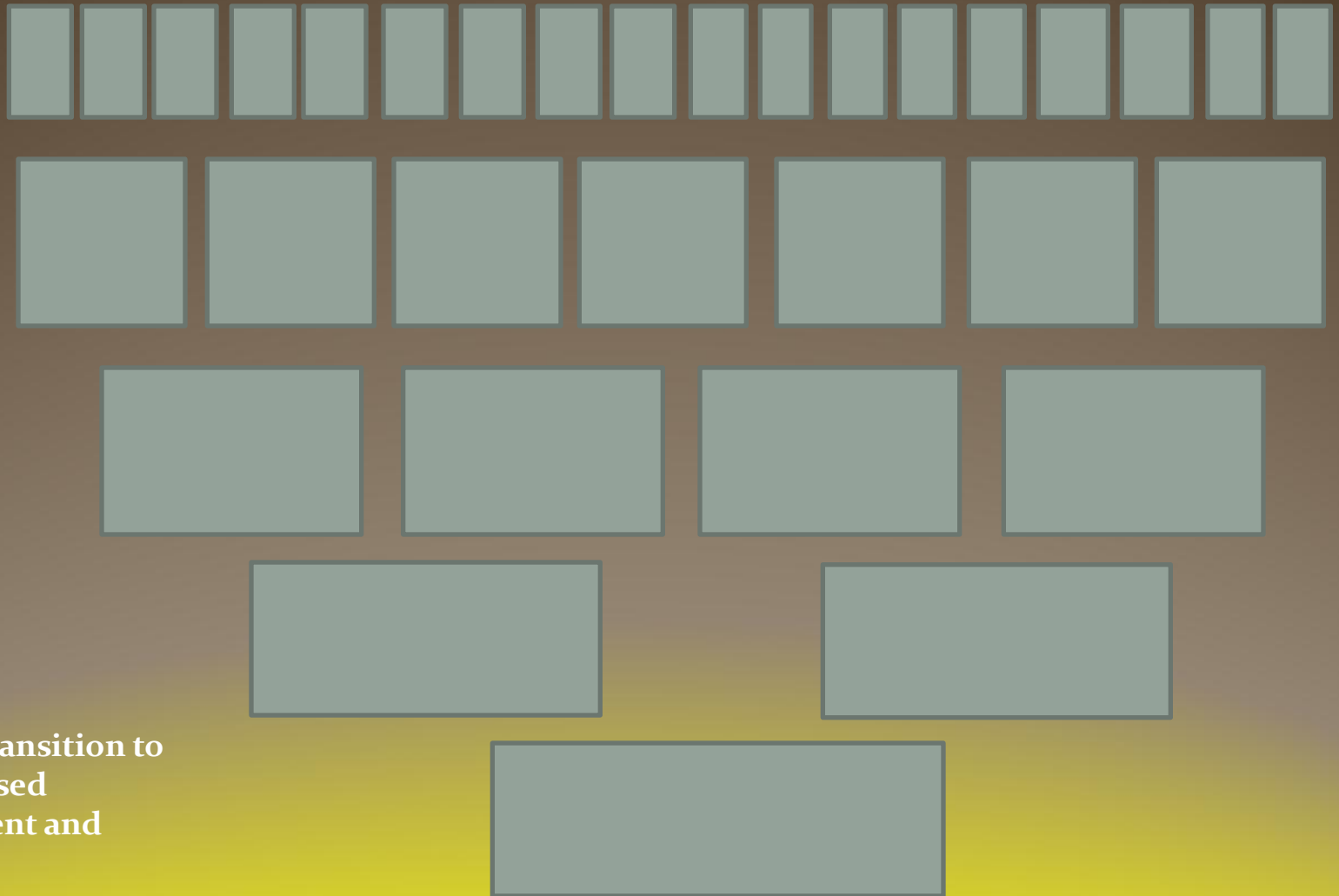
Gradual Transition to Results Based management and reporting