



Unified Chart of Accounts Design: How to Respond to Reporting Requirements During a Crisis

January 2022

Abstract

This note is a product of the Treasury Community of Practice (TCOP) operating under the Public Expenditure Management Peer Assisted Learning (PEMPAL) network. The note takes forward the discussion on additional government reporting needs when existing classifications do not capture the required information using the example of the COVID-19 pandemic. The objective of the note is to document country solutions to such reporting needs and discuss their pros and cons. The note has been informed by actual country experiences among PEMPAL member countries and beyond and through inputs from World Bank experts working with PEMPAL. The note is not an official World Bank document and does not represent the official views of the World Bank, rather it is designed to be a practical tool including examples and tips for public financial management officials to consider.

PEMPAL Treasury Community of Practice

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Background

This note is a product of the Treasury Community of Practice (TCOP) operating under the Public Expenditure Management Peer Assisted Learning (PEMPAL) network.¹ It supplements a comprehensive paper titled “Optimizing the Unified Chart of Accounts Design: Tips for Public Financial Management Practitioners”² published by the TCOP in 2020. The note takes forward the discussion on additional government reporting needs when existing classifications do not capture the required information using the example of the COVID-19 pandemic. The objective of the note is to document country solutions to additional reporting needs and discuss their pros and cons. The note has been informed by actual country experiences among PEMPAL member countries and beyond (including the approaches shared during the 2021 Virtual TCOP Plenary Meeting³), as well as through inputs from World Bank experts working with PEMPAL.

The note starts with a brief overview of the key role of the Unified Chart of Accounts (UCoAs) in ensuring that financial and other transactions are captured and classified in a coherent way and allow reports to be produced and tailored for different stakeholder requirements. The subsequent sections review how different segments of the UCoAs can be used to address additional reporting needs based on the country examples. These are followed by the discussion of a possible alternative approach of establishing an additional UCoA segment for cross cutting reporting requirements to address various stakeholders’ demands for publicly available information.

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Introduction

The importance of public finance and the ability to report responsively during a crisis has been brought clearly into focus since the COVID pandemic commenced early in 2020. Not that the demand for responsive government reporting is anything new. The move to automate government processes and the implementation of more comprehensive Financial Management Information Systems (FMIS), along with the growth in both public spending and the coverage of spending, has placed continual demands on the public financial management (PFM) systems to produce a variety of reports for stakeholders. This has been accompanied by a strengthened focus on both financial and non-financial measures of performance particularly due to the financial crises that have impacted government and economies over the last two decades.

¹ <https://www.pempal.org/event/treasury>

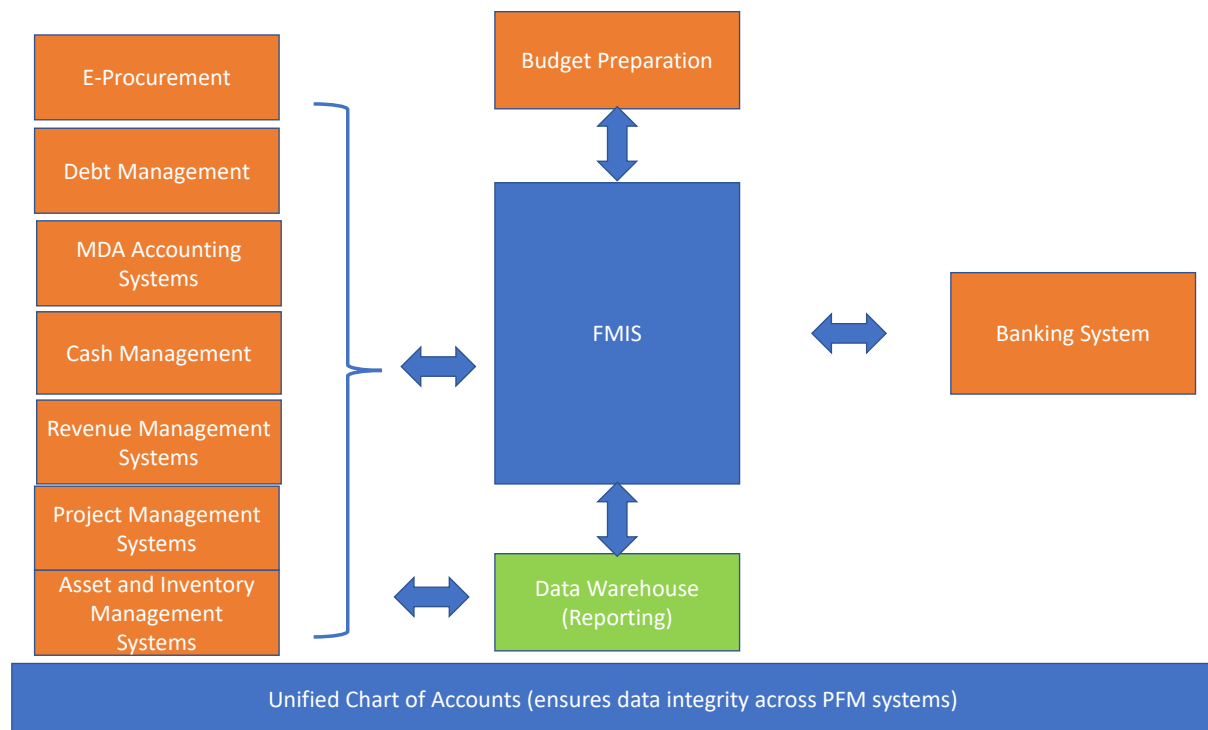
² <https://www.pempal.org/knowledge-product/optimizing-unified-chart-accounts-ucogas-design-tips-public-financial-management>

³ <https://www.pempal.org/events/tcop-virtual-annual-plenary-meeting>

The key to reporting in government is to ensure financial and other transactions are captured and classified in a coherent and useful way. At the center of this classification is the UCoA. In recent years many countries have taken steps to put in place UCoAs, that extend beyond just financial reporting to include, budgetary, management, macro fiscal and statistical reporting requirements. The UCoAs should operate across a range of government systems, including data warehouses, linking different functions and activities of government to allow reports to be produced and tailored for different stakeholder requirements⁴.

A UCoAs is therefore the broad classification system which provides linkages across the PFM framework and systems to ensure data is classified in a unified manner allowing consolidation of information across all of general government (see Figure 1) and sometimes the public sector. Ideally the UCoAs will also be the Charts of Accounts (CoAs) in the general ledger of the FMIS. Even where the FMIS does not serve all ministries, departments or agencies (MDAs) / controlled entities, the UCoAs enables consolidation of data and transactions from those entities too. It also provides the data linkage to other PFM systems.

Figure 1: The UCoAs Ensures Interoperability across the PFM Framework



⁵. These identify: where funds come from and allow separate controls of those funds required by

⁴ For more see section titled “Developing Other Reporting Structures/Segments in the UCoAs” of the 2020 PEMPAL TCOP knowledge product

⁵ Chart of Accounts: A Critical Element of the Public Financial Management Framework, Julie Cooper and Sailendra Pattanayak <https://www.imf.org/external/pubs/ft/tnm/2011/tnm1103.pdf>

legislation or by the fund providers, for example, development partners; which organization receives and manages the funds; the sectors and geographic location where funds are collected and spent; what is spent and collected, including whether it is capital, recurrent spending or on financing; and how this links to government outcomes and objectives and the government’s balance sheet. Each country will define these in slightly different ways and countries with lower levels of automation and integration will have less sophisticated arrangements.

Figure 2: Segment Structure of a Good Practice UCoAs

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program
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As each financial transaction is processed in government, it is allocated a data label from each segment of the UCoAs. In many cases these labels are automatically selected based on predetermined relationships defined in the FMIS. The 2020 paper titled “Optimizing the Unified Chart of Accounts Design: Tips for Public Financial Management Practitioners” discusses the design and use of each of the segments in detail.

How have countries responded to new COVID-19 reporting requirements?

The advent of the COVID-19 pandemic placed immediate demands on PFM systems to provide financial and other reports to stakeholders regarding government’s response to, and spending on, the pandemic. In 2020-21 TCOP member countries shared during several virtual meetings how they have responded to the demand for timely COVID related tracking and reporting. It was impressive that countries were able to enhance their reporting frameworks so quickly in response to this crisis, in some cases within weeks of the crisis being declared. It is important when amending the UCoA framework that the changes deliver the new reporting requirements but do not undermine existing processes and reporting requirements. Thus, any changes must be carefully considered, something which is difficult in a crisis.

This brief note examines the country solutions to additional reporting needs and whether the solutions were effective and complimentary to the original design of the UCoA framework.

Source of Funds Segment

This segment is important to track specific spending against specific sources of finance, or where funds are established for specific purposes, such as required in many countries for COVID-19. Several PEMPAL countries reported that such funds were created in their countries as part of the government response to the pandemic. A dedicated Fund within the budget structure was created in Ukraine to fight COVID-19 and its consequences. Uzbekistan also established an “anti-crisis” fund under Presidential Decree for COVID related purposes; the proceeds of the fund came from the state budget of Uzbekistan (including the expenditure optimization), donor financing and other. When well designed, the source of funds segment can be utilized to consolidate cash resources while still allowing separate control and reporting over specific funds, for example funds earmarked by government or provided externally for COVID.

Moldova has set up a specific “intervention fund”, which is used to respond to natural emergencies, pandemics and similar unplanned challenges, and uses the number of the government degree issued for COVID related spending as a specific reference within this fund to track the different approved areas of spending. While it has not modified the UCoA to specifically track these items, this is a sensible way to identify specific high interest categories to allow reporting. One alternate option would be to create a sub-fund within the “intervention fund” which would “ring fence” COVID related activities.

Thus, even new funds can be integrated into the existing accounting and reporting framework, while still achieving the separate control over the cash that maybe required. Unfortunately, in some countries the urgency of the COVID-19 pandemic and challenges with existing systems and rules resulted in establishing extrabudgetary funds not subject to the same controls and accountability as other public funds, resulting in the cash being held in separate bank accounts. But these types of arrangements are not required if a well-designed UCoA is in place, irrespective of COVID. In fact, this is how Kosovo handles COVID funds which are managed under a separate sub-account of the TSA. Thus, the goal with the source of fund structures should be to allow separate control and reporting while still managing the cash on a consolidated basis.

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program
Add specific Fund(s) for COVID. These can be tracked in aggregate and by source, for example specific donor					Manage all funds in a consolidated TSA	

Project Segment

All governments have discrete projects where funding is separately allocated, often targeted for a specific purpose such as building a road, funding a specific health program such as vaccinations, or addressing a natural disaster, etc. This approach can therefore also be applied during an emergency, particularly where funds are to be spent for specific purposes. One of the examples is the case of Kosovo where the Treasury opened dedicated project codes in the FMIS to track and report revenues, allocations and expenditures for the COVID-19 pandemic (initially it was an emergency code, but in the second part of 2020 another specific code was opened for economic recovery measures). Kosovo also has a detailed pre-existing SoF segment that is used alongside these project codes to manage and report COVID by different source too. This approach can be particularly useful for separately tracking specific activities and their related funding sources which are one-off or shorter term in nature, where additional reporting and controls are required. Project codes are therefore usually established alongside specific codes in the Source of Funds segment to facilitate reporting of the project in total and in some cases, also by the different sources, for example, from government’s own sources and from external development partners, such as the World Bank.

As projects are unique, this also ensures other segment structures are fully utilized for existing reporting requirements (each project should be allocated tags from each of the other segments ensuring project spending can also be reported separately but also combined with non-project related spending). This also ensures that the original reporting prior to the new project being put in place remains unchanged. As with the earlier example of a new fund, the UCoA creates separation over control for each project while still allowing consolidation of the cash – this is one feature of the UCoA under-utilized by countries

and development partners which frequently insist on separate bank accounts imposing additional work for reconciliation and fragmenting cash management.

Source of Funds	Org	Function	Project	Geographic	Economic	Program
This segment would combine with the project segment to provide separate reporting for different sources of financing			COVID related project for shorter term discrete reporting		Manage all funds in a consolidated TSA	

Program Segment

Program structures in each country vary significantly as does the underlying design of the structures. In theory the program segment should provide a results-oriented reporting focus by grouping activities with common objectives together. Croatia created specific COVID-19 related activities in the program segment to separately track this type of spending. North Macedonia added a new sub program “P1: Measures for dealing with the COVID – 19 crisis” to the program segment. In both cases the activity and subprogram can be applied across all existing programs and therefore allows reporting of COVID by each program but also for the entire activity/sub program/ across government.

The challenge with this approach is that the new activity and subprograms replace existing activities and subprograms previously selected when coding transactions and reporting. Thus, if COVID expenditure is completely new and not directly related to other existing activities and subprograms then this approach has integrity. Frequently, however, the mutually exclusive nature of the new structures undermines existing reporting integrity. As an example, the public health program may have an existing vaccination subprogram. If a new COVID subprogram is in place, COVID related vaccinations will be coded only against one of these sub programs, either the COVID subprogram or the vaccination subprogram. Officials are now also required to choose the correct sub-program option. There is a risk of fragmented or inconsistent coding between the two or more subprograms where different subprograms can be selected for recording by officials.

Thus, enduring structures such as program and organizational segments need to be amended with care as there is a significant risk that existing reporting requirements will be adversely impacted. One way to mitigate this risk is to add structures at the lowest possible level, for example at the activity level as with the Croatian example. Thus, if the program segment or organizational segment has four or five levels, creating a new element at the lowest level will improve the integrity of reporting at the higher levels. However, it remains a challenging approach at the lowest level as the new coding replaces other coding thus the concept of mutual exclusiveness still applies.

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program
						This segment should be amended carefully, given that any new structure replaces existing reporting requirements

Economic Segment

This segment was utilized extensively by countries for supplementary COVID tracking and reporting.

Albania created several new economic items to reflect new social benefits for household during the crisis (6062300 "Transfers to small business employees as financial assistance for the COVID-19 pandemic" and 6062301 "Transfers as financial assistance to unemployed individuals as the result of COVID-19 pandemic"). They also created new transfer codes for subsidies to businesses and for non-governmental organizations providing services to the community. Albania also created a new "grant" related revenue item (7207014) for voluntary contributions to fight COVID-19. This was a sensible approach as each item represented new types of spending and receipts of government. Importantly these items were added at the posting or most detailed level of the segment and grouped under existing economic parent codes to ensure summary reports would still capture pandemic related information along with non-pandemic flows. Thus, while COVID-19 grants can be reported on its own, they can also be reported as part of total grant receipts too.

The approach taken by Albania reflects good practice. It allows separate tracking for these new types of flows, while still ensuring the overall integrity of the economic segment reporting structure. Setting these new economic items up in concert with a new source of funds code will also allow the grant inflows to be matched and tracked as they are spent against the outflows.

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program
Utilising a separate SoF item would allow the economic receipts to be matched to the expenditures					Add specific receipt and expenditure items while ensuring the overall structural integrity of the segment design is retained	

An important overall UCoA design principle is that in general each segment should have a single major reporting focus which should be seen as "mutually exclusive"⁶ – this core classification and reporting capability should not be undermined under any circumstances. It is therefore generally inadvisable to add a new element to a segment, for example, the program segment, which will impact existing program reporting – unless the new element is an addition e.g. a brand-new activity. If a COVID-19 program was created to codify all COVID-19 related activities, this could result in the standing programs (such as spending on Strengthening Primary Education) underreported. This in turn could impact more strategic reporting by sector. This is likely to be the issue with the North Macedonian approach and probably the Croatian approach despite the supplementary code added at the lowest level.

In summary, countries have generally successfully integrated COVID-19 related reporting into existing UCoA structures while maintaining the original design integrity. However, in some cases inclusion of new items, particularly in the program or organizational segments, may result in traditional reporting requirements being undermined by the inclusion of the new items – the new item replaces rather than supplements the existing items, potentially impacting traditional reporting structures.

⁶ The attributes of CoAs segments should be defined in a way to make them mutually exclusive to avoid confusion in transaction posting and reporting. For more on this see paper on CoAs design referenced in footnote 5

Cross Cutting Reporting

Ukraine has introduced a tracking mechanism outside of the UCoAs which eliminates the “mutual exclusivity” challenge. They utilize a feature which allows payment types to be separately identified by simply defining (labeling) certain transactions as “COVID related” payments and this is recorded when payment orders are created and tracked alongside each transaction. Ukraine has a special payment order register in addition to the accounting module which is used to record different payment purposes with each allocated a specific and separate identifier. The Treasury assigns the identifier for the payment, for example, a unique code for COVID related transactions. The identification label is included when the transactions are first entered into the system. Effectively, this “adds” a further data label to each transaction, providing the same utility as a new segment or subsegment.

A similar solution was introduced by the Kyrgyz Treasury in the second half of 2020 to differentiate between regular and COVID-19 spending of line ministries – the treasury software was upgraded by adding another point of control (flag) to mark incoming payment requests as COVID or non-COVID spending. The requirement was introduced outside the CoA but still allows reporting and analysis including supplemented with existing CoA reporting capabilities.

The relationship established between the UCoA codes and the new register as transactions are recorded allows the data to be analyzed and reported, either in the FMIS or in a third-party reporting tool. This has the advantage of not impacting existing UCoA arrangements, however, it does mean that if payments had other unique features prior to COVID these are now lost as only one option is available for each transaction using this approach. Albania did something similar by requiring the transaction description to include a COVID reference although in this case it is a completely user defined field, not controlled within the FMIS data rules.

The key difference between the “labels” for Ukraine/Kyrgyz and Albania is that the Ukrainian/Kyrgyz approach ensures consistency over the labelling, similar to the structure and control achieved in a UCoA segment, albeit outside this coding structure. In contrast, the Albanian approach while useful will see variations in the manner in which data is entered into an uncontrolled field making it more challenging to use this data easily for reporting. None-the-less it still reflects an approach which can be utilized particularly in countries where amending or supplementing the UCoA is challenging. These approaches could even form the basis for a small supplementary register maintained outside of the system, where manual processes or limited ICT is in place.

A potential limitation of some of the country approaches in supplementing the existing UCoA changes are that they focus largely on tracking funds specifically set aside for COVID, and therefore may not include general budget funds which are also COVID related. In this regard the approach by Ukraine/Kyrgyz stands apart, as they operate in addition to the existing UCoAs. Of course, if Ukraine was already using the register feature to record other specific transaction types, then this would now also be lost as the register is unique and therefore mutually exclusive.

The reality is that COVID is not the first or the last new reporting requirement in government. Every year some new challenge arises in reporting which is not adequately met through existing reporting structures.

One option that countries could consider is establishing an additional UCoA segment for cross cutting strategic issues as in Figure 3 below. COVID is an important strategic reporting requirement and by creating an additional segment (where possible) this ensures this element is supplementary to the existing reporting framework. This will result in both new financing and existing financing being able to be included in reports and also continue to be reported separately where required.

Figure 3: An Eighth UCoAs Segment

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program	Cross Cutting Issues
							XXX
							Where 1 denotes COVID

This would not only be useful for COVID but could be used for a number of strategic reporting requirements, for example, gender budgeting, climate change or disaster/emergency-based reporting. As demonstrated by the situation in Albania and Croatia in 2020, frequently this type of reporting is required simultaneously for different purposes - both countries had been suffering from the 2019 earthquake when the pandemic started. To be effective, ministries of finance would need to tightly control the use of this segment to ensure its integrity and also provide ongoing guidance on the strategic reporting elements that are included as classifiers. The classifier could also be temporary, extending only as long as reporting information is required. Thus, for the impact of natural events, users would be required to select specific identifiers which would create separate reports for analysis and reporting. In practice it is likely that a combination of both a new cross cutting segment and additional elements in existing structures will be required and countries should test these options carefully before implementation. Not all reporting should or can be supported in this way. For example, where reports can be derived from existing data classifications, these requirements should not be added – the required reports can be developed using mapping tables and by utilizing data warehouse reporting capabilities.

These specific variations to the UCoAs have been very difficult to implement in the past but have become possible with improvements in FMIS and data-warehousing. Today, it is possible to develop flexible classifiers to report specific requirements where those requirements are strategically important. The classifier could be defined each year or periodically as required. Thus, the classifier could be used by just those entities that require the additional reporting element, or by all of government as specified.

Countries that are unable to modify the existing UCoA in the short to medium term should seek some other mechanism to “add” data labels as transactions are processed. For example, as Ukraine/Kyrgyz did with the payment register and flag. Countries using portals could simply add an additional logical

element as transactions are recorded or captured. Even in a low-automation environment a simple register would still provide useful data that can be analyzed and reported.⁷

Public Availability of Reports

In recognition of the acute nature of COVID and the desire of the population to be both informed and to see that governments are addressing the challenges, many PEMPAL countries are also improving the transparency of emergency response spending, using portals which provide access to timely reports, or even allowing users to develop their own reports and enquiries. This is of course key to the whole objective in designing a UCoA or any coding system: stakeholders are able to obtain reports they require as they require them.

Strategic reporting requirements are a feature of modern government. The ability of the PFM system to support these requirements will directly influence the views of stakeholders regarding the adequacy of existing systems. Frequently new systems and new layers of management and control are added because stakeholders see existing accountability as inadequate. Thus, it is important that when the UCoA is designed or redeveloped, consideration is given to how to support these evolving strategic reporting requirements flexibly, as they will change over time.

Conclusion

The rapid country actions enhancing the control and reporting framework in response to the COVID-19 pandemic were impressive. Countries were able to modify existing UCoA structures in a variety of ways to meet the new reporting requirements in a timely manner. The variation in approaches also shows that there is not one way to deal with reporting in a UCoA – countries should carefully review existing structures to determine what works best for them. In many cases cross cutting reporting will require a combination of new elements to ensure a comprehensive and responsive approach to report new requirements such as COVID-19.

However, care must be taken in fully understanding the impact changes have on existing reporting requirements. In some cases, the approach taken will have limited coverage and therefore exclude important elements from reports or reduce the integrity of traditional reporting requirements. As a result, all countries should consider whether enhancing the UCoAs to include an additional cross-cutting reporting segment which would support specific strategic reporting elements at the same time is required. Certainly, if countries are redeveloping their UCoA, flexible reporting capabilities should be built in to ensure all existing and future reporting requirements can be met.

Even countries which have limited capacity in the existing CoA, or where modifications to the CoAs are difficult, should examine options to build data labels and develop modern data relationships outside of the UCoA and FMIS. Many countries have managed to develop these types of reporting capabilities without significant additional investment in ICT hardware or software.

⁷ Most officials have access to personal mobile phones – thus it would be conceivable that these devices could be used to capture additional data labels in an external e-register outside of government systems which could be used for the purpose of reporting COVID, where existing systems or software does not support this.