Multidimensional Chart of Accounts: The Portuguese Experience

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Multidimensional Chart of Accounts: The Portuguese Experience

Outline

- Why the change?
- Main features
- Lessons learned
Why the change?

- Whole system PFM reform underway for **several years** now

Source: Based on Unileo
Why the change to a Multidimensional Chart of Accounts (MCA)

- Accounting and Reporting Implementation Projects

Source: Based on Unileo
Why the change to a Multidimensional Chart of Accounts (MCA)

• **Need** for a new **Public Accounts Model**

  - Fragmentation of chart of accounts used by entities inside of General Government Sector (S.13)
    - IFRS, SNC, Public Sector Accounting, Not-for profits, Municipalities, Health, Social Security, Education and Budget
  
  - Inconsistent criteria for recognition and measurement for the same transactions
    - Fair value, historical cost, net selling price, value in use, replacement cost, market value
  
  - Inconsistent charts of accounts for budget and financial reporting
    - Difficulties in reconciling all chart of accounts; budget cash basis VS IPSAS accrual basis
  
  - Different terminology for the same transactions

  - Different data source for compiling national accounts
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Why the change to a Multidimensional Chart of Accounts (MCA)

• Objectives for a new Public Accounts Model

  - Improve accountability and decision-making
  - Eliminate fragmentation and inconsistencies
  - Uniformization of processes
  - Improve reliability of public accounts
Main features of the Multidimensional Chart of Accounts

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IPSAS

Budget

ESA 2010

Multidimensional Chart of Accounts
Main features of the Multidimensional Chart of Accounts

- Principles
Main features of the Multidimensional Chart of Accounts

• Codification
# Main features of the Multidimensional Chart of Accounts

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**Multidimensional Chart of Accounts: The Portuguese Experience**
Main features of the Multidimensional Chart of Accounts

State Accounting Entity
1 – Central Government
2 – Social security
3 – Regional Government (islands)
4 – Local Government
5 – Other public entities
6 – Public corporations
7 – Private sector
8 – Rest of the world
Lessons learned

Legislative process: Time consuming technical work

- Multidisciplinary teamwork (MoF, Statistics Portugal, Bank of Portugal, etc.)

Reporting process: Improved reliability of data

- Local Systems must report under the same framework to Central Accounting and Reporting System

Implementation process: Various types of challenges

- Lack of human and technical capacity has made the implementation process difficult
Thank you!

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