

Workshop B:

Empowering the Organisation to Ensure the Reliability of the Accounting Data

Chair of Workshop: Rea Georgiou
Member of FEE Public Sector Committee

Speakers:

Rosa Aldea, Head of Unit, EC-DG Budget
Martin Sinclair, Assistant Auditor General National Audit Office, UK
Nathalie Morin, France
Gunta Medne, Deputy Treasurer, Treasury of Republic of Latvia

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MODERNISING ACCOUNTING IN THE PUBLIC SECTOR



Workshop B:

Empowering the Organisation to Ensure the Reliability of the Accounting Data

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Issues for discussion:

- *Practical Implementation and Experience*
- *Responsibility for the Quality of Data and Signing-off the Accounts*
 - *Internal Control*
 - *IT, Training, Communication*
 - *Auditing*

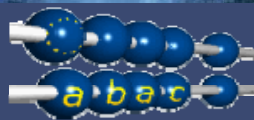
MODERNISING ACCOUNTING IN THE PUBLIC SECTOR



Empowering the organisation to ensure the reliability of the Accounting Data

Rosa Aldea Busquets

European Commission
DG BUDGET
Head of Accounting Unit

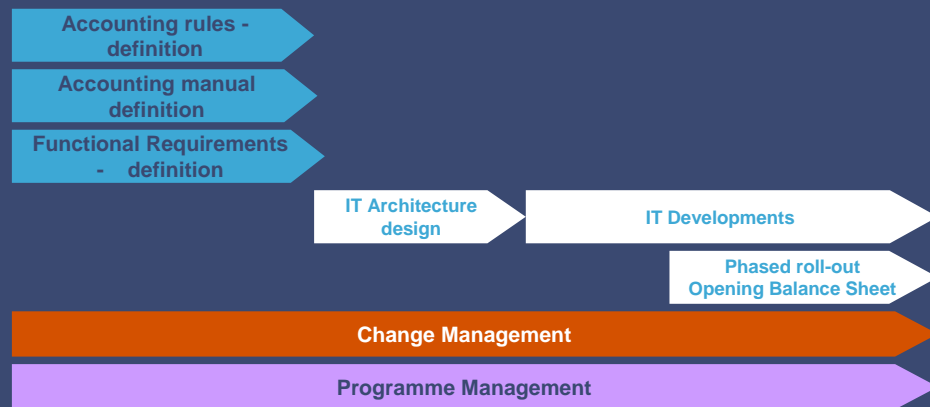


September 2006

Presentation Structure

- Implementation of accrual accounting and experience
- Responsibilities for the accounts
- Accounting quality

1. Implementation: High Level Programme Approach



1. Implementation: good practices

- Keeping simple and homogenous processes
- Finding a balance between theory and the reality of the Institution
- Target on essentials for going live
- Good planning of transition and testing

- Mobilising the different actors for the changes
- Making the financial actors responsible
- Availability of resources
- Multi-disciplinary dedicated teams

1. Implementation: issues - difficulties

- A very tight 2 years timetable: Analyses, IT developments and training in parallel
- IT architecture & constraints of the IT system
- Complexity
- Reporting

- Changing the mentality: Training and communication effort
- Opening balance sheet: large amount of data to inventory
- Cut-off: establish the procedure and put it in practice
- to recruit and retain staff

2. Roles and responsibility for the Accounts

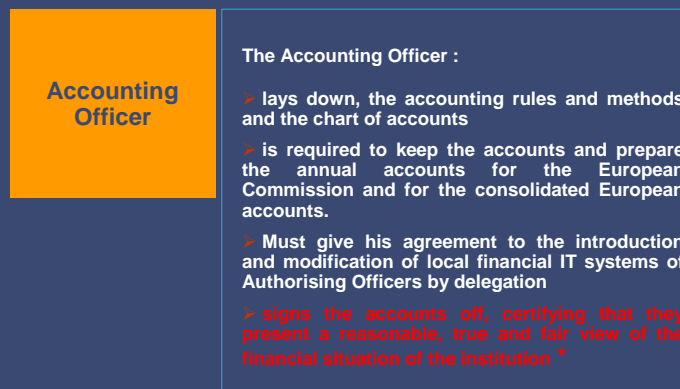


2. Roles and responsibility for the Accounts



Page 7

2. Roles and responsibility for the Accounts



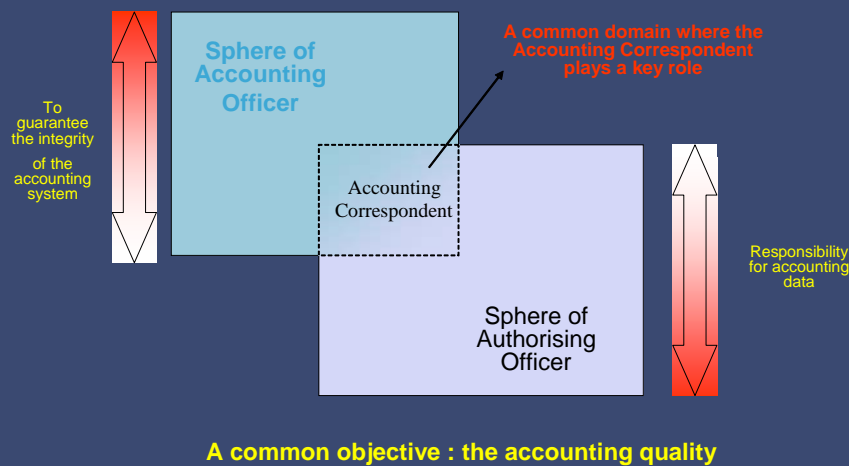
* proposal for the next Financial Regulation revision

Page 8

3. Accounting quality

- Objective:
 - to ensure the true and fair view of the accounts and to get a positive opinion from the external auditors.
 - To have more accurate data useful for the management of the European projects.
- How ensure this?
 - To adapt the internal control system to introduce the accounting control in each Directorate General.

3. Accounting Quality : Roles



3. Accounting Quality: project approach



Empowering the Organisation to Ensure the Reliability of Accounting Data Reflections on the UK Experience

Martin Sinclair
UK National Audit Office

HELPING THE NATION SPEND WISELY



Structure of Presentation

- Brief history and progress to date
- Systems and data processes
- People
- Corporate governance/risk management
- External audit and oversight

HELPING THE NATION SPEND WISELY



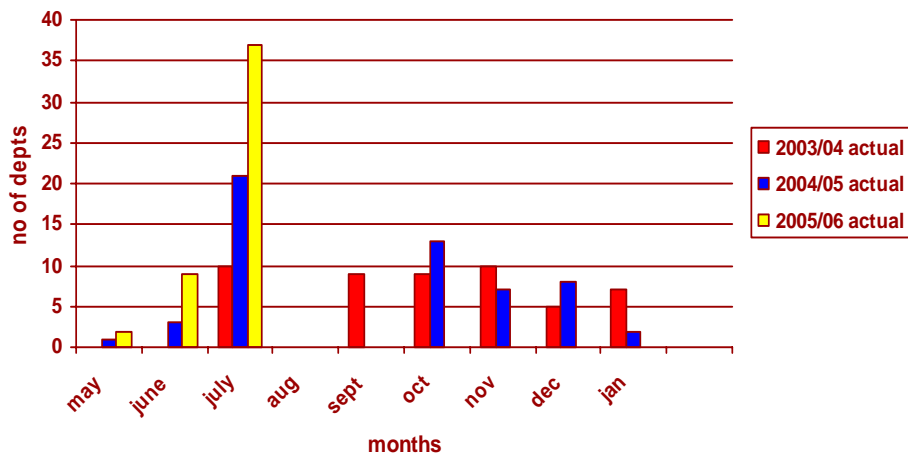
Brief History

- 1993 - political commitment to accruals based financial reporting and budgeting
- 1995 - White Paper (detailed proposals)
- 1998-2001 - "dry run" accruals accounts
- 2001 - Published and fully audited accruals accounts for each government department (55)
- 2007 - Whole of Government Account

Progress – Qualified Resource Accounts 2000-2006

	00-01	01-02	02-03	03-04	04-05	05-06*
Audit Qualifications	11	9	4	4	3	6
Excess Votes	-	10	6	1	1	1

Progress – Faster Closing 2003-2006



HELPING THE NATION SPEND WISELY



Systems and Data Processes

- Building adequate accounting systems
- Integration with other systems – budget, national accounts
- Boundary issues
- Accounting policies
- The opening balance sheet

HELPING THE NATION SPEND WISELY



People

<u>Problems</u>	<u>Solutions</u>
Unclear management responsibilities/accountability	Change culture
Little focus on managing by numbers	Financial Management competencies
Financial illiteracy	More financial skill in general management
Insufficient Professional skills	Qualified FDs at Board level/ develop financial profession

Corporate Governance/Risk Management

- Risk Management Project
- Statements of Internal Control
- Corporate Governance Code 2005
- Management Information
- Audit Committees/Non-executive directors

External Audit and Oversight

- NAO:
 - Skills and training
 - Commitment to support good financial management
 - Commitment to fast closing
- Other:
 - Financial Reporting Advisory Board



Le renforcement du contrôle interne dans le cadre de la réforme comptable en France

Nathalie Morin



1

Les motifs du renforcement du contrôle interne

- ❖ **Une réforme comptable qui renforce les exigences de qualité comptable**
 - le passage à la comptabilité en droits constatés
 - la certification des comptes
- ❖ **Des atouts à consolider**
 - un réseau de comptables publics professionnels
 - une forte culture du contrôle interne et de l'audit interne comptable et financier

2

Les principes structurants : les objectifs du nouveau dispositif

❖ Les objectifs traditionnels assignés par les référentiels internationaux au contrôle interne...

- garantir la qualité des restitutions financières : maîtriser l'information financière
- assurer la protection des actifs : éviter les risques d'erreurs et de fraudes
- veiller au respect de la réglementation : accroître la sécurité juridique
- améliorer l'efficacité de la structure : contribuer à la performance en améliorant l'organisation et le fonctionnement des procédures

❖ ... mais recentrés sur la qualité comptable au moyen de critères opérationnels

Réalité (existence)

Justification (pièces justificatives)

Présentation et bonne information

Sincérité

Exactitude (du montant comptabilisé)

Exhaustivité

Imputation (au bon compte)

Rattachement (indépendance des exercices)

Les principes structurants : le périmètre du nouveau dispositif

❖ Un périmètre qui recouvre tous les acteurs de la fonction comptable:

- le contrôle interne comptable ne se limite pas aux seuls comptables...
- ... mais s'étend naturellement aux gestionnaires

❖ Le dispositif est ainsi adossé à une logique de processus comptables

- le contrôle interne comptables porte non seulement sur les comptes mais aussi sur les procédures comptables
- une cartographie des processus comptables décomposant l'activité financière de l'Etat en 7 cycles et 74 processus

Les principes structurants : le pilotage du nouveau dispositif

- ❖ Les moyens de pilotage : la cartographie des risques
 - La gestion par les risques est au cœur du dispositif de contrôle interne
 - Il a été ainsi indispensable de cartographier les risques comptables
 - la cartographie distingue les processus globalement maîtrisés des processus à fiabiliser
 - une valorisation financière des processus pour hiérarchiser les enjeux
 - la cartographie est le support de pilotage des risques comptables, essentiel aux arbitrages sur les chantiers prioritaires à mener

5

Les principes structurants : les outils du nouveau dispositif

- ❖ Les outils de diffusion du contrôle interne
 - des supports à destination de l'encadrement sous forme de référentiels de contrôle interne pour identifier les risques et les mesures pour les maîtriser
 - des supports à destination des opérationnels sous forme de guides de procédures pour appliquer les procédures

6

Les principes structurants :
I'évaluation du nouveau dispositif de contrôle interne

- ❖ **Des structures chargées d'une évaluation permanente de la fiabilité et de la pertinence du contrôle interne comptable au sein du réseau des comptables publics**
 - les gestionnaires et les comptables mettent en œuvre le contrôle interne de premier niveau
 - des structures spécifiques sont chargées du contrôle interne dit de second niveau
 - ces entités dénommées « cellules de qualité comptable » ont un rôle d'information, de conseil et de contrôle auprès des acteurs du premier niveau
 - ces CQC sont les piliers du dispositif de reporting destiné à actualiser la cartographie des risques et les plans d'action

Les principes structurants :
I'évaluation du nouveau dispositif de contrôle interne

- ❖ **Un renforcement de l'audit comptable et financier dans toute l'administration**
 - traditionnellement centré sur le réseau comptable, l'audit comptable et financier étend son périmètre d'intervention aux gestionnaires ministériels
 - son rôle consiste à aider les gestionnaires à évaluer leur dispositif de contrôle interne et à formuler des recommandations pour apporter des améliorations

CONCLUSION

❖ **Le développement du contrôle interne est ainsi au coeur de la modernisation de la gestion publique en France**

- l'amélioration de la performance suppose une réflexion permanente sur l'efficacité et l'efficience de l'organisation : la réflexion sur les objectifs, les résultats et les moyens de les atteindre est centrale dans le contrôle interne
- le développement de la liberté de gestion suppose pour l'Etat l'assurance que les procédures sont fiables : la fiabilisation des procédures est la raison même du contrôle interne
- la responsabilisation des gestionnaires : implique de développer les dispositifs de maîtrise des risques au sein de chaque entité en charge de responsabilités financières et comptables



THE TREASURY
REPUBLIC OF LATVIA



Latvian perspective and experience

Sep 2006

Gunta Medne
Deputy Treasurer
The Treasury of the Republic of Latvia



THE TREASURY
REPUBLIC OF LATVIA



Content of the presentation

Legislative Base

Accounting practice

financial accounting of Central government

budgetary entities and municipalities

Consolidation issues

IT support

Next step – accruals for tax reporting



Legislative base

The Regulations of the Cabinet November 2005 “On Accounting in Budget Institutions” specifies the procedures for the budgetary institutions of central and local government on organizing of accounting, prescribing application of unified basic principles of accounting and chart of accounts, in compliance with legislative acts on accounting, the IAS and the IPSAS



Financial accounting of Central government

- In compliance with the authority delegated by the Law on Budget and Financial Management, the Treasury is responsible on Central government debt and liquidity management
- From 2002 onwards Treasury set up accrual based accounting policy for financial transactions – loans, deposits, forwards, reserves for bad debts
- From 2006 the full accrual accounting is ensured in Central government financial balance sheet – depreciation of government bonds was ensured



Budgetary entities and municipalities

- On the level of budgetary institutions accrual accounting is used simultaneously with accounting on cash basis since 1993
- From 2000 onwards elements of accrual accounting are used also in annual reports on central and local government budget execution
- From 2007 accrual accounting at the level of budgetary institutions and municipalities



Consolidation issues

- Prior to 2006 the chart of accounts used corresponded to the budget classification and matched the GFSM 1986 classification categories
- In 2006 the chart of accounts is revised after approval of the new classifications on budgetary revenue, expenditure, government functions and financing classification to follow concepts of the ESA 95
- From 2007 onwards the annual reports of Central Government budget institutions and local governments will be compiled in accordance with the new classifications and the new chart of accounts



IT support

- From 2002 the Treasury uses SAP system for recording Central government debt and financial transactions
- Budget 2006 allocate 10 million LVL for implementation of unified chart of account and new classifications
- The uniform budget reporting system ensures aggregation of the reports based on both the cash flow principle and accruals principle submitted by central and local government budget institutions, and it is used not only by the Treasury, but also by the Ministry of Finance, State Audit Office, Bank of Latvia, Central Statistical Bureau and other public administration institutions



Next steps

From consolidated state budget perspective income part of the balance sheet still on cash base
Decision on accruals for tax reporting

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- Nathalie Morin, Head of Services of the Public Accounting General Directory of the French Ministry of Economy, Finance and Industry
- Gunta Medne, Deputy Treasurer of the Republic of Latvia

Issues discussed

- Objectives
- Practical Implementation and Experience
- Responsibility for the Quality of Data and Signing-off the Accounts
- Internal Control
- IT, Training, Communication
- Auditing

3

Objectives

- To have more accurate data for performance management
- To take better value for money decisions
- To deliver improved services to the public
- To ensure the true and fair view of the accounts

4

Practical Implementation and Experience

- Political commitment (accruals accounting and budgeting)
- Audit implications
- Accounting practice
- Good practices
- Issues/difficulties

5

Responsibility for the Quality of Data and Signing-off the Accounts

- Actors: Managers/Authorising Officers and Accountants/Accounting Officers
- Statements of Internal Control
- Certification of accounts

6

Internal Control

- Development of an adequate internal control system
- Improvement of the organisation → improvement of procedures → contribution to performance and objectives
- Management tools (accounting staff, guides etc.)
- Risk management

7

IT, Training, Communication

- Sound accounting systems
- Integration with peripheral systems (budget, national accounts)
- Cultural changes
- Financial management skills at board level
- Communication

8

Auditing

- Audit Committees/Non-executive directors
- Internal and External
- Skills and training
- Commitment/Cooperation
- Reporting
- Corporate Governance

9

LESSONS LEARNED

- Accrual accounting should be part of a wider reform process.
- It is about people, institutions and commitment.
- Keep a balance between theory and the reality of the institution.
- Make the financial actors responsible.
- The development of a sound internal control system is a key element for the modernisation of public management.
- Modernising accounting in the public sector requires financially literate general management.

10