

CHART OF ACCOUNTS AND IFMIS

GOOD PRACTICES IN DESIGNING CHART OF ACCOUNTS AND ITS LINKAGE WITH IFMIS

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Agenda

1. Segments of Classification
2. Segments and linkages in IFMIS
3. Examples of typical challenges
4. Typical challenges
5. Q&A

Segments requiring compliance with standards are only two

International Standard - Government Finance Statistics Manual 2014 (GFSM 2014)

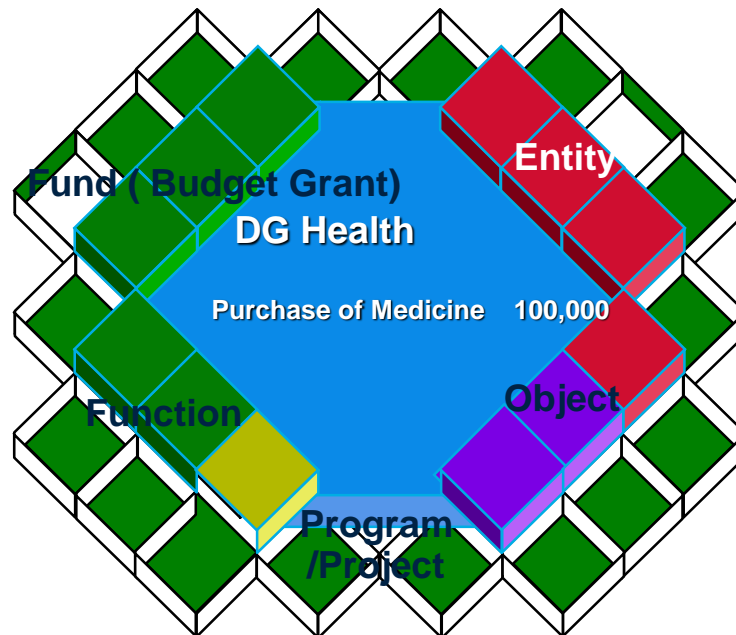
- Functional
- Economic

The *GFSM 2014* has been harmonized with the updates in other macroeconomic statistical manuals and guides, such as the overarching System of National Accounts 2008 (2008 SNA)

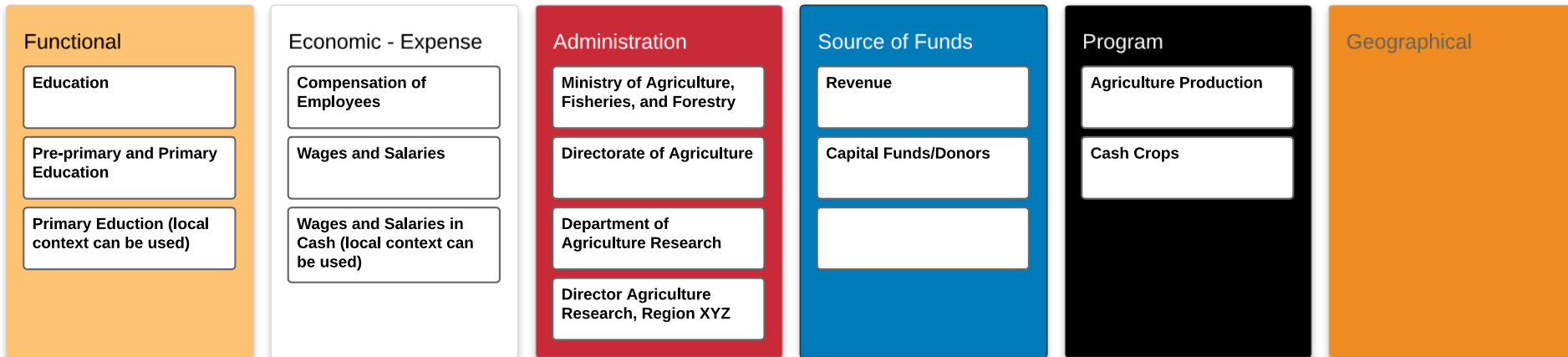
Source: IMF

Local Segments

- Administration
- Program
- Source of funds
- Geographical
- Beneficiary

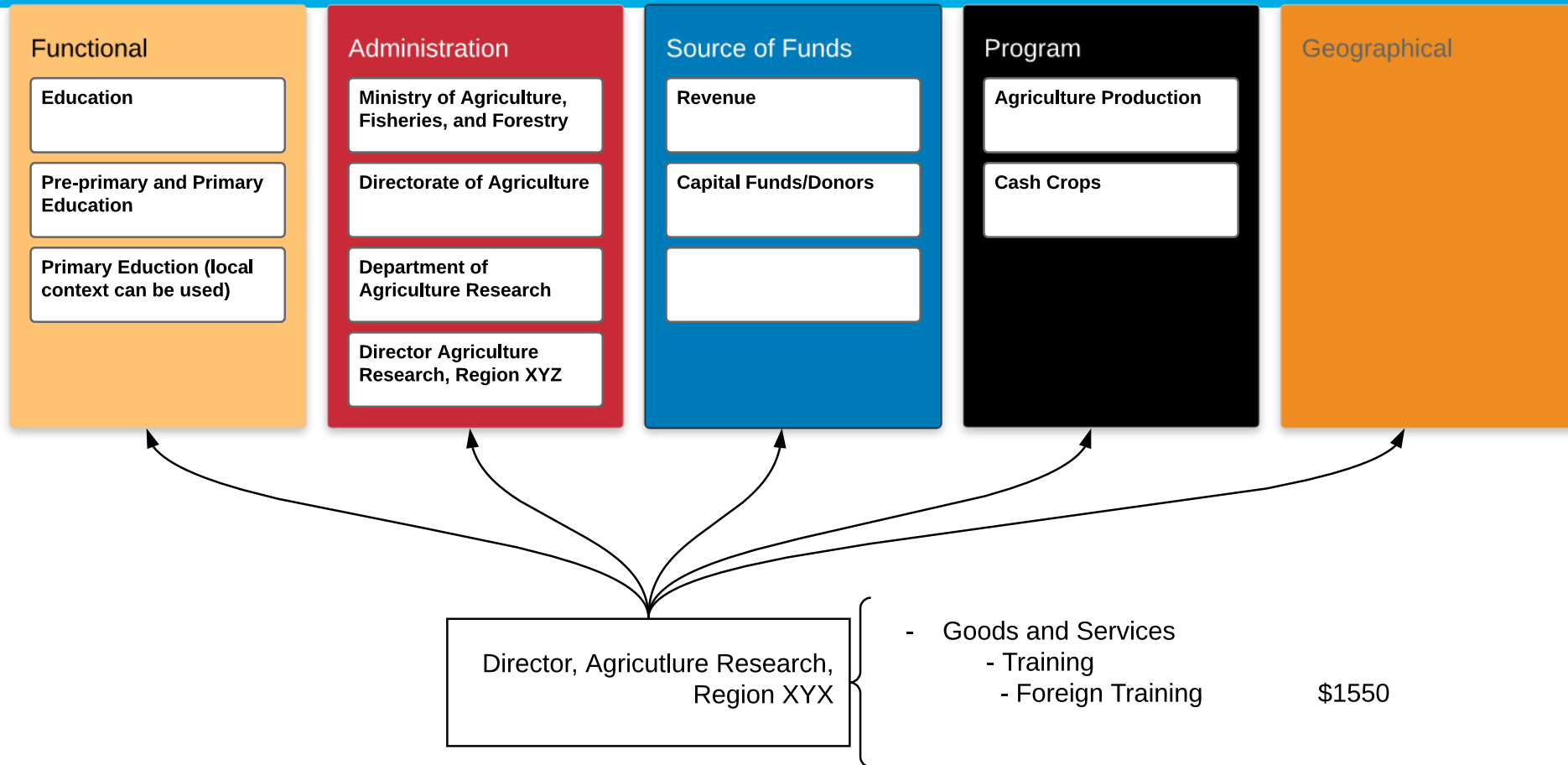


Segments requiring compliance with standards are only two



- There is significant room to adopt the standards to local context
- This adoption could be at the detailed level of functional and economic classification within the standard structure or at additional segments levels like administration, source of funds, programs, geographical
- But conceptual clarify is important for coherence of these segments for accurate reporting

Mapping of the transaction to the classification will improve reporting



- Programs could be independent of functions, despite overlaps
- Keep program classification simple; Map spending units and projects/schemes to programs

Mapping of Payroll, Asset Management Systems, and Debt Systems

Expense

Compensation of employees [GFS] ¹

Wages and salaries [GFS]

Wages and salaries in cash [GFS]

Wages and salaries in kind [GFS]

Employers' social contributions [GFS]

Actual employers' social contributions [GFS]

Imputed employers' social contributions [GFS]

Payroll System

- Pay of Officers

Pay x

Pay y

Pay z

Pay ...

Pay ...

Pay

Pay of Staff

..

....

...

...

...

.....

....

Allowance

Police Allowance

Education Allowance

PhD Allowance

Dog Handling Allowance

- The UCOA is at higher level while subsidiary ledgers and systems will have greater details
- Every detailed code in the Payroll, Asset Management System and Debt Management Systems need to be mapped to the higher level codes in the UCOA

IPSAS does not prescribe any COA, GFS DOES – HOW TO CONVERGE

GFS Expenditure Code

Expense

- Compensation of employees [GFS] ¹**
 - Wages and salaries [GFS]
 - Wages and salaries in cash [GFS]
 - Wages and salaries in kind [GFS]
 - Employers' social contributions [GFS]
 - Actual employers' social contributions [GFS]
 - Imputed employers' social contributions [GFS]
- Use of goods and services**
 - Consumption of fixed capital [GFS] ¹**
- Interest [GFS] ¹**
 - To nonresidents [GFS]
 - To residents other than general government [GFS]
 - To other general government units [GFS]
- Subsidies ¹**
 - To public corporations
 - To private enterprises
 - To other sectors
- Grants ¹**
 - To foreign governments
 - Current
 - Capital
 - To international organizations
 - Current
 - Capital
 - To other general government units
 - Current
 - Capital
- Social benefits [GFS] ¹**
 - Social security benefits [GFS]
 - Social security benefits in cash [GFS]
 - Social security benefits in kind [GFS]
 - Social assistance benefits
 - Social assistance benefits in cash [GFS]
 - Social assistance benefits in kind [GFS]
 - Employment-related social benefits [GFS]
 - Employment-related social benefits in cash [GFS]
 - Employment-related social benefits in kind [GFS]
- Other expense**
 - Property expense other than interest
 - Dividends ¹



Organization of American States

IPSAS

Financial Statement Format under IPSAS

For illustrative purposes only

STATUS OF FINANCIAL POSITION As of September 30, 2009 (in thousands)

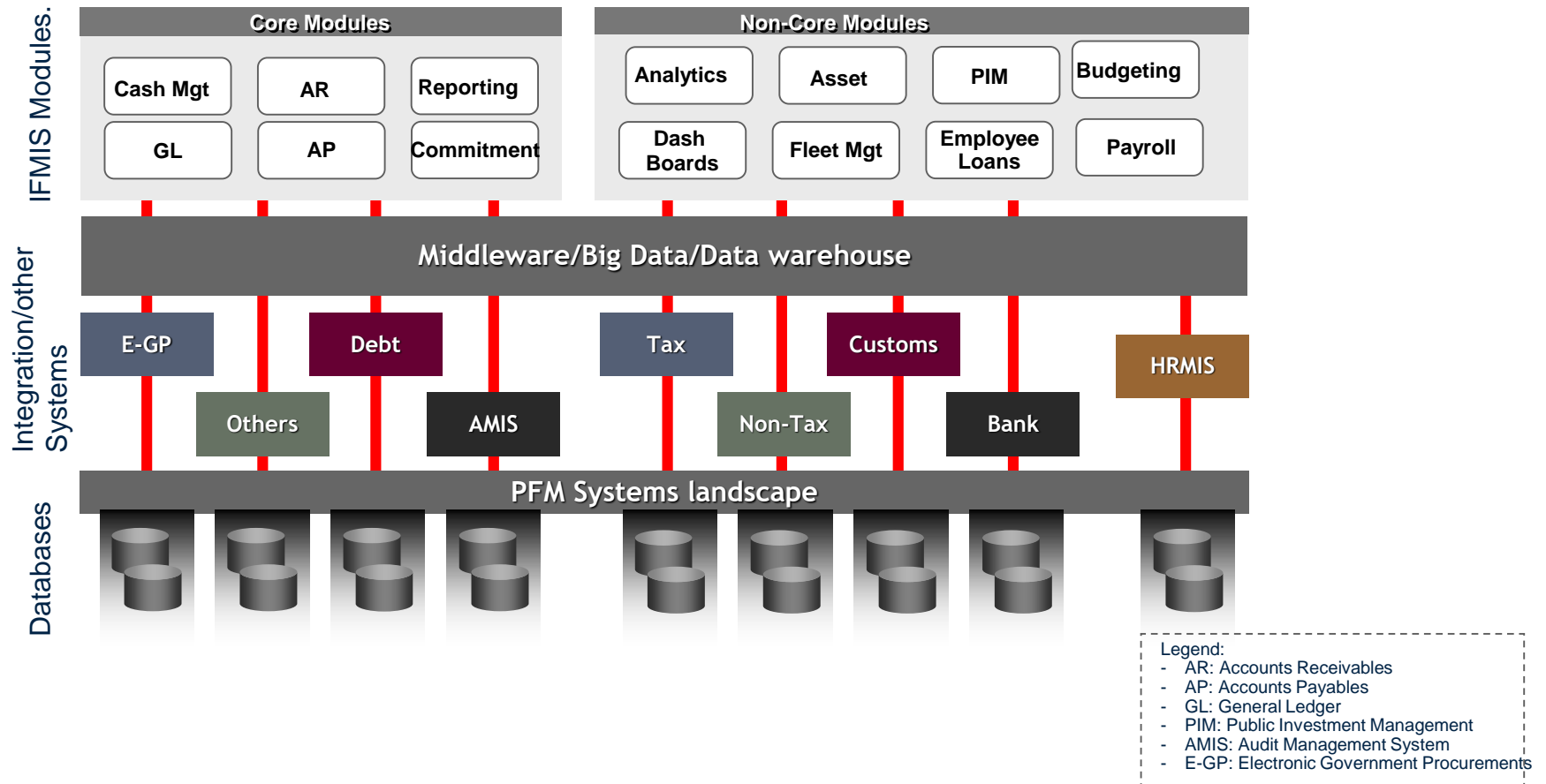
ASSETS	
Current assets	
Cash and equity in OAS Treasury Fund	\$ 13,808
Quotas/pledges receivable	13,652
Other receivables & assets	5,726
Total current assets	<u>33,286</u>
Non-current assets	
Furniture, fixtures and equipment	13,288
Land and Buildings	314,000
Total non-current assets	<u>327,288</u>
Total Assets	\$ 360,574
LIABILITIES	
Current liabilities	
Accounts payable and deferred income	1,158
Mortgage liability (short term)	440
Total current liabilities	<u>1,598</u>
Non-current liabilities	
Employee Benefits	97,360
Mortgage liability (long term)	<u>22,290</u>
Total non-current liabilities	<u>119,650</u>
Total Liabilities	\$ 121,248
NET ASSETS	239,326
Reserve Subfund	6,149
Restricted for Fellowships	203
Restricted for Financing 2009 Regular Fund per AGO 80.1 (000000000)	6,752
Restricted for fixed assets	<u>32,810</u>

STATEMENT OF FINANCIAL PERFORMANCE For the period from January 1 to September 30, 2009 (in thousands)

OPERATING REVENUES	
Quotas/Pledges	\$ 78,150
Revaluation of fixed assets	271,748
Other income and prior year adjustments	<u>8,389</u>
Total operating revenues	<u>358,287</u>
OPERATING EXPENSES	
Expenditures	164,747
Other	<u>128</u>
Total operating expenses	<u>164,875</u>
SURPLUS FOR THE PERIOD	\$ 193,412

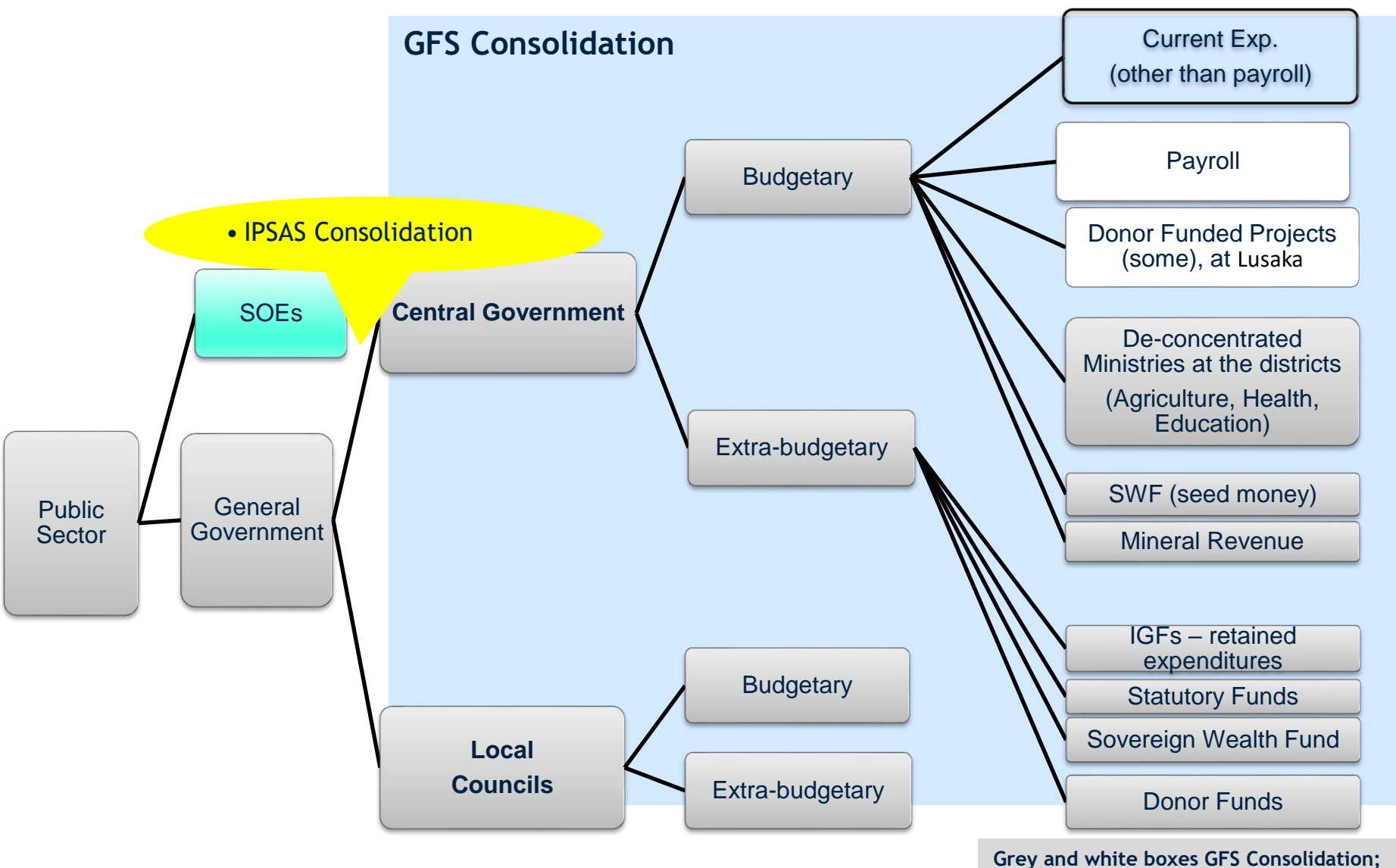
Every code in COA should be mapped to the financial statements lines-items

IFMIS MODULES AND THE BIG PICTURE OF PFM ARCHITECTURE



Definition of Core Modules varies, as some consider Budget as part of 'I' in IFMIS

UCOA APPLICABILITY AND SCOPE OF REPORTING ENTITY – GFS VS IPSAS



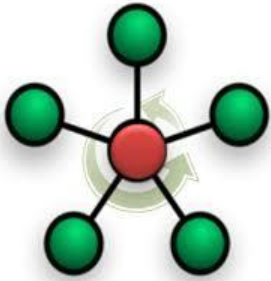
HOW CAN YOU ACHIEVE UNIFORMITY OF UCOA ACROSS SYSTEMS

1. Centralized Entity to prescribe the UCOA has the legal mandate
2. IT Systems to ensure compliance – Master Data Management, and Compliance Services (USA Model)
3. Standardized Specs for IFMIS prescribed by the central entity with QA for all the systems to ensure compliance – Portugal Planning to adopt this
4. Uniform IFMIS which everyone uses – Russia and France Model

SOME OPERATIONAL ISSUES FACED DURING OUR EXPERIENCE

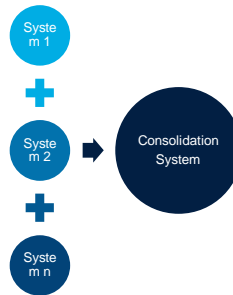
1. External Counterpart Funds (Canada Aid, USAID) were given liabilities codes while they should have been treated as Grants
2. Asset codes do not match the expenditure codes in many areas – software, hardware, non-financial assets
3. Too much details in the UCOA – 900 codes for employee related liabilities like Welfare Funds, Union Funds, House Building Loans – a case for subsidiary ledgers rather than the UCOA
4. Can IFMIS record Accrual entries in the background while government is working on Cash basis? Yes, Modern ERPs allow such possibilities
5. Multiple chart of accounts – Are they possible in IFMIS

SHARE CENTER OF EXCELLENCE IN DECENTRALIZED IFMIS



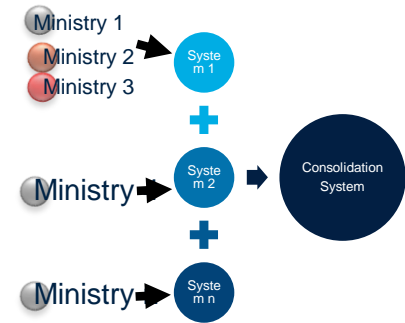
Centralized IFMIS

- Russia
- France
- Pakistan
- Indonesia
- Zambia
- Zimbabwe



Decentralized IFMIS

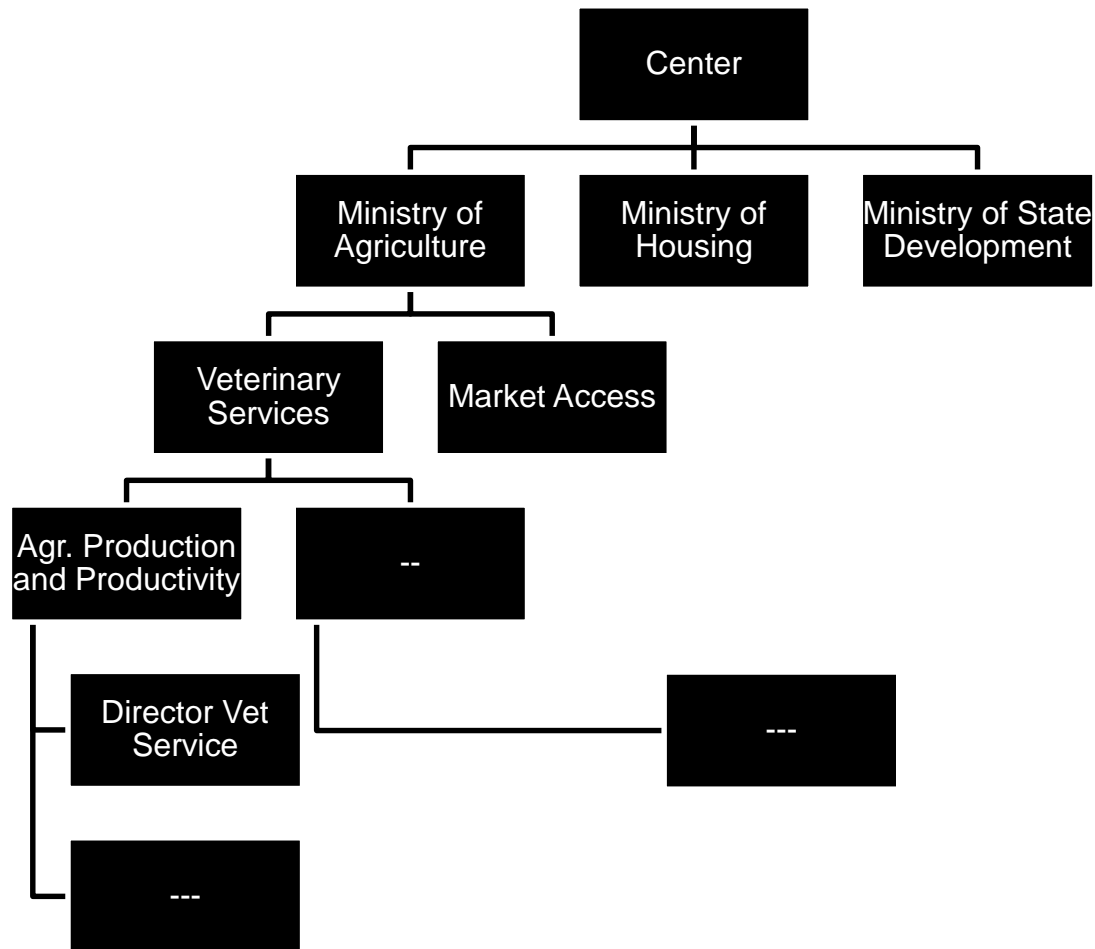
- USA
- Philippines - now moving to centralized systems
- Bulgaria



Hybrid IFMIS

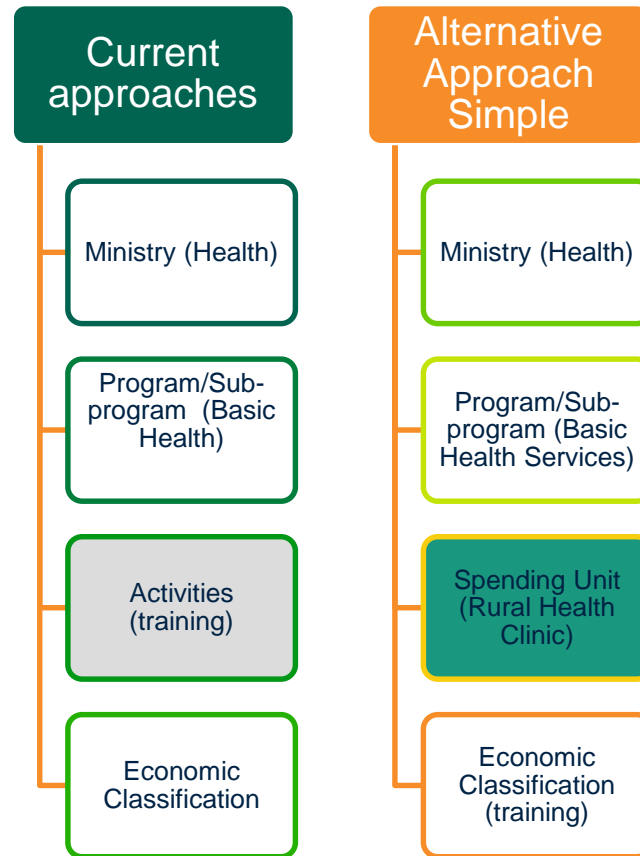
- Portugal
- Denmark

EXAMPLE OF CONCEPTUAL PROBLEMS IN CLASSIFICATION AND MAPPING



Programs are too broad to be subsumed under sub-functions under the current scheme of classification.

Program and Activities – another example of common problems



Main challenges are conceptual

1. Concept of consolidation entity is not clear: IPSAS, GFS? Control concept vs General Government

4. Institutional arrangements and capacity for quality control of classification and mapping is weak

2. Program classification is complicated with thousands of activities, which overlap economic categories, cost centres, and source of funds

5. Interpretation of special codes requiring guidance is not available as part of the classification manual

3. Manual selection of mapping is allowed in IFMIS, leading to divergent interpretations by the users

6. Multiple IFMI systems maintaining CoA and Budget classifications which are not consistent and harmonized

Discussion



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