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PEMPAL

Plenary Meeting Zagreb
January 2011

Presentation to Introduce TCOP
Sessions

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TCoP Session 1

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TCOP Day 1 Questions

- In developing Treasury accounting systems how far should managerial requirements be taken into account, or should the Treasury accounting system only be concerned with budgetary control and cash flow management?
- How to combine program based approach, which is more and more often used for budget presentation, and the budget execution reporting, which is frequently not program based?

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Managerial Accountability & Treasury Accounting

Managers

Respon-
sibilities &
tasks

Performance
goals

Allocated
budget

Discretion-
ary
authority

Reporting

Report
upwards

Success or
failure

Comparison
budget

Internal
controls

Treasury accounting as an information system

Information on
revenues and
expenditures

Comparison
with budget

Link to
performance
goals

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Issues relating to Q1

- Should the Treasury accounting system be an information system to facilitate managerial accountability?
- What are the implications of making the Treasury accounting system an information system for managerial accountability?

6 System design implications of managerial accountability

- Treasury systems need to be designed as an information and reporting system
 - Chart of accounts
 - Linkage with budget and managerial accountability criteria
 - Integration with non-financial managerial performance goals
 - Is this appropriate for an accounting system?
 - Reporting design
 - Linked to concepts of managerial accountability – how?

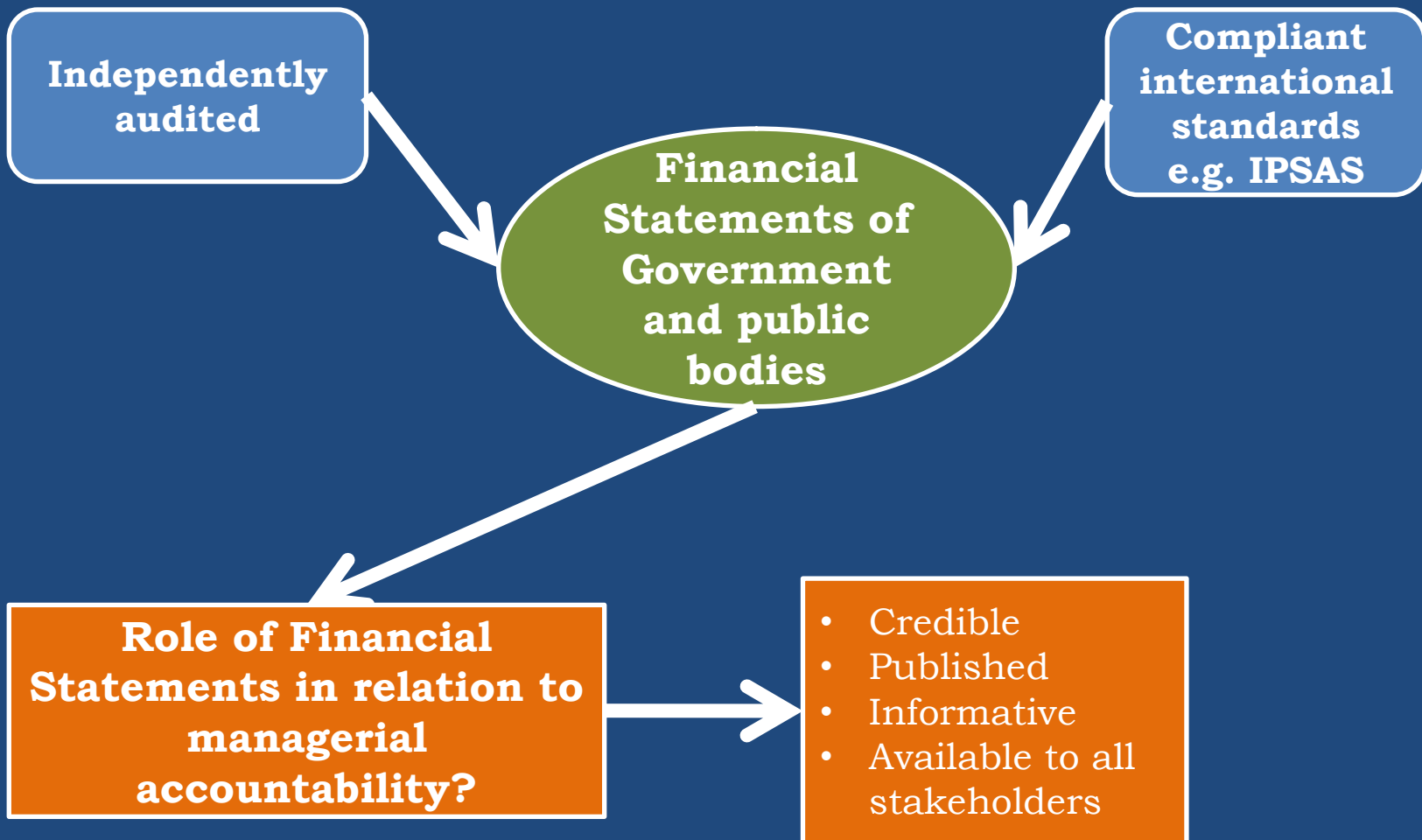
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Potential conflicts

- Access to information v. Confidentiality
 - Managerial accountability requires managers to have access to financial information
 - But much accounting information is confidential
- Integrity of information
 - Access should not allow information to be changed
- Timeliness v Accuracy
 - Managerial accountability requires up to date information
 - But time needed to ensure figures are accurate

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Managerial accountability and financial statements



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UK Departmental Financial Statements

- **Operating statement** (or revenue account)
 - reflecting all income and expenditure for the period;
- **Balance sheet**
 - reflecting all fixed and current assets and liabilities at the financial year end
- **Cash flow statement**
 - reconciling operating cost statement to cash spend;
- **Analysis of revenue and capital spending by ‘main objective’**
- **Output and performance analysis**
 - comparing actual outputs with targets in both financial and non-financial terms, again by ‘main objective’

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Q1 issues summary

Issue	Decision options
1. Should the Treasury Accounting System also be an information system for managerial accountability?	<ul style="list-style-type: none">• Yes as primary purpose• Secondary to traditional Treasury accounting roles
2. Should the reporting structure be designed to meet the needs of managerial accountability?	<ul style="list-style-type: none">• Yes• Only to the extent it does not conflict with traditional reporting
3. Are the financial statements a key element in managerial accountability	<ul style="list-style-type: none">• Yes• No exist for other reasons (need to be specified)
4. What are the design implications if the Treasury accounting system is used to achieve managerial accountability	<ul style="list-style-type: none">• A list of design issues and solutions is required

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Q2 Program budgeting

**Program
Budgeting**



**Performance
goals**

Budgets allocated to programs linked to performance goals

**Budget
Execution**



**Administrative
budget release**

Budget execution linked to organisational structure

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Issues

- Managerial accountability includes accountability for achieving performance goals
 - Performance goals based on program budgets
- Budget execution reporting based on organisational structures
 - How to report against performance goals?
- Issue often ignored in design of program budget systems

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Options

Separate reporting system for programs & goal achievement



- Duplication
- Problems of reconciliation
- Control & information management problems

Integration of program budget reporting with Treasury accounting



- Challenge of integration with chart of accounts
- Flexibility needed as programs change
- Should the Treasury accounting system hold non-financial information on performance goals?

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Implications of program budgets

- Key feature of managerial accountability
 - Responsibility for achieving performance goals
 - Reporting on performance goals
- Challenge for Treasury accounting systems
 - Programs - a different reporting structure
 - Implications for chart of accounts
 - Requirement to hold information on non-financial performance goals
- Linkage of reporting on financial and non-financial information

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TCoP Session 2

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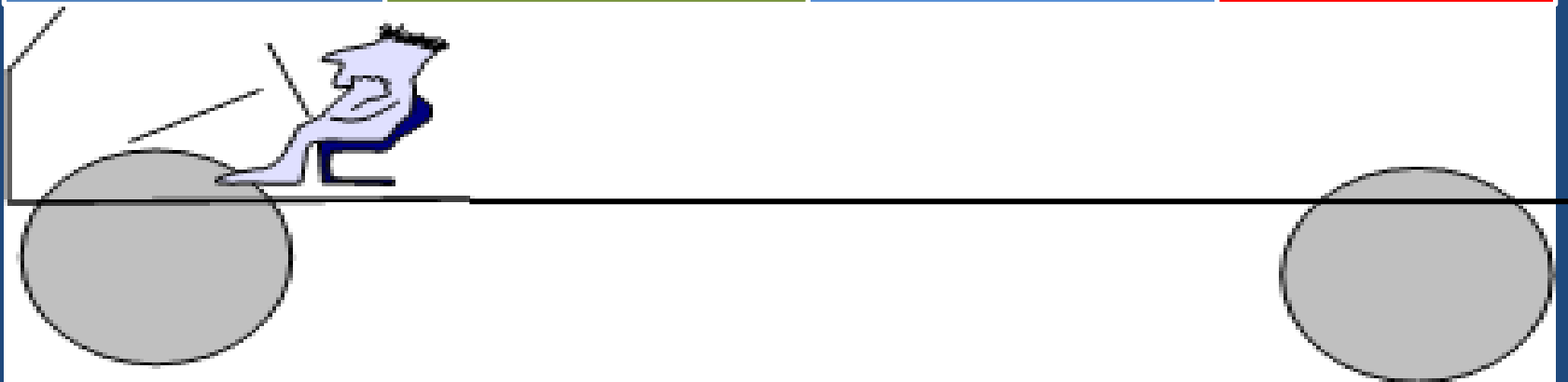
Day 2 Question

How to reconcile existing classifications and information systems that generate very detailed reporting information, which does not seem to be in demand by decision-makers, and the need and demands for aggregate reports and analytical types of reports, which are not always supported by FM systems?

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The Reporting Vehicle

Reporting level	Financial Statements		Audit reports
Parliament & civil society	Budget allocations compared to commitments & expenditure (budget management)	Inflows compared to outflows (funds flow statements)	Financial inputs compared to physical outputs - performance management
Ministers & senior officials		Assets and liabilities (balance sheet)	
Internal	Internal financial controls		



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Are multiple reporting requirements feasible?

- Complexity of chart of accounts and coding structures
- Conflicts of different reporting requirements
 - Managerial accountability
 - Quick, flexible reporting on key data
 - Up to date information critical
 - Traditional budget execution reporting
 - Consistent over time
 - Accuracy more important than speed
 - Comprehensive reporting

19 An ongoing challenge for Treasury Accounting

- Even rich countries have problems
 - New 2010 UK government complained about “inadequate financial information on future commitments” and “weak budget management”
- Treasury system design must balance the ideal with the feasible
- What are the priorities?

Q3 Issues Summary

Issue	Options
1. Should the reporting structure be reformed to focus on the requirements of managerial accountability?	<ul style="list-style-type: none">• Yes reporting should be simplified and refocused• No retain existing reports• Add more reports to meet traditional and managerial accountability requirements
2. Should the chart of accounts be redesigned to focus on managerial accountability?	<ul style="list-style-type: none">• Yes complete redesign• No• Attempt design which meets all requirements