

The move to accrual accounting and IPSASs Adoption in Brazil: Challenges and Perspectives



The main players of the convergence process in Brazil

The Main Players of the Convergence Process



CFC - Convergence of PSA practices to IPSASs. Establishes the Conceptual Framework. Instrument: Brazilian Public Sector Accounting Standards.

STN – Consolidation and Standards regarding the practical implementation. Instruments: MCASP, IPCs, training and dissemination.



GTCON – Advisory Body for PSA Practices (composed of Federation representatives). Instrument: Participation in national standard-setting process and exchange of experience.



The Main Players of the Convergence Process

Public Managers and Policymakers – Responsible for providing resources to the effective implementation of the standards. Instrument: public budget and other decisions regarding the public administration.



Courts Of Accounts – Responsible for auditing public sector bodies' accounts and for evaluating representatives regarding accounting standards. Instrument: Auditing procedures.

The Design of the Convergence Process

International Public
Sector Accounting
Standards

Benchmark

IPSASB

NBC TSP
(Brazilian Public
Sector Accounting
Standards)

Adaptation



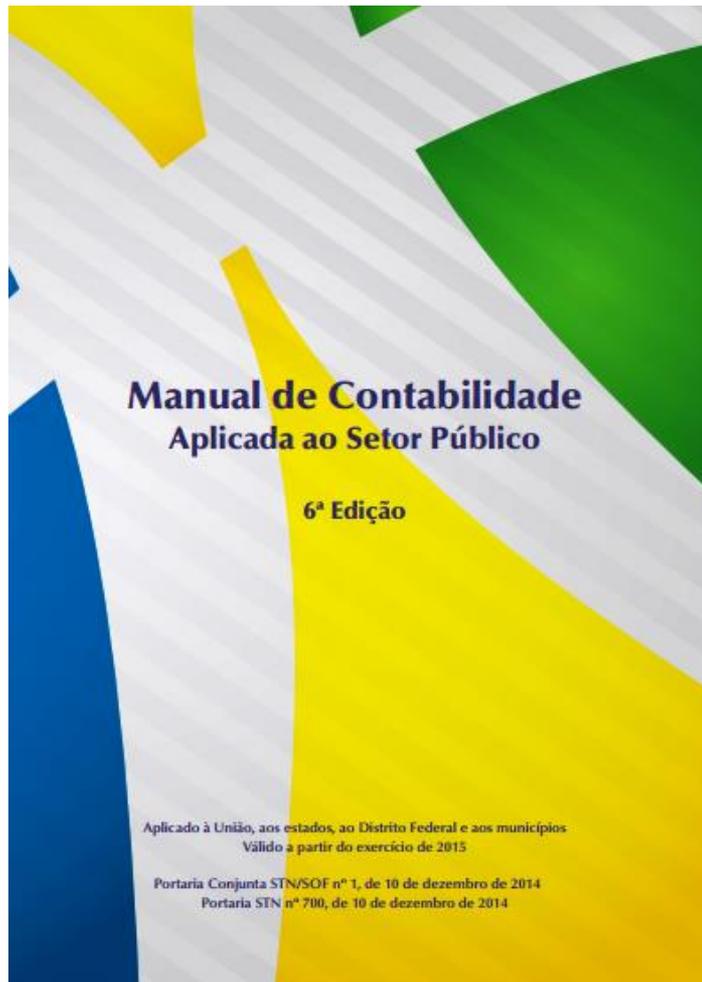
MCASP
(Public Sector
Accounting
Manual)

Practical Guidance



Public Sector Accounting Manual (MCASP)

**6th Edition
2015**



VOLUMES:

General - Introduction

Part I – Budget Accounting Procedures

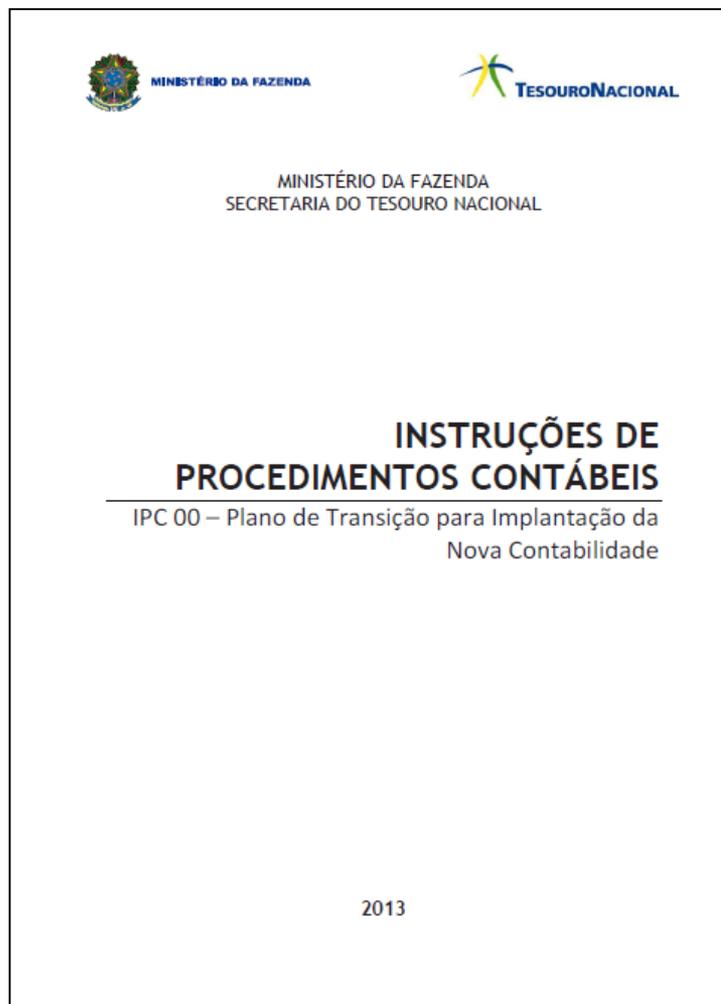
Part II – Accrual Accounting Procedures

Part III – Accounting for Specific Procedures

Part IV – National Chart of Accounts (general rules)

Part V – Public Sector Financial Statements

Recommended Accounting Practices (IPC)



- ❖ Not compulsory;
- ❖ Extended orientation of MCASP's standards;
- ❖ Support tool for interpreting MCASP's guidelines;
- ❖ The procedures are tested in a specific government body and the experience is provided in the document.

Timeline of the Convergence Process

Timeline of the Convergence Process in Brazil

General law of
budget and
accounting



IPSAS/PSC/IFAC

Fiscal Responsibility
Law

1964

1986

1987

1997

2000

Timeline of the Convergence Process in Brazil

Transparency Law

MCASP



Recommended Accounting Practices - IPC

Gradual adoption of full accrual accounting based on IPSASs

2008

2009

2012

2013

2014

2015

IPSAS Translation to Portuguese

National Chart of Accounts - PCASP



IPSAS Conceptual Framework



Premises of the Transition

Premises of the Transition

- ❖ Focus: budget accounting x accrual accounting;
- ❖ Comprehensive review of the previous timeline for accrual accounting implementation in Brazil;
- ❖ Brazilian “own” model;
- ❖ Gradual implementation of accrual accounting based on IPSASs;
- ❖ Effective consolidation (of public sector accounts starting from 2015);
- ❖ Compliance with GFSM2001 (IMF);
- ❖ The SICONFI XBRL Project.

Resolution of the National Treasury n° 634/2013 – Deadlines

	National Chart of Accounts (PCASP)	Standardized Financial Statements (DCASP)	Accrual Accounting Procedures	Accounting for Specific Procedures	Budget Accounting	Consolidation of the General Government Sector (GGS)
Deadline	Until the end of 2014		Gradually, according to the Implementation Plan	Starting from 2013	Immediately	Starting from 2015
Description	The whole federation (Central Government, 26 states, the Federal District and 5,564 municipalities) adopted in their respective public sector bodies and agencies.		Complexity Impact on consolidation (Consultation Paper will be issued at may 2015 GTCOM meeting)	Some complex procedures and peculiarities (e.g. accounting for public private partnerships, specific government transfers, etc.)	Since 2001 budget accounting procedures are well developed and standardized in the federation	This role of the National Treasury was established by the Fiscal Responsibility Law

Structure of the National Chart of Accounts

Accrual Accounting

1 – Assets

- 1.1- Current
- 1.2 – Non Current

2 - Liabilities

- 2.1 – Current
- 2.2 – No Current

3 – Expenses

- 3.1 – Wages and Salaries
- 3.2 – Social Benefits
- ...
- 3.9 – Other Expenses

4 – Revenue

- 4.1 – Taxes
- 4.2 - Contributions
- ...
- 4.9 – Other revenues

5 – Compensated Accounts (Planning and Budget Aproval)

- 5.1 – Planning Aproval
- 5.2 – Budget Aproval
- 5.3 – Carryover Amounts Aproval

6 – Compensated Accounts (Planning and Budget execution)

- 6.1 – Planning Execution
- 6.2 – Budget Execution
- 6.3 – Carryover Amounts Execution

Budget Accounting/cash and commitment basis of recording

7 – Offset Accounts (Aproved Ammounts)

- 7.1 – Contingencies
- 7.2 – Financial Management
- 7.3 – Overdue Receivables
- 7.4 – Fiscal Risks
- 7.8 – Cost information

8 – Offset Accounts (Actual Ammounts)

- 8.1 – Contingencies Execution
- 8.2 – Financial Management Execution
- 8.3 – Overdue receivables Execution
- 8.4 – Fiscal Risks Execution
- 8.8 – Cost Apropriation

Challenges and Obstacles

Challenges and Obstacles

The Brazilian Federation is composed of the Central Government, 26 states, the Federal District and 5,564 Municipalities.

- IT Systems;
- Human Resources;
- To change the culture of public administration;
- To overcome paradigms;
- Political cycles;
- Complexity of specific IPSASs: infrastructure, intangible assets, financial instruments, social benefits, revenue from non-exchange transactions etc.



The Siconfi XBRL Project

*System of Fiscal and Accounting Information of the
Brazilian Public Sector*

siconfi

Sistema de Informações
Contábeis e Fiscais
do Setor Público Brasileiro

TESOURO NACIONAL

Pillars of SICONFI

Consolidation

- Three types of consolidation: accounting, fiscal and statistical
- Central repository of the public debt: internal and external
- Effective elimination of mirrored transactions between federation levels

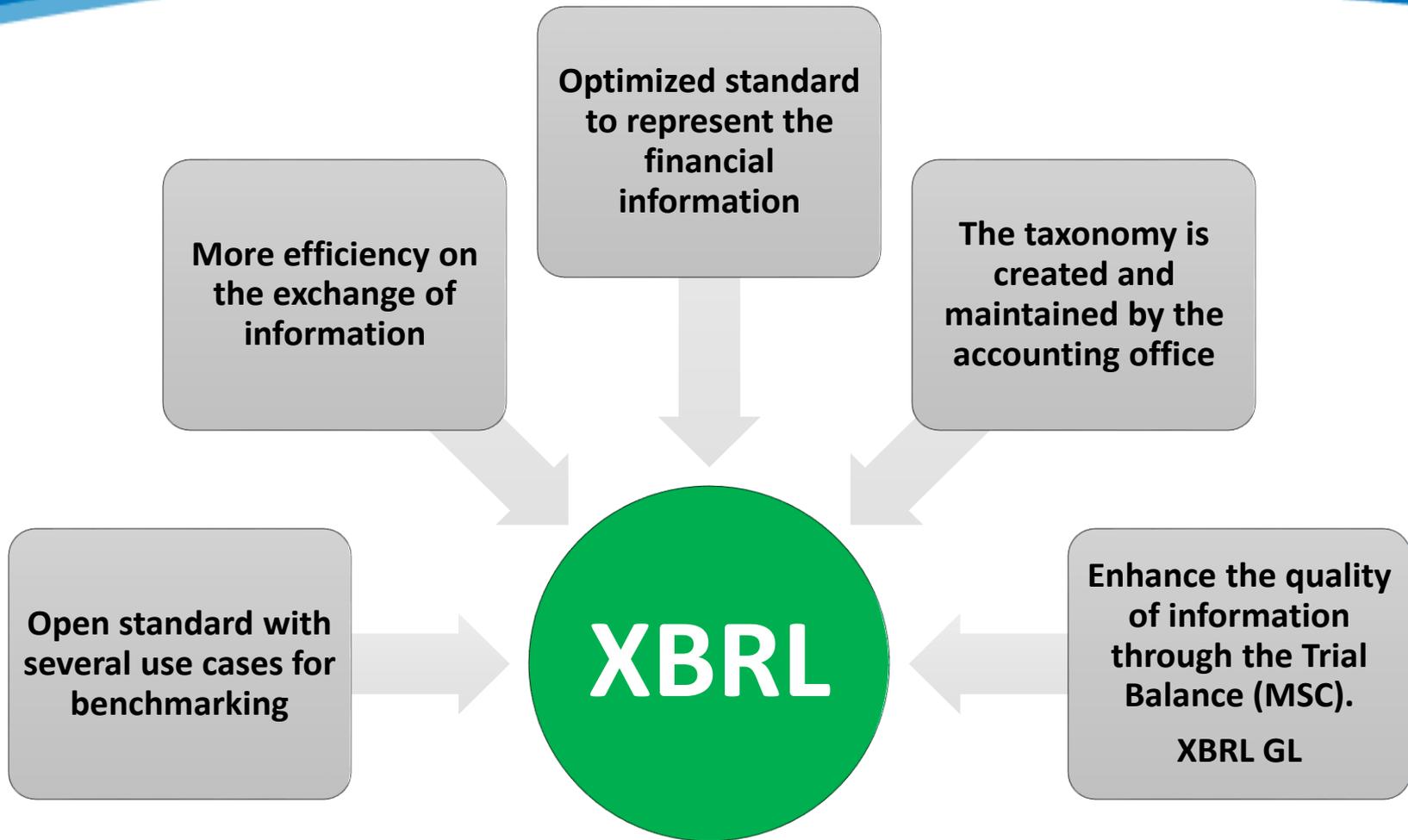
Transparency

- Public access to the federation accounting and fiscal data
- Structured information enhances the data queries' results by the general public
- Comparability

Accountability

- Compliance with fiscal regulations (public debt limits, employee expenditure limits etc)
- Allow effective accounting harmonization on the federation
- Provide important information for the Courts of Accounts

Why XBRL?



Next Steps

Next Steps of the Process

- Gradual implementation of the accrual accounting procedures;
- Use Siconfi as an "auditing tool" in order to improve consistency of the fiscal and accounting information;
- Revise the NBC TSP in order to follow the evolution of the accounting information needs;
- Provide all federation data obtained by the National Treasury to the general public (*data warehouse* and structured search);
- Promote the use of XBRL taxonomy through the partnership with the courts of accounts and other government bodies.

Thank You!

Joaquim Vieira Ferreira Levy

Minister of Finance

Tarcísio José Massote de Godoy

Executive Secretary

Marcelo Barbosa Saintive

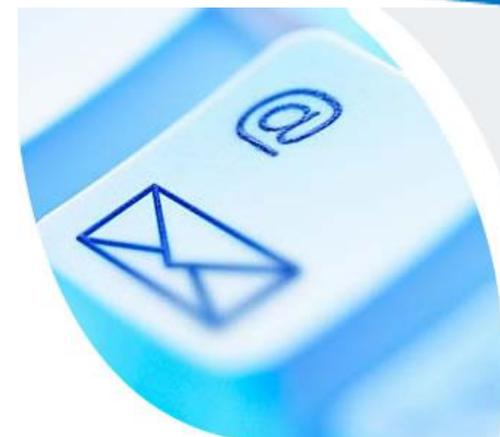
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