Public Financial Management Reform in Greece (General Government Accounting Framework)

EPSAS Working Group Meeting
21-22 November 2017
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Reform key objectives

Goal:
Transparency and accountability in the government accounting and public financial management:
- Better information to generate national accounts
- Accountability and transparency for better governance and reporting
- Better financial management (micro level)

Means to meet the goal:
- Establishment of unified financial rules for General Government entities.
- The development and implementation of a common CoA for the entire General Government, with common classification for budgeting and accounting based on European (ESA) and International Standards (GFSM).
- Adoption of accrual accounting in all General Government entities – IPSAS based principles
  - Budgeting in Greece is cash-based
The team behind the reform

A working group was set up in General Accounting Office (GAO) in December of 2015 according to a ministerial decision of the Minister of Finance. Its members were officials from:

- **The GAO**
  - Accounting and budgeting department
- **the Hellenic Court of Auditors and**
- **the Hellenic Accounting Standardization Committee (a committee of Hellenic Accounting and Auditing Standards Oversight Board)**

The Working Group has submitted its output at the end of October 2017.

*During its works there were interactions with the Technical Assistance*
1. The development of a common CoA for budget and accounting taking under consideration the international standards of ESA2010 and GFSM, including:

- **Economic classification**: single structure of accounts for budget and accounting with definitions for all the accounts of revenues, expenditures, assets, liabilities and other financial flows.

- **Administrative classification**: based on the hierarchical and management structure of entities

- **Functional classification**: based mainly on the classification of COFOG.

2. The development of an accounting framework with definitions, identification, registration and measurement rules for assets, liabilities, revenue and expenses, with reference to IPSAS (and EPSAS).

3. The determination of the type of accounting yearly statements (Financial Statements).
The accounting reform so far:

- **Draft** Presidential Decree
  - 1 chapter
    - 15 articles
  - 6 annexes
    - Chart of accounts
    - Templates for Financial statements
    - A template for a Fiscal Report
    - A template for a Budget Report
    - Definitions of accounts and accounting principles
    - Glossary
Chart of accounts

- 1: Revenue
- 2: Expenditure
- 3: Tangible Assets, Intangible Assets and Stocks
- 4: Financial Assets
- 5: Financial Liabilities
- 6: Provisions
- 7: Other Financial Flows
- 8: Equity Accounts

The accounts are suitable to meet the information needs of ESA reporting and GFSM reporting. Development of tables permitting the mapping of accounts to ESA and GFSM.
The innovation of the CoA

- While accounting is *accrual based* and budgeting is *cash based* the *novelty* of the CoA is that it uses a common set of accounts.
  - Of course some accounts are only for accounting use and others only for budgeting use
- The existing public sector accounting systems in Greece (e.g. Hospitals, Municipalities) adopt different CoAs for accounting and budgeting that co-operate at specific phases of transactions.
- The new CoA builds on software capabilities and keeps several information regarding stages and phases of transactions regarding accounts (including budgeting) without involving accounts codification.
  - This makes it user friendly, transparent and technology advanced
Structure of the accounts

X.X.X.XX. XX

1st level account

2nd level account

3rd level account

4th level accounts

Special accounts for accrual adjustment entries

5th level Accounts TBD

00-89

90-99

<table>
<thead>
<tr>
<th>90</th>
<th>Accrued amounts</th>
</tr>
</thead>
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<tr>
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<td>Reclaisifications</td>
</tr>
<tr>
<td>92</td>
<td>Fair value differences</td>
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<tr>
<td>93</td>
<td>Cumulative depreciation fair value differences</td>
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<td>94</td>
<td>Impairment</td>
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<td>95</td>
<td>Exchange differences</td>
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<td>Cumulative depreciation</td>
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<td>97</td>
<td>Provisions</td>
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<td>98</td>
<td>Empty</td>
</tr>
<tr>
<td>99</td>
<td>Other flows</td>
</tr>
</tbody>
</table>
Example

2.4.1.02.XX Purchases of consumables

(3) 500

5.8.4.00.00 Payables from purchases of goods and services

500 (6) 500 (3)

4.2.2.10.XX Transferable deposits domestic

500 (6)

Flow of events

(1) The approved budget for the purchase of photocopy paper for the Ministry of Finance the year 20XX is 1,000 euro
(2) Issuance of commitment from the authorizing officer of the Ministry for the purchase of photocopy paper for 1,000 euro

(3) Delivery of products and invoice for an amount of 500 euro

(4) Issuance of the voucher

(5) Issuance of the payment order

(6) Payment of the payment order

Solely budget related events – IT flagging follow up

Solely accounting

Accounting and budgeting
Financial Statements

- The statement of financial position (balance sheet)
- The financial performance statement (surplus/deficit statement)
- The statement on the changes in equity
- The cash flow statement
- Explanatory notes to the financial statements (Notes)

**Yearly publication**
- Audited financial statements
- Prepared by 30/6 of next year
- Auditing within 3 months after preparation
- On site publication

**Exceptions for Budgetary**
- Central Government (State)
- Auditing by the Court of Audit
- Approval by the Parliament

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Who is going to adopt this system?

- Application to all general government entities that are included in the registry of the Hellenic Statistical Authority (HSA)
  - Those obliged to adopt private sector accounting standards continue to follow those standards but they are obliged to produce additional reports consistent with this framework
  - Those public sector entities not included in the registry of HSA apply the private sector entities accounting framework
  - The use of the same CoA as well as principles and methodologies will permit the publication of consolidated reports

All public sector entities apply accrual accounting
How are the accounting rules going to be kept updated?

A new Dedicated Division in GAO (General Government Accounting Division) follows up the updates in IPSAS and other relevant developments.

Proposals for changes in the accounting rules to the Minister of Finance.

ELTE (Hellenic Accounting and Auditing Standards Oversight Board) provides an opinion to the proposals suggested by the GAO division to the Minister of Finance.

The Minister of Finance decides about changes in accounting principles.
How is the CoA going to be kept updated?

The economic classification up to the 5th level is obligatory.
Administrative and Functional classifications are obligatory as well.

General Government entities may analyse their accounts to lower levels if necessary.

Lower level analysis is subject to entities’ specific needs and guidelines issued by the Ministry of Finance.

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22 November 2017
Implementation time line

Implementation of the New chart of accounts for the Budgetary Central Government (State) **budget**

Implementation of the new accounting frameworks to all general government entities

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1/1/2019

Pilot testing
IT adjustments
Training
CoA fine-tuning at the 5th level

1/1/2023

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22 November 2017
Expected flow of legislation and other arrangements

Presidential decree
- CoA (partially) up to the 5th level
- Economic classifications
- Types of (possible) classifications
- Basic principles
- Timeline

Ministerial Decisions
- 5th level accounts
- Codification for administrative and functional classifications

Other texts
- Implementation Manuals
- First time implementation rules

1st team concluded on October 2017

2 new teams were formed in September 2017 to perform these tasks

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22 November 2017
Thank you for your attention