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.

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.

The Design of the Convergence Process

- International Public Sector Accounting Standards Benchmark
- NBC TSP (Brazilian Public Sector Accounting Standards) Adaptation
- MCASP (Public Sector Accounting Manual) Practical Guidance
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: 1964
- TESOURONACIONAL: 1986
- SIAFI: 1987
- IPSAS/PSC/IFAC: 1997
Timeline of the Convergence Process in Brazil

- **2008**: Transparency Law
  - MCASP
  - IPSAS Translation to Portuguese
- **2009**:
- **2012**: Recommended Accounting Practices - IPC
- **2013**:
- **2014**: National Chart of Accounts - PCASP
- **2015**: Gradual adoption of full accrual accounting based on IPSASs

IPSAS Conceptual Framework
Premises of the Transition
Premises of the Transition

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

#### 1 – Assets
- 1.1 – Current
- 1.2 – Non Current

#### 2 – Liabilities
- 2.1 – Current
- 2.2 – No Current

#### Accrual Accounting

#### 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 Approval)
- 5.1 – Planning Approval
- 5.2 – Budget Approval
- 5.3 – Carryover Amounts Approval

**Budget Accounting/cash and commitment basis of recording**

#### 6 – Compensated Accounts (Planning and Budget execution)
- 6.1 – Planning Execution
- 6.2 – Budget Execution
- 6.3 – Carryover Amounts Execution

#### 7 – Offset Accounts (Approved Amounts)
- 7.1 – Contingencies
- 7.2 – Financial Management
- 7.3 – Overdue Receivables
- 7.4 – Fiscal Risks
- 7.8 – Cost information

#### 8 – Offset Accounts (Actual Amounts)
- 8.1 – Contingencies Execution
- 8.2 – Financial Management Execution
- 8.3 – Overdue receivables Execution
- 8.4 – Fiscal Risks Execution
- 8.8 – Cost Aproprition
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
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?

- Optimized standard to represent the financial information
- The taxonomy is created and maintained by the accounting office
- More efficiency on the exchange of information
- Open standard with several use cases for benchmarking
- Enhance the quality of information through the Trial Balance (MSC).
  XBRL GL
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
National Treasury Secretary

Gilvan da Silva Dantas
Public Sector Accounting Undersecretary

Leonardo Silveira do Nascimento
Head of Department of Accounting Standards for the Brazilian Federation

www.stn.fazenda.gov.br
cconf.df.stn@fazenda.gov.br
Twitter: @_tesouro

Siconfi:
www.siconfi.tesouro.gov.br