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The Accounting Standardization System for Public Administrations and the Impact of their Adoption on Higher Education in Portugal

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Abstract

The Accounting Standardization System for Public Administrations (SNCAP) was approved by Decree-Law no. 192/2015 (DL) of September 11 and constitutes the new accounting system for public administrations. With the approval of the SNC-AP, it will be possible to implement the accrual basis in accounting and financial reporting of public administrations, articulating it with the current modified cash basis, establishing the grounds for a state budgeting on an accrual basis. According to the legal regime of higher education institutions (RJIES), there are university teaching institutions and institutions of polytechnic education. In this way, HEIs adopting the SNC-AP will have to prepare the opening balance sheet for the 2018 financial year in accordance with the new regulations, which implies a set of adjustments to the last balance prepared according to the POC-Educação.

Keywords: Public Accounting, SNC-AP, Public Administrations, Reform, Higher Education Institutions

1. Introduction

The Accounting Standardization System for Public Administrations (SNCAP) was approved by Decree-Law no. 192/2015 (DL), dated September 11 and constitutes the new accounting system for public administrations, scheduled for January 1 2017. However, it was postponed until January 1, 2018¹. The Local Authorities benefited from a specific regime for the adoption of the SNC-AP, with implementation scheduled for January 1, 2019.

The reasons for the emergence of these accounting regulations are presented (in the approval document itself), the existence of a strong fragmentation and outdated accounting standardization for the public sector. It is recognized in the same law that fragmentation is a serious problem of technical inconsistency as it affects the efficiency of public sector accounts consolidation and entails many undesirable adjustments that question the reliability of the information in its integration. It is more concerned that this This problem is felt throughout the public sector, albeit with a particular focus on entities such as the Directorate-General for the Budget, the Directorate General of Local Authorities and the National Institute of Statistics, which have to aggregate information produced on the basis of budgetary information systems and financial instruments that are inconsistent in order to build macroeconomic

¹, Decree-Law no. 85/2016 of 21 December.

indicators, which are indispensable for decision-making in budgetary and monetary policies at European Union (EU) level.

With regard to the reform that this new financial information system advocates, high expectations are raised regarding its impact on Portuguese public accounting, as it is stated in the text of the aforementioned decree that it solves the fragmentation and inconsistencies that currently exist, while at the same time providing public administrations with a more efficient and more convergent budgetary and financial system with the systems that are currently being adopted at the international level.

With the approval of the SNC-AP, it will be possible to implement the accrual basis in accounting and financial reporting of general government, articulating it with the current modified cash basis, establishing the grounds for a state budgeting on an accrual basis, fostering harmonization to institutionalize the State as an entity reporting, through the preparation of budgetary and financial statements (FSs), on an individual and consolidated basis, to increase the alignment between public accounting and national accounts and to contribute to meeting the needs of users of the information system accounting and budgetary and financial reporting of general government.

Also with this new accounting standard, it will be possible to standardize procedures and increase the reliability of account consolidation, in line with the rules of private companies (SNC) and non-profit sector (SNC-ESNL).

The SNC-AP includes the subsystems of budget accounting, financial accounting, and management accounting. The elaboration of the SNC-AP contemplates, in particular:

- A conceptual structure of public financial information;
- Public accounting standards converging with IPSAS;
- Models of financial statements;
- A rule on budgetary accounting;
- A multidimensional chart of accounts;
- A management accounting standard.

This article intends to analyse the public accounting reform in Portugal based on the SNC-AP, in the impacts that it will determine in public higher education institutions (IES) at the accounting level in relation to the previous POC-Educação regime and also the resources involved in implementation.

Thus, in point one will be presented the methodology adopted in the elaboration of the article, in point two a brief exposition is made on the evolution of public accounting, with reference to the POC-Educação, in point 3 is presented the Accounting Standardization System for Public Administrations (SNC-AP) and the main aspects of this document are developed, the point four is related to the Budget Framework Law and point 5 is dedicated to HEIs and the procedures that these institutions will have to follow in order to implement the SNC-AP, since it is a reform in relation to the system they were adopting.

2. Methodology

Research is a research process in which an issue is raised and systematically proceed to collect, analyse, interpret, and communicate the information that answers the question. For the elaboration of this article, the research method was based on the collection of information, through a literary revision to respond to the objectives of the present study, using scientific journal articles, conference articles, Web pages, books and dissertations in the field of public accounting in order to illustrate the state of the art.

It was chosen a qualitative approach, considering that it is an investigation to study a social phenomenon, frequently used in investigations in the area of organizational studies, because it seeks to understand and explain the observed practices. It is also characterized by its interpretative or critical nature as it works on qualitative methods. It also serves to illustrate certain topics within an evaluation, through a descriptive approach, to explore situations in which the intervention, being evaluated, does not present a clear and unique set of results (Quivy & Campenhoudt, 1995; Yin, 2005).

According to Bogdan & Biklen (1994), a qualitative investigation focuses mainly on the understanding of the problems, so that we can establish a more enlightening understanding of our object of study.

In relation to documentary analysis, the study was based on official sources such as legal diplomas or institutional reports, as well as scientific articles written by reputed authors of the area, with the intention of framing the subject in question, as well as collecting reliable data that allow realistic interpretation of the current functioning of the accounting systems and the accountability of HEIs.

3. Public Accounting

3.1 Background

During the sixteenth, eighteenth and nineteenth centuries, reforms and profound accounting changes were made that led to the introduction of double entry accounting in public finance management. However, in Portugal, the method of registration used in public accounting was practically always based on the cash basis. With the revolution that resulted in democracy in 1974, the entire legal system of the budget system was reformulated. The information disclosed in the financial statements would now have a higher level of requirement. With the entry of Portugal into the European Union, a restructuring in public accounting has become urgent.

The Reform of State Financial Administration (RAFE) began in the 1990s and led to a change in the way pensions are thought. This change had the immediate change to the second constitutional revision of 1989, where budget information was included, and program budgeting was foreseen. This reform has introduced in Public Accounting, management by objectives and increased economy, efficiency, and effectiveness, along with innovation, creativity and rigor (Hood, 1995, Silva, 1994, p.211).

The administrative modernization that some public entities assumed in the 1990s [when the reform process in the Public Administration (PA), referred to above was verified], not adequately accompanied by an evolution in public accounting, made certain entities aware of the need the use of an approximate accounting and analytical accounting to that used in the private companies that used the Official Accounting Plan (Silva, AP & al, 2007). In order to respond to the felt needs arising from the development of the new model of financial management, we have seen the creation of several sectoral plans for the main subsectors of public services, namely:

- In 1991, the Official Plan of Accounts for Health Services (POCSS) was published, by order of the Ministry of Health, and revised in 1996;
- In 1993, through Decree-Law no. 226/93 of June 22, the Official Chart of Accounts for Municipal Services and Municipal Federations was published;
- In 1995, a working group was set up as the objective of elaborating a Draft Official Plan of Accounts for Public Higher Education Institutions (PPOCIES) (Nogueira, 2005).

These changes necessitated the development of new information and control instruments leading to the publication of the POCP in 1997, which added accounting rules for all central, regional and local government departments and bodies as well as social security.

The POCP was approved by Decree-Law no. 232/97, of September 3. The document contemplates the adoption of the base method of the addition, or digraphic method, with integration between budgetary accounting, equity accounting, and analytical accounting, in articulation with the unigraphic method, of cash base existing at the date.

3.2 The Official Plan of Public Accounting for the Education Sector (POC-Educação)

The POC-Education emerged from the POC-P and was approved by Administrative Rule no. 794/2000, of September 20th. The aim of this publication was to increase the quantity and quality of accounting information to different users, to harmonize accounting procedures, to make information comparable, to consolidate public accounts, and to implement budgetary, equity and analytical accounting systems, which would result in a single public accounting.

The accounting model underlying the POC-Education provided the necessary elements to the leaders to reinforce educational policies adequate to the growing demands of today's society, a felt need until the reform of public accounting (Marques, 2002). The publication of this chart of accounts establishes a system of budget accounting and its rules of movement, identifies the need to apply the principle of substance on the form for certain cases, as well as approve the rules of consolidation of accounts of public groups, and standards for the implementation of analytical accounting are also foreseen.

The POC-Educação was adopted by all HEIs and will be in force until the adoption of the SNC-AP, which started on 01.01.2018.

4. The Accounting Standardization System for Public Administrations (SNC-AP)

4.1 Characterization

Two decades after the approval of the POCP, the SNC-AP emerges, which allows public administrations to provide a more efficient and more convergent budgetary and financial system with the systems that are currently being adopted at an international level. In the diploma of approval, it is affirmed that the accounting normalization in Portugal for the public sector is currently outdated, fragmented and inconsistent, a situation that results from the advance of the Accounting Standardization System (SNC), towards the adoption of norms adapted from the norms international accounting standards (IAS / IFRS). This situation affects the efficiency of the consolidation of public sector accounts, which involves many adjustments that are not desirable, and that question the reliability of the information provided (Carvalho and Simões, 2016).

The SNC-AP was approved by Decree-Law no. 192/2015 of September 11 and its application is mandatory for all services and bodies of central, regional and local administration that do not have the nature, form, and name of the company, to the sub-sector social security, and reclassified public entities.²

The SNC-AP includes:

Table 1 - Elements of the SNC-AP

Conceptual structure of financial accounting	Multidimensional Plan of Accounts (PCM), consisting of a summary table of accounts of classes 1 to 8
25 Financial Accounting Standards (NCP): NCPs 1 to 25	Models of Budget Statements
NCP 26 - Accounting and Budget Report	Models of financial statements
NCP 27 - Management Accounting	A set of harmonized models for presentation of financial statements and budget statement (included in NCP 1 - Structure and content of Financial Statements and NCP 26 - Accounting and Budget Report, respectively).

Source: own elaboration

Notwithstanding the aforementioned elements are of general application, such application may not be adequate from the point of view of the Cost/benefit relationship, when dealing with smaller entities and low risk, and a simplified standard specific to this type of entity has been approved.

In relation to POCP, this new accounting system presents several differences since it involves the normalization of the various sectoral plans; the concentration in class 0 of all budget accounting operations; the elimination of pass-through accounts, the balances of all budgetary accounts having relevant and meaningful information for the

² "Reclassified public entities" means entities which, regardless of their form or designation, have been included in the subsectors of central, regional, local and social security of general government, within the framework of the European System of National and Regional Accounts, in the last published by the national statistical authority.

user; reflection on the digraphic accounting of all phases of budget execution and allocation of specific accounts budget reporting; does not present the developed class 9³, since it is of optional use.

The approval of the SNC-AP allowed the implementation of the accounting and financial reporting base of the general government, articulating it with the current modified cash basis. On the other hand, it aims to establish the grounds for state budgeting on an accrual basis, while fostering accounting harmonization. Another of its objectives is to institutionalize the State as a reporting entity (with the creation of the state accounting entity - ECE), it recommends the preparation of budgetary and financial statements on an individual and consolidated basis, as well as to increase the alignment between public accounting and the national accounts and contribute to meeting the needs of the users of the information system of accounting and reporting budget and financial.

The SNC-AP recommends the fulfilment of management, analysis, control, and information objectives, namely (Article 6 of DL 192/2015):

- Demonstrates budget execution and performance against fiscal policy objectives;
- Allows a true and fair view of the financial position and the respective changes, financial performance and cash flows of an entity;
- Provides information for the determination of public service expenditures;
- Provides information for the preparation of all accounts, statements, and documents that have to be sent to the Assembly of the Republic, the Court of Auditors and other control and supervision entities;
- Provides information for the preparation of accounts in accordance with the European System of National and Regional Accounts;
- It allows financial control, legality, economy, efficiency, and effectiveness of public expenditure;
- Provides useful information for management decision making.

The qualitative characteristics of financial reporting are attributes that make financial information useful to users of financial statements and achieve the objectives of financial reporting. The main qualitative characteristics are relevance, reliability, comprehensibility, timeliness, comparability, and verifiability. These qualitative characteristics apply to all financial and non-financial information reported, including historical and prospective financial information, and explanatory notes.

Comparing with the CNS, the same terminology is used, although they present differing assumptions and qualities, further deepening some aspects related to the differences between each sector, which can be analysed in the following table:

Table 2 - Characteristics and assumptions SNC / SNC-AP

SNC-AP	SNC
	Accrual basis (assumption)
	Continuity (assumption)
Relevance . Financial and non-financial information . Confirmatory and predictive function	Relevance
Reliability . Faithful representation of economic phenomena and others: when the description of phenomena is complete, neutral and free of material errors. . Neutrality: the absence of influences; . Conditions of uncertainty and estimates; . Information free of material errors.	Reliability . Reliable representation . Substance on the form . Neutrality . Prudence . Fullness . Materiality
Comprehensibility	Comprehensibility
Comparability	Comparability
Verifiability	
Opportunity	

Source: adapted from Santos & Saraiva (2016)

³ Traditionally intended for analytical accounting subsystem.

There are, however, constraints on the information included in the financial report, namely:

- Materiality - the information is material if its inaccuracy or omission can influence the decisions of the users of the FSs;
- Cost-benefit - financial reporting entails costs, and the benefits must justify the costs of obtaining it;
- The balance between qualitative characteristics - these work together to contribute to the usefulness of financial information.

It should be noted that public entities have several characteristics that distinguish them from other entities, which should be considered in the creation of the Conceptual Framework (EC) for the SNC-AP. Noteworthy are transactions without consideration, which are transactions in which there is not directly, in exchange, goods of the same amount, such as tax receipts; the State Budget and budget execution, which distinguishes public entities from private entities. Budget information becomes important to its users by allowing a comparison between revenue and expenditure and analysing its execution. The EC determines the concepts present in the creation of public accounting standards (NCP) applicable to the preparation and presentation of financial statements of Public Entities.

The objectives of the JV are to: (a) assist those responsible for the financial statements in the correct use of NCPs; (b) assist in forming an opinion on the adequacy of the financial statements to the NCPs; (c) assist users in interpreting the information contained in the financial statements; (d) provide concepts necessary for the formulation of NCPs by standardizing entities. The EC is not an NCP and therefore does not explicitly establish measurement, recognition, or disclosure criteria. If there is a conflict between the conceptual structure and an NCP, the requirements of the NCP prevail over the conceptual structure.

The EC contemplates aspects such as: objectives of the financial statements; qualitative characteristics that determine the usefulness of FSs information; definition of the reporting entity; elements of FSs; recognition of FSs elements and measurement of FSs assets and liabilities.

The elements of the financial statements to be considered in the SNC-AP are:

Table 3 - Elements of the Financial Statements

Element	Definition
Asset	It is a resource that the entity controls as a result of a past event.
Liability	It is an obligation that arises from a past event that could generate an outflow of resources.
Revenues and expenses	Revenues are increases and expenses are decreases in net worth.
Net worth	Corresponds to the aggregate value of its assets, net of liabilities, with reference to the date of the financial report.

Source: Own elaboration

4.2 Measurement of the Elements of Financial Statements

The recognition of an item in the financial statements implies the allocation of a monetary amount and implies the selection of an appropriate measurement basis.

Measurement is the process of determining the monetary amounts through which the elements of the financial statements are recognized and shown in them.

The purpose of the measurement is to select the measurement bases that more appropriately reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful for accountability and for the decision. It is not possible to select a single measurement basis for the FSs, which allows maximizing the

extent to which the information contained therein satisfies the objectives of the financial statements and allows them to adequately balance the qualitative characteristics of the financial statements. The measurement bases defined in the SNC-AP can be observed in the following figure:

Table 4 - Basis of measurement

Bases of Measurement	Assets	Historical cost Current value	. Market value . Replacement Cost . Net realisable value . Value in use
	Liabilities	. Historical cost . Cost of Compliance . Market value . Cost of Liberation . Assumption Price	

Source: own elaboration

FSs have as their main objective to provide useful information to the users of the financial information, for the purposes of accountability and decision making. Through financial reporting, users seek information on the financial position, financial performance, cash flows, service provision, as well as financial and non-financial prospective information and explanatory information (PWC, 2015).

Regarding financial reporting, government accountability is important because it is significant for increasing economic growth and development around the world, just as it is important for building and maintaining trust. The public sector accounts for about 1/3 of GDP in most countries, and public enterprises often account for more than half of GDP. However, public financial reporting is different due to the need for transparency in government financial statements, which are increasingly important to the public interest. On the other hand, resources should be used on behalf of citizens, and should be used efficiently and effectively. Government resources come primarily from citizens / taxpayers, and government activities are not pursued for profit, capital is not invested to generate monetary returns, and the assets are not used to generate future cash-flows.

A reporting entity can distinguish between who is responsible for preparing the financial statements, who is responsible for their presentation and disclosure, and who is responsible for their approval.

A complete set of individual or consolidated financial statements in the SNC-AP comprises:

- A balance;
- A statement of results by nature;
- A statement of changes in equity;
- A statement of cash flows; and
- An annex to the financial statements (notes comprising a summary of significant accounting policies and other explanatory notes).

The financial statements should appropriately present the financial position, financial performance, and cash flows of an entity. The appropriate presentation requires the faithful representation of the effects of transactions, other events, and conditions, in accordance with the definitions and criteria for recognition of assets, liabilities, income and expenses established in the Conceptual Structure and in the NCP. The financial statements should allow comparative analysis with respect to the prior period for all amounts reported in the financial statements. NCP 1 - Structure and Contents of Financial Statements require certain disclosures in the financial statements and uses the term "disclosure" in a broad sense, encompassing both items presented in the balance sheet, income statement, statement of changes in equity and statement of financial position. cash flows, either in the annex.

Public entities are also required to prepare projected financial statements, such as balance sheet, income statement by nature and statement of cash flows, in the same format as historical FSs, which must be approved by the relevant

management bodies. The financial and budgetary statements are subject to legal certification of accounts (article 10 of DL 192/2015 of September 11).

4.3 Public Accounting Standards (NCP)

The Public Accounting Standards can be grouped as follows:

Table 5 - NCP grouping

Descrição	Normas
Regarding the form and content of presentation of the Financial, Budget and Management Report	NCP 1, 2, 20, 25, 26 e 27.
Associated with non-current assets	NCP 3, 5, 6, 8 e 9.
Associated with transactions common to any public or private entity such as inventories, financial instruments, employee benefits, provisions, income with consideration (sales)	NCP 7, 10, 11, 12, 13, 15, 16, 17, 18, 19.
As for the consolidation of subsidiaries, investments in associates and other investments	NCP 21, 22, 23 e 24.
Finally, a group aimed at more specific matters in the public sector, such as tangible and intangible assets that represent historical heritage, public domain assets and infrastructure, concessions, unrepresented revenues (from taxes, fees, transfers and subsidies) and impairment of non-cash-generating assets	NCP 3, 4, 5, 9 e 14.

Source: Own elaboration

NCPs 1 to 25 are based on International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board, an International Federation of Accountants (IFAC) Board. IPSAS are global financial reporting standards for the public sector (not including public enterprises) and aim to establish and promote adherence to high quality professional standards, promote future international convergence of standards, with the intention of the whole world, from the perspective of financial statements of general use and talk about issues of public interest where the voice of the profession is more relevant.

4.4 Public Accountant

When the SNC-PA was published in 2015, the role of the public accountant was established in order to ensure technical regularity in the accountability of departments and bodies and in the performance of public accounting by the public accounting officer. According to the Statute of the OCC, approved by Law no. 139/2015 of September 7, Accountants are "the professionals enrolled in the Order ... being exclusively assigned the use of this professional title, as well as the exercise of their profession ... ". (Article 9)

Competencies of the professional in the public entities (article 10)

"... exercise, in exclusive, the following activities: a) Plan, organize and coordinate the execution of the accounting of entities, public or private, who have or who must have organized accounting ...; b) Take responsibility for technical regularity, in the accounting and tax areas ...; c) Sign, together with the legal representative of the entities referred to in point a), their respective financial statements and tax returns, ...".

Decree-Law no. 192/2015 of September 11, approving the SNC-AP, defines the regulatory framework of this professional, stating that it ensures "technical regularity in the rendering of accounts of the services and bodies" and "execution of public accounting "(Article 8, paragraph 1).

The functions of this professional "are assumed by the intermediate manager responsible for accounting and, in his / her absence, the selected employee of the integrated technician career with specific training in public accounting (article 8, paragraph 2).

Also, "workers who, at the date of entry into force of this decree-law, are responsible for public accounting" are exempted from the frequency of initial specific training (Article 8 (3)).

Since the SNC-AP is already implemented in many public entities in the year 2018, little is known about this figure of the public accountant and who should assume these functions within the institutions. According to the Court of Auditors (2016), "the requirements for the exercise of the function of the public accountant in the SNC-AP are not sufficiently clarified in view of the powers and responsibilities which are assigned to it," an expression with which we agree.

4.5 Simplified scheme

Article 2 of DL 192/2015 states that the simplified regime is "applied to entities that, within the scope of the SNC-AP, fulfill the requirements to be small entities or micro entities, provided that the former do not opt for the general regime and the latter for the scheme or the simplified scheme for small entities ". Small Entities are considered to be those that present a Budget Exit of over € 1,000,000 and less than or equal to € 5,000,000. Micro-entities are those whose budget expenditure does not exceed € 1,000,000, inclusive.

In terms of financial reporting, the following entities apply to small entities: NCP-PE; NCP 26 - Accounting and Budget Report; NCP 27 - Management Accounting; Multidimensional Chart of Accounts. Micro entities apply to NCP 26, and it is necessary to disclose inventory of assets.

4.6 Budget Accounting

The budget accounting is based on NCP 26 - Accounting and Budget Report, with the objective of monitoring the implementation of the State Budget. Two cycles are considered: the budget revenue cycle and the expenditure budget cycle. In the first one are those of inscription of prediction of the prescription, liquidation, and reception. In the second stage, the phases corresponding to the Inscription of the budget allocation, appropriation, commitment, obligation, and payment are defined, which must be out of time. The principle of budget balance, whereby revenue must always be greater than or equal to expenditure, applies.

Regarding budget classifiers, paragraph 1 of NCP 26 states that these are the "structuring element of the budget management system, as they define how budgets are presented, executed and reported, having a direct correlation with transparency and coherence of the budget."

In terms of recognition and measurement, appropriations and forecasts are recorded after approval of the budget, with entries in budget accounts being made at cost and amounts recorded at their face value. The double entry applies where each debt corresponds to a credit.

The budget records are made in the class zero provided for in NCP 26. Accounts 011 and 021 are only used to record the initial budget and are only traded once. It then moves to the available appropriations (expenditure) and corrected forecasts (revenue). The table below shows an example of postings to be made:

Table 6 - Movements in budget accounting

Approval the Budget Revenue	011 – Initial prevision	012 – Corrected prevision
	014 – Pending prevision	011 – Initial prevision
Approval of the Expenditure Budget	022 – Corrected Endowment	021 – Initial Endowment
	021 – Initial Endowment	024 – Available Endowment

Source: Own elaboration

It should be noted that in the balance of account 014 (Pending prevision) it is possible to identify the revenue that has not yet been collected and the balance of account 025 (commitments) shows the balance that is still available for fitting.

Class 0 of the SNC-AP includes specific accounts for the Register of Treasury Operations - account 07 - which is intended for inflows and outflows of cash that do not represent budget execution operations, such as taxes, as well as Contingent Liabilities - account 09.

For the purpose of closing the accounts, the NCP 26 defines the procedures to be followed, namely regarding the cancellation of cabins; the transition from balances to subsequent periods; pay off the budget accounting sub-accounts, close the budget and assess budgetary performance.

4.7 NCP 27 - Management Accounting

This standard aims to establish the basis for the development of a management accounting system in the PA, giving guidelines for its structure and development and defining the minimum requirements for its content and disclosure. It is intended to produce relevant and analytical information on costs to satisfy the information needs of public managers in decision making.

It should be noted that although analytical accounting has been a mandatory system for several years (DL 155/92 of 28 July in Article 16) it stated that departments and bodies should organize analytical accounts as a management tool and subsequently other standards have made analytical accounting mandatory for certain sectors), there is, in fact, no widespread implementation of such a system, so the adoption of this standard in the PA is to be expected.

4.8 The Multidimensional Chart of Accounts

The Multidimensional Chart of Accounts (PCM) ensures the classification, recording, and reporting of transactions and events in a standardized, systematic, and consistent manner. It seeks to support the classification, registration and presentation of comparable, reliable and relevant information, at least for the following purposes: (a) provision of information on the nature of public revenue and expenditure for reporting purposes in relation to estimates in the budget, as well as support for the assessment of budgetary performance; (b) preparation of general purpose financial statements through the financial accounting subsystem; (c) preparation of the register of assets and rights of the General Government and calculation of the respective depreciation and amortization (Replaces CIBE); (d) support for the preparation of the management report accompanying the individual and consolidated accounts; (e) support for the preparation of national accounts (statistical aggregates). (Viana et al., 2016).

It defines the accounts to be used in budget accounting (nature of expenditure and revenue), financial accounts, national accounts, and for the purposes of registering goods and rights.

From the same account code - Classes 1 to 8 - information on an accrual basis (financial accounting and national accounts) and on a modified cash basis (budget accounting) is obtained simultaneously. In the same account, the difference in values between the record in budget accounting and in financial accounting translates the difference between the two optics or recording times⁴. It should be noted that other income and expense accounts and assets and liabilities are included in classes 1 to 8, which are never recorded on a cash basis (e.g., depreciation and impairment losses).

The PCM presents a structure, as close as possible, to the chart of accounts of the SNC, in order to facilitate the consolidation of accounts. It has accounted for specific government operations (for example, public domain assets, transfers and allowances, and tax revenues, contributions, and fees), as a rule on accounts whose second digit is "0" (zero). These accounts facilitate the accounting process of consolidation of accounts, as well as the creation of specific accounts relating to the registration of public domain assets, allow information on the assets of Public Administrations, identifying what they use, what belongs to them and what can be alienated.

The PCM is designed to provide specific levels of disaggregation to meet sectoral needs (e.g., health, education, local government or social security), while ensuring homogeneity of core accounts.

⁴ It should be noted that DL 26/2002, of February 14 - economic classifier of public revenues and expenditures continues to be used, so it is not yet taking advantage of this functionality.

The account 25 - Debtors and Creditors for the Budget Execution, which was included in the POCP and sectoral plans revoked, was eliminated, and these transactions are now included in Class 0 for the subsystem of budget accounting, which now covers all phases of revenue and expenditure (see NCP 26 - Accounting and Budget Report).

Likewise, in this chart of accounts, the accounting information requirements of the National Accounts were met, especially for reporting purposes in accordance with SEC2010, (including reporting requirements under the Excessive Deficit Procedure).

A summary table of Class 1 to 8 accounts is also included in the PCM to record transactions and events in financial accounting and, in the future, to classify operations by nature in budget accounting, a codified list of accounts (Code of Accounts) of the Classes 1 to 8, a table of correspondence between the budget headings and the PCM accounts, a table of correspondence between the PCM accounts and the main ESA accounts, an entity classifier (Supplementary classifier 1), a classifier of assets and rights for purposes of registration and respective useful lives (Additional Classifier 2). Supplementary Classifier 1 defines codes for the categories of entities with which a public entity may have operations related to financial investments, loans, interest, transfers and subsidies, and complementary classifier 2 defines the rules to be used in the typology of assets and rights, for the purpose of recording and calculating amortization of depreciation, replaces Administrative Rule 671/2000, April 17, which approved the CIBE - Cadastre and Inventory of State Property. This classifier contains the codes for the recording of tangible, intangible and investment property, recorded in Class 4 of the financial accounting subsystem, the respective useful lives to be used as reference by entities, in particular in the application of the depreciation / amortization of the straight line, intangible fixed assets, intangible assets and investment properties.

The first digits coincident with PCM Class 4 accounts; for the purpose of registration, most accounts are disaggregated in order to provide a better identification of the elements included therein; the entity must also create other codes that will easily identify the way of acquiring and locating the assets, as well as a registration form for each asset, which should include a set of information related to each asset⁵.

5. The Law on the Budgetary Framework

Law 151/2015, of September 11, reforms the Budgetary Framework Law (LEO), publishing a new regulation that repeals the previous Budgetary Law, Law 91/2001, of August 20. This Act now approved, which does not change the previous Budgetary Framework Law, but repeals it (although some parts of the new Law do not apply immediately), significantly changes the budget process.

It is a reform of the public budgetary architecture, such as a reform of the Budgetary Framework Law. The reform produced by Law 151/2015, has two main aspects: on the one hand, to initiate genuine program budgeting in Portugal; (hereinafter referred to as the Treaty on Stability, Coordination, and Governance in Economic and Monetary Union), among others (Sarmento, 2016).

⁵ This should include:

Identification and location of the property (by building, office, ...)

Code corresponding to this table, plus the year of the acquisition or 1st registration and serial number

Type of acquisition (purchase, donation, transfer, transfer, ...)

Initial value and subsequent valuation values (revaluation or major repairs),

Depreciation/amortization criteria, annual rate, depreciation per year and total, impairment losses per year and total Current amount

Each property must be registered and inventoried per se, provided that it constitutes a part with autonomous functionality and can be sold individually; if these conditions are not met, it must be registered in a group of goods; in the individual file must refer to the quantity of goods in the case of the option for a group of goods in the same sheet.

The Registration Data of the assets must be updated until the slaughter of these; (sale, donation, theft, destruction or demolition, transfer, exchange or barter, ..), as well as the organ and date of decision and slaughter shall be identified in the slaughter.

Movable property must be identified with a label with the identification corresponding to item b) of the contents of the File.

The measurement criteria to be used should correspond to those defined in their respective NCPs (NCP 3 - Intangible Assets, NCP 5 - Property, Plant and Equipment, and NCP 8 - Investment Property).

Depreciation and amortization correspond to the normal devaluation of fixed assets, resulting from the use of the fixed assets, and, as a rule, the straight-line method should be used, considering the useful life of reference in this classifier.

In the case of buildings, for the purposes of calculating their depreciation rates, the value of the land is excluded or, in the case of land, the part of the value not subject to depreciation; in relation to properties acquired without express indication of the value of the land, the value to be attributed to it is set at 25% of the total value, unless the entity estimates another value based on calculations duly substantiated and sanctioned by the competent authority.

The new Act also seeks to ensure that program budgeting is in fact, focused on achieving results, which can be evaluated by indicators, changing the functioning paradigm of public administration.

There is a link between LEO and the SNC-AP, as we can see in Title VI of the new Law is legislated on matters relating to accounting, reporting, control, and transparency. Thus, article 62 deals with the general principles of the accounting system, which, according to article 63, includes budgetary, financial and management accounting, stating that the State organizes budgetary accounts for all its revenues and expenditures, a financial statements for all its assets, liabilities, income and expenditure, and prepares individual and consolidated financial and budgetary statements that provide a true and fair view of budget execution, financial position, changes in financial position, performance and cash flows.

In addition, public entities should prepare budgetary and financial statements that provide a true and fair view of budget execution, financial position, changes in financial position, performance, and cash flows.

Article 65 provides that ECE and public entities shall prepare, by March 31 of the year following the fiscal year to which the accounts refer, the respective accounts rendered to the member of the Government responsible for the area of finance, the member of the Governing Body and the Court of Auditors.

The accounting documents include: The management report; the budgetary and financial statements; other documents required by law.

The new Act strengthens the powers of the Public Finance Council, but also makes the macroeconomic forecasts underlying the entire budget year more relevant.

6. Implementation of the SNC-AP in Institutions of Higher Education (HEI)

6.1 Context

According to the legal regime of higher education institutions (RJIES)⁶, there are university teaching institutions and institutions of polytechnic education. The first set up universities, university institutes and other institutions of university education, which are high-level institutions oriented to the creation, transmission, and diffusion of culture, knowledge and science and technology, through the articulation of study, teaching, research, and experimental development. The second includes polytechnic institutes and other institutions of polytechnic education and are high-level institutions oriented to the creation, transmission, and diffusion of culture and knowledge of a professional nature, through the articulation of study, teaching, guided research, and experimental development.

RJIES contemplates a restructuring of the organic structure and internal power of universities and polytechnics, which has profoundly changed the way in which HEIs in Portugal are managed. The governing bodies are the General Council, a collegial body with internal and external representatives, and the Rector. The Senate is now optional and merely advisory. The power of the Rector is greatly strengthened.

The model underlying this new governance sets out management principles that tend to lead to greater efficiency and effectiveness. However, many doubts still remain in this model, that is, in relation to which of the alternatives provided in the law - public university and public foundation - will lead to a greater degree of efficiency.

It is in the context of analysing some of the conditions assumed by HEIs in statutory processes, in particular as regards the characteristics of the management body (a combination of strong central management, strong management of the units that comprise them and a clear structure of relations school, with encouragement to a self-guided and self-confident school), which equates the implementation of the SNC-AP.

HEIs have been developing their accounting based on POC-Educação and have organized the accounting system to respond to the needs of internal and external users. With the adoption of the SNC-AP, the main users of the

⁶ Approved by Law 62/2007, of September 10.

financial information are the users of the services and their representatives, the providers of resources and the taxpayers and their representatives. Financial information may also provide useful information to other users, such as: statistical authorities, financial analysts and consultants, the media and other stakeholder groups can obtain useful information for their own purposes. There are also other users, namely regulatory and supervisory bodies, audit, supervisory and control bodies, parliamentary committees and others, can use the information in the financial statements for their own purposes.

In terms of accountability and decision-making, service users and resource providers need information to help them assess matters such as the performance of the public entity during the reporting period, liquidity (satisfaction of obligations long-term obligations) of public entities and the sustainability of services rendered by public entities in the long term. They also aim to assess whether public entities are using resources economically, efficiently and effectively, whether the aggregate, quantity, and cost of services provided during the reporting period are appropriate, as well as whether current levels of taxes and other resources are sufficient to maintain the volume and quality of the services provided.

In this way, taxpayers and other resource providers want to know whether the stated objectives have been achieved by taking into account the resources obtained during the reporting period; whether current operations are being financed from the resources of taxpayers, funders or other sources in the current period; and whether they are going to need more or less resources in the future and what are the most likely sources of resources. On the other hand, funders and creditors will need information to assess the liquidity of public entities, and hence, whether the amounts and repayment dates will be met as agreed. Donors will also need information to assess whether public entities are using resources economically, efficiently, and effectively, and as planned.

Therefore, since HEIs have a wide range of users interested in the financial information they prepare (generally known as stakeholders), it is necessary that the implementation of the SNC-AP and the definition of parameters and requirements.

6.2 Internal Control System

The internal control system to be adopted by public entities shall include, inter alia, the organizational plan, policies, methods and control procedures, as well as all other methods and procedures defined by those responsible for orderly and efficient manner, including safeguarding assets, preventing and detecting situations of illegality, fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable budgetary and financial information.

6.3 Transition from the previous standard to the SNC-AP: procedures to take into account

It is the responsibility of all public entities to ensure the conditions of transition to the new regulations. The Instruction Manual (IM) (2017) contains, in particular, the description of the transition process for the SNC-AP and guidance guides for the application of the respective standards. In the absence of a specific NCP, account should be taken of IPSAS 33 - First adoption of IPSAS by virtue of the provisions of Article 13 on the integration of loopholes, as well as the preamble to Administrative Rule No. 189/2016, of July 14, regarding the useful lives of property, plant and equipment (except buildings and other constructions).

In this way, HEIs adopting the SNC-AP will have to prepare the opening balance sheet for the 2018⁷ Financial year in accordance with the new regulations, which implies a set of adjustments to the last balance prepared according to the POC-Educação.

Therefore, the IAS adopting the SNC-AP for the first time must recognize all assets and liabilities recognized by public accounting standards, recognize items as assets only if they are permitted by public accounting standards, reclassify items which were recognized in accordance with the Official Public Accounting Plan, or sectoral plans, in one category, but according to public accounting standards belong to another category, as well as apply the standards of public accounting in the measurement of all assets and liabilities recognized.

⁷The municipalities were granted a postponement of the implementation of the SNC-AP to 01.01.2019, according to circular of the Secretary of State of Local Authorities, of December 28, 2017.

Adjustments resulting from changes in accounting policies should be recognized in the balance of retained earnings in the period in which the items are recognized and measured, and public entities should also recognize the corresponding adjustments in the previous comparative period (paragraphs 3 and 4 of article 14 of DL 192/2015. In the transition year, there is a set of disclosures that need to be made. According to NCP 1 in the first SNC-AP implementation reporting period (in subsequent periods not necessary), the following disclosures should be made: (a) how the transition from previous regulations to NCPs affected the financial position and financial performance and reported cash flows; (b) reconciliation of the net assets reported under previous regulations to the net assets according to the NCPs, between the date of transition to the NCPs and the end of the last period presented in the most recent annual financial statements prepared in accordance with previous regulations; (c) reconciliation of the result reported under previous regulations, relative to the last period of the most recent annual financial statements, with the result under the NCP for the same period; (d) recognition or reversal, for the first time, of impairment losses when preparing the opening balance sheet in accordance with the NCPs (disclosures which, according to item 9 of the notes template provided for in NCP 1, would be required if recognition of these impairment losses or reversals occurred in the period beginning on the date of transition to the NCPs); (e) distinction in the reconciliations between items (b) and (c) between the correction of errors committed in previous periods and changes in accounting policies in accordance with previous regulations (if applicable); and (f) whether the first financial statements in accordance with the NCPs are (or are not) the first financial statements presented (CNC, 2017).

In the transition to SNC-AP, there is no obligation to restate the comparison according to the SNC-AP (MI, 2017, pp. 40-41). This option causes the comparability in the year of transition to be lost, and it is resumed with the financial statements the following year. This option of not reshaping the comparative is provided in IPSAS 33 - First-Time Adoption of Accrual Basis⁸, which the CNC understood to integrate in the transition to the SNC-AP. Such an attitude is based on a cost-benefit analysis, in which the cost of preparing such information would outweigh the benefit of having comparable information.

In the transition to the new accounting standards, the IMM (2017, page 43) admits that in the transition to NCPs an entity can choose the measurement at fair value, considering this fair value as the considered cost, when the cost of the following assets or liabilities:

- a) Inventories NCP 10;
- b) Investment properties, if the entity chooses the cost model provided in NCP 8);
- c) Property, plant, and equipment NCP 5;
- d) Intangible assets, other than those generated internally and that comply with:
 - i. The recognition criteria set forth in NCP 3, except for the measurement of the cost with reliability;
 - ii. The criteria associated with the existence of an active market that provides information for the determination of fair value.
- e) Financial Instruments NCP 18;
- f) Assets for the concession of services NCP 4.
- g) However, even if there is reliable information about the cost, the rural or urban buildings should be measured in the transition to the SNC-AP by its Tax Asset Value (PTV). The VPT is a model for evaluating buildings that is considered to provide information that meets the qualitative characteristics of the financial information provided in the EC.
- h) The smaller entities and budgetary risk covered by the simplified regime provided for in article 5 of Decree-Law no. 192/2015, of September 11, will apply the same principles as entities of the general regime in the transition to the SNC-AP, as outlined above (MI, page 51).
- i) Public entities will also have to make transitional adjustments to the level of the Budget Accounting, respecting the requirements emitted in the MI, as well as in NCP 26 - Accounting and Budget Report.

For the change to NCPs to be a success, the commitment of all those involved in change, knowledge of information technologies, training, and skills is necessary.

⁸IPSAS 33 provides transitional exceptions for entities that adopt IPSAS on a first-time pay basis, providing an important tool to assist entities in the process of implementing IPSAS.

Conclusions

Accounting standardization in Portugal for the public sector is currently outdated, fragmented and inconsistent, as a result of the SNC's move towards the adoption of standards adapted from international accounting standards (IAS / IFRS). This situation affects the efficiency of the consolidation of public sector accounts, which involves many undesirable adjustments and that question the reliability of the information provided.

The SNC-AP has attempted to resolve the fragmentation and inconsistencies that currently exist and allows the various institutions of the Public Administration to provide a more efficient and more efficient budgetary and financial system with the systems that are currently being implemented at the international level.

Public Accounting Standards 1 to 25 are based on IPSAS with which greater utility, reliability, comparability, and transparency of information, and more responsibility for managers are expected.

The HEIs see developing their accounting based on POC-Educação and organize the accounting system in order to respond to the needs of internal and external users. With the adoption of the SNC-AP, the main users of the financial information are the users of the services and their representatives, the providers of resources and the taxpayers and their representatives. Financial information may also provide useful information to other users, such as: statistical authorities, financial analysts and consultants, the media and other stakeholder groups can obtain useful information for their own purposes.

With the SNC-AP, the alignment between public accounting and national accounts increases. There will be a single standard for all public administrations, which will allow better comparability across all sectors.

The SNC-AP allows standardizing the procedures and increasing the reliability of account consolidation by approaching the SNC and the SNC-ESNL, applied in the context of the private sector and non-profit sector entities, respectively.

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