

Focus

Public Management Newsletter

December 2000
Number 18

This newsletter is prepared by the Public Management Service (PUMA)
with guidance from the OECD Public Management Committee.
Web site: <http://www.oecd.org/puma/focus>

Accrual accounting and budgeting

Major international symposium held in Paris

On 13-14 November 2000, the OECD and the Government of France co-hosted a major international symposium on accrual accounting and budgeting. Over 120 officials from more than 35 Member and non-member countries participated in the symposium. Ms. Florence Parly, French Budget Minister, delivered the keynote address.

The adoption of accruals is a significant and radical reform to the financial management of governments; it is also very recent. The first country to introduce consolidated financial statements on a full accrual basis did so in 1993; the first country to introduce budgeting on a full accrual basis did so in 1994. Over one-half of all OECD Member countries have now adopted accruals to some degree, and more are planning to do so. This is a testament to the merit countries see in this approach.

The objective of this Symposium was to allow senior officials responsible for accrual accounting and budgeting to discuss the key issues and share experiences. The Symposium was organised around five substantive sessions.

The application of accruals

This session focused on the relative merits of applying accruals to financial reporting only, or to both financial reporting and budgeting; and on applying accruals at the agency level only or to consolidated whole-of-government financial statements as well.

An overview of accrual accounting and budgeting practices in Member countries is available on the PUMA website at <http://www.oecd.org/puma/budget/>.

Valuation issues

Countries have applied different practices to the valuation of assets and liabilities, including the valuation of military, heritage and other non-commercial assets, and the treatment of pension liabilities. The different valuation methodologies applied -- historical cost versus current market value -- were also discussed in this session.

I believe accounting is not an end in itself, but an information tool to enhance [...] the sustainability of budgetary policies, performance measurement and the transparency of the State's financial position. These precepts need to guide accounting choices and should not become the exclusive preserve of technicians.

*- Florence Parly,
French Budget Minister*

Accounting standards

In this session, participants discussed the various ways accounting standards are set: application of private sector standards, application of international standards, the use of independent

national accounting standard-setting boards. The session also looked at audit procedures in relation to the standards.

At the recent OECD symposium on accrual accounting and budgeting, a number of participants emphasised that the use of accruals is not merely a technical change to the accounting conventions applied in the public sector. The countries that have already adopted accruals have generally been at the forefront of public management reforms. These reforms aim to hold managers responsible for outcomes and outputs while eliminating controls on inputs. In this context, it is expected that managers should be responsible for all costs associated with the outputs produced, not just the immediate cash outlays. Only accruals allow for the capture of these full costs, thereby supporting effective and efficient decision-making by managers.

Implementing accruals

Participants next discussed the process of moving from cash to accruals, including issues of timing and of systems and training requirements. The need for extensive information campaigns was highlighted as a way to ensure that all players are familiar with key accrual concepts.

The impact on transparency, fiscal policy-setting, the legislature and the public

This session focused on the impact of a move to accruals on transparency and how the legislature and the public understand and use this data. Participants also discussed how fiscal policy-setting is carried forward in an accrual environment.

Proceedings

The proceedings of the Symposium will be published in a forthcoming edition of the *OECD Journal on Budgeting*. The first issue of the *Journal* is currently under preparation and will be published in early 2001. To subscribe to the *Journal*, consult the OECD Online Bookshop <http://www.oecd.org/bookshop>. ■