

**Cash Management and Non-Tax  
Revenue Collection and Accounting**

# Treasury Single Account & Treasury Functions

Lisbon  
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# Best Practices for Segregating Budget and Treasury Functions

## BUDGET FUNCTIONS

- Preparing the budget proposal
- Monitoring budget execution
- Adjustment of the budget
- Proposing commitment ceilings (Available funds)

## TREASURY FUNCTIONS

### Policy

- Funds allocations (credits releases) to entities for payment
- Cash flows forecasting and monitoring
- Establishing cash buffers
- Managing assets and liabilities
- Oversight of bank accounts and payments systems
- Defining financial risks policy

### Implementation

- Debt and cash operations
- Managing liquidity
- Establishing operational process (including ICT)
- Negotiation with banks - bank services (accounts, payments, collecting)
- Managing financial risks

# TSA Main Characteristics/Objectives

## **FINANCIAL EFFICIENCY**

- Funds centralization
- Fungibility
- Minimizing transactions costs
- Maximizing return
- Reducing idle balances

## **OPERATIONAL EFFICIENCY**

- Processes standardization
- Efficient payment systems
- Simplifying operational activities
- Reducing manual activities and related risks
- Automation of registrations and reconciliation

## **DISCLOSURE**

- Real time information
- Database for treasury systems
- Linkage TSA-Accounting information

# TSA improvement

## Expanded TSA:

- The DCC is a requirement for improving the TSA by providing real-time information on revenue collections and reducing the number of bank accounts for revenue collection
- Adopting book-entry accounts mechanism first within each entity
  - It allows an entity to have only a single IGCP bank account
- Expanding the book-entry accounts gradually

# Single Collecting and Accounting Document DCC

## CHARACTERISTICS

Standard, with flexibility:

- Minimize data to be processed by the banks
- Enable adaptations to legacy systems
- Enables adaptations to specific processes

## TECHNOLOGY

Issuance from local systems

- by consulting a central system
- Interoperability

Accounting in the ECE for cash monitoring:

- Payable accounts
- Received funds

Centralize processing upon receipt requires:

- unified catalog of revenues
- Accounting parameters

## BANK SERVICES

Banks:

- Processing collection
- Sending information to the
  - ECE systems
  - Local systems (collection entities)

IGCP:

- Depositing in the entity's account

# DCC Implementation

SGR with dual function:

- Collecting revenue estimates for budget purposes (budget function)
- Managing the operational inflow process (treasury function)

Improving the SGR gradually:

- Prioritizing the DCC issuing and registering
- Developing Local SGR firstly for entities that don't have legacy systems
  - Firstly as a DCC issuer
  - As a “credit management system” on medium or long-term

DUC, DCC and Electronic Invoice: ensuring consistency between DCC and Electronic invoice projects.

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# DEVELOPING THE CASH MANAGEMENT MODEL

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# Objective of the CM Model (concept paper)

**Budget Execution Control**

**12-month Rolling Cashflow Forecasting**

**What has been done:**  
a draft concept for the CM Model's IT solution

**What needs to be done:**  
Define the 'owner' and 'users' of the CM Model  
Define functions/tasks for the owner and the users of the CM Model

## RECOMMENDATION:

- Split developing of the CM Model into two sub-areas: (i) **Budget Control** and (ii) **Cash Forecasting** as functionalities, tasks and the level of detail for information for both of these areas differ
- **Involve various stakeholders** for developing the CM Model concept paper



# Developing the CM Model: Budget Control

- Define **procedures, roles and responsibilities** for each member in the budget control area in the CM Model
- Define **the level of centralization** for budget controls:
  - Analyse pros and cons of leaving transaction level control functions/monitoring for the Coordinating Entities and a high-level control and oversight to the MoF

## Members of budget control processes:

Entity

Coordinating Entity

DGO (Budget)

# Developing CM Model: Cash forecasting

- Define **procedures, roles and responsibilities** for each member in the cash forecasting area in the CM Model (central vs local levels)
- Map input data needed for **various cash forecasting reports** required by each user of the CM Model (central vs local levels)
- Map **on-budget and off-budget cash flows** to be included in cash forecasts, include cash forecasts for **cash deposits by non-TSA members (local govts, Social Security, ..)**
- Define cash flow forecasting reports based on **automated data uploads** from accounting systems **and manual data inputs**, frequency of updates, and how to merge this information and eliminate intra-group payments
- Define functionalities for variance analysis, scenario analysis, statistical forecasting, etc.

## Members of cash forecasting processes:

Entity

Coordinating Entity

DGO (Budget)

Treasury unit in MoF (new?)

IGCP

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# ICT STRATEGY AND CASH MANAGEMENT MODEL DEVELOPMENT

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# Current Situation of ICT Systems

## Current situation

- The financial management system is fragmented with different ICT platforms and databases.
- Given that budget executing units and revenue collection units have invested in their own financial management IT systems, there is a need to implement IT interoperable solutions to collect information on revenue (DCC) and expenditure (electronic invoice) and consolidate it for budget control and cash management.
- Reducing number of legacy systems should remain a medium and long-term objective as part of a global ICT strategy.

# ICT requirements for the new Cash Management Model

## Technical assistance support on ICT

### *For the short-term*

- The technical review of the fragmented ICT systems for the centralization of the accounting information (identifying technical bottlenecks for deploying the DCC and the electronic invoice).
- Strategy for deploying the DCC from the governance perspective (international cases of success and failures in using alphanumeric codes for non-tax revenues)

### *For the medium-term*

- Defining the Global ICT strategy systems with the perspective of a more integrated Financial Management System

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## NEXT STEPS

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# Budget Execution Controls & cash forecasting

- *June 25th- June 29th* : Second Mission to review:
  - Details of the concept note on the Cash Management Model,
  - Legal and regulatory instruments for the proposed changes,
  - ICT consequences of the new model
- *September 2th-7th*: Third mission on the organisation of the Ministry of Finance
- *September or October* : Workshop on best practices and findings of the three previous missions (including the current one) to high-level officials in the MoF

# Working Method for the Preparation of the Next Mission

- Creation of a working group including UNILEO, DGO, IGCP, ESPAP, and the WB Team
- Dissemination of the draft Concept Note on the Cash Management Model prepared by UNILEO to the working group and collection of their comments by May 31
- Preparation of a revised draft concept note by the WB Team
- Discussion on the revised draft concept note and its legal, organizational and practical (ICT in particular) requirements during the June mission



# Non-Tax Revenue Collection and Accounting

## Issues :

- Analysis of earmarked revenue
- Analysis of the current use of the DUC and scope for extension
- New payment systems
- ICT implications

Dates of the mission to be determined (November?)