Unidade de Implementação
da Lei de Enquadramento Orçamental

Budgetary accounting – SNC–AP

(Public Accounting Standard 26 - Accounting and Budget Report)

Budget

Our budget is prepared on a cash basis

The budget is a forecast of revenues to be collected in the budget period and a forecast of expenses to be paid in the budget period, regardless of the process of revenue and expenditure being born in the previous period

The preparation of the budget of the Central Administration and Social Security is in charge of the General Budget Directorate (DGO), which has close to 200 workers, including leaders

The preparation of the budget of each of the autonomous regions is prepared by the respective Regional Directorate of Budget and Treasury

Each municipality (Local Authority) prepares its budget

Budget

The implementation of the appropriations is subject to authorization by the DGO of requests for release of funds and requests for transfer of funds

DGO is also responsible for drawing up the General Government Account (prepared on a cash basis)

Preparation of the budget proposal

The DGO prepares an estimate of the budget execution of the current year (year of preparation of the following year's budget proposal)

The budget execution estimate for the current year supports the proposed operating ceiling and proposed investment ceiling (we are talking about the ceiling of operating and investment expenses covered by general revenues)

The finance minister sends the proposal of expenditure ceilings covered by general revenues (basically tax revenues) to the government counterparts

Preparation of the budget proposal

After negotiation the ceilings are fixed

The ministers then distribute the operating expenditure ceiling and the ceiling of investment expenses covered by general revenues by the integrated services and entities that make up their ministry

Expenditure covered by own revenue is outside the ceiling because it can only be realized to the extent that revenue is collected

The budget proposal is approved by the council of ministers and then submitted to parliament

Parliament may introduce changes before its approval

During budget execution

During budget execution new investments must be approved by the Finance Minister

The use of the balance of the previous budget execution has to be authorized by the Finance Minister

Deviations from the execution of the monthly budget are calculated monthly on a cash basis

DGO is preparing a cash-based budget execution summary that is publicly disclosed, in which it analyzes the year-on-year change involving all subsectors (central administration, social security, local authority and autonomous regions).

For central government, DGO calculates the global balance (effective revenues less effective expenses) and the primary balance (global balance excluding interest on the public debt)

Budget cycle

The budget **revenue** cycle should follow the following sequential steps:

- Revenue forecast
- Issuance and
- Receipt
- without prejudice to eventual cancellations of revenue issued or eventual refunds that correct the receipt and, eventually, the revenue issued

✓ The revenue issued may exceed the revenue forecast, but only the budget revenue can be issued

Revenue / Receipts

Revenue is the right that consists of accounts receivable from which future cash inflows are expected

Receipts are cash inflows or inflows into the entity's assets, in which case the entity recognizes a cash inflow due to the debt settlement and, simultaneously, a cash outflow in the amount of the debt for the virtual acquisition of the asset

Refund

Refund corresponds to the return to the debtor of the total or partial amount already paid, when the public entity has unduly revenue issued or if that issuance proves excessive as a result of a supervening fact or even when it is found that it should not have received it, in the case of self-issuance, or when the debtor has mistakenly paid it in excess

Budget cycle

The budget **expenses** cycle shall follow the following sequential steps:

- Budget appropriations
- Reservation
- Commitment
- Obligation and
- Payment
- Without prejudice to any refunds written off the payments which, in addition to correcting the payments, may also correct all the upstream phases up to the reservation

Budget cycle

- ✓ The **reservation** can not exceed the available appropriations, as the **commitment** can not exceed the respective reservation
- ✓ The **obligation** can not exceed the value of the commitment, as the **payment** can not exceed the amount of the obligation
- ✓ The limits defined must be checked by transaction or event and according to the current budget classifications

Reservation

- ✓ Means reserving available ppropriations for the expense process that is intended to carry out, that is, funds are blocked for a specific expense before the actual legal commitment or contract
- ✓ Its registration is supported by an internal document, by the amount of the probable charges, and intends to ensure the existence of a budget for the commitment, justifying the authorization of the expenditure

Commitment

- ✓ Means taking responsibility for a possible liability with third parties, in exchange for the supply of goods and services or for meeting other conditions
- ✓ The commitments are considered when a formal action is taken by the entity, such as a purchase order or equivalent document, or the signature of a contract, agreement or protocol
- ✓ Commitment multianual – is a commitment that when assumed produces responsibilities for the entity in more than one budget period, or at least in a different period from the one in which it is assumed

Budgetary obligation / Payments

- ✓ Budgetary obligation – Is a budgetary commitment that consists of accounts payable
- ✓ Payments – are cash outflows or outflows in kind from the assets of the entity, in which case the entity recognizes a cash inflow in the value of the debt for the virtual sale of the asset and, simultaneously, an outflow of cash for debt settlement
- ✓ Payments for periods ending – Payments resulting from obligations carried over from the previous year

Returned payments

- ✓ Applies in the circumstances in which a wrongful or excessive payment is made by a public entity. In these cases, that entity shall request the return of the amount paid improperly or in excess, by a debit note
- ✓ Two situations can occur:
  - The return occurs in the same accounting period in which the payment was made (unduly or in excess) by the public entity, then the return is called a ***return deducted from the payment*** (RAP) and is accounted for as a correction to the expense paid
  - The return occurs in an accounting period subsequent to that in which the payment was made (unduly or in excess) by the public entity, in which case the return is designated as ***return not deducted from payment*** (RNAP) and is recorded as revenue collected

The budgetary accounting subsystem (accounts)

- ✓ The budgetary accounting subsystem is **fully supported by class zero**
- ✓ The reclassified entities were subject to a set of reporting obligations of a budgetary nature and did not have an accounting framework that would allow them to be complied with
- ✓ Reclassified entities (for example, public companies) that apply the Portuguese accounting framework of the private sector go to the SNC-AP and apply the accounting framework as a whole
- ✓ The reclassified entities that have securities admitted to trading on the stock exchange continue to apply the *International Financial Reporting Standards (IFRS)* and additionally apply the budgetary accounting subsystem of the SNC-AP - Public Accounting Standard 26 (NCP 26)

Budgetary accounts plus budget classifications

Accounts for Budgetary Transactions - Revenue

- Initial Revenue Estimates (011)
- Adjusted Estimates (012)
- Budget Amendments (013)
- Outstanding Estimates (014)
- Issued revenue (015)
- Cancelled issued revenue (016)
- Collected Revenue (017)
- Refunds (018)
- Receipts of financial assets in future periods (03)

Budgetary accounts plus budget classifications

Accounts for Budgetary Transactions - Revenue

Revenue transaction	DEBIT	CREDIT
Issued revenue	0152 Revenue issued	014 Budgeted revenue
Cash inflows for the revenue issued in the year	0171 Cash inflow for the year	0153 Revenue collected
Cash inflows for revenue issued in past years	0172 Cash inflow related to previous years	0153 Revenue collected

Budgetary accounts plus budget classifications

Accounts for Budgetary Transactions - Expenditure

- Initial Budget Appropriations (021)
- Adjusted Appropriations (022)
- Budget Amendments (023)
- Available Appropriations (024)
- Reservation (025)
- Commitment (026)
- Obligation (027)
- Payment (028)
- Returned payments (029)
- Payments for future periods (04)
- Cash effects of commitments for the next periods (041 and 042)
- Obligations payments for future periods (043 and 044)

Budgetary accounts plus budget classifications

Accounts for Budgetary Transactions - Expenditure

Expenditure Cycle	DEBIT	CREDIT
Reservation	024 Available appropriation	0251 Recorded reservation
Commitment	0252 Reservation commited	0261 Commitments
Obligation (payables)	0262 Commitments converted	0271 Payables recorded
Payment	0272 Liquidated payables	0281/0282 Payments

Many thanks you for your attention!