Unidade de Implementação
da Lei de Enquadramento Orçamental

Consolidation Process – SNC–AP

(financial consolidation process and the budgetary consolidation process)

Consolidation perimeter

	Budgetary consolidation perimeter (administrative)	Financial consolidation perimeter (control concept)
Central Administration	Entities that in each accounting period are part of the State Budget	Composed by the entities that comprise the budgetary perimeter plus the entities that fulfill the control concept of the public accounting standard 22 (NCP 22)
Social Security	Entities that in each accounting period are part of the State Budget	
Autonomous Regions	Entities that in each accounting period are part of the budget of the respective region	
Local Administration	Set of entities included in this subsector in the latest sectoral accounts published by INE(1), according to the ESA 2010	

(1) INE – National Statistical Authority

What the SNC-AP says

The consolidating entity(2) is responsible for the preparation of documents and elements to support the consolidation process, such as the consolidation manual and the consolidation dossier

Integrate the consolidation manual:

- The central chart of accounts
- The timing of operations
- The consolidation hierarchies
- Procedures for homogenisation and aggregation of data
- Elimination of internal transactions
- As well as instructions for the preparation of the consolidation dossier

They are part of the consolidation dossier:

- Budgetary statements and financial statements
- Information on internal transactions and other information relevant

(2) To be designated by the member of the Government responsible for the area of finance

Prior Homogenization

Temporal homogenization – The accounts of the entities to be consolidated should relate to the same time period

If, during the accounting period, an entity leaves the consolidation perimeter, account shall be taken of the payments and receipts made (*cash basis*), as well as the expenses and revenue (*accrual basis*) up to the date on which it left the perimeter, but not its position of obligations and revenue, assets and liabilities as of that date

Homogenization of internal transactions - When internal transactions result, due to inaccuracy, omission or deficient classification, mismatched records in the accounts of the entities involved in these transactions, the necessary adjustments must be made so that the respective eliminations can subsequently be made

Homogenization of structure – Applied through the correspondence between the local chart of accounts and the central chart of accounts (group)

Consolidation method

(applicable to the budgetary perimeter – **administrative**)

Consolidation method (integral) based on IPSAS for financial consolidation and simple consolidation method for budgetary consolidation

These consolidation methods shall apply to all integrated services and to all autonomous services and funds including public enterprises reclassified within the general government perimeter

As a result, consolidated budgetary and financial statements should be prepared

Consolidation method

(applicable to the financial consolidation perimeter – **control concept**)

Consolidation method (integral) applicable to controlled entities and equity method applicable to investment in an associate and joint venture

Consolidation method

(applicable to the budgetary perimeter – **administrative**)

Consolidation method for financial consolidation (based on IPSAS)

- Add identical items of the controlling entity and controlled entities (assets, liabilities, net assets/equity, revenue and expenses)
- Eliminate the carrying amount of the investment of the controlling entity in each of the controlled entities
- Eliminate the carrying amount of the proportion of net assets/equity in each of the controlled entities
- Eliminate all transactions between entities within the consolidation perimeter

Consolidation method

(applicable to the budgetary perimeter – **administrative**)

Simple consolidation method for budgetary consolidation

- Sum of equivalent items of obligations, payments, revenue and receipts of the individual budget statements
- Taking into account the entities dependent on each of the consolidation levels
- Subsequent elimination of balances of obligations and revenue from internal transactions by nature
- Subsequent elimination of balances of payments and receipts from internal transactions by nature

Consolidation process – Central chart of accounts

(applicable to the budgetary perimeter – administrative)

Consolidation process – consists in the elimination, on double-entry basis, of the balances resulting from internal investments and transactions

The **financial consolidation process** objective is the elimination of the investment of the controlling entity in the controlled entities, the proportion of net assets in each of the controlled entities and reciprocal assets and liabilities, internal revenue and expenses, as well as the elimination of fixed asset internal transations outcome

The **budgetary consolidation process** objective is the elimination, by budgetary classification, of revenue against obligations and payments against receipts, in internal operations

Both consolidation processes are supported by the **central chart or accounts** (chart of accounts defined by UniLEO). Each public entity has to do the matching between their chart of accounts and the central chart of accounts

Consolidation process – Partner entity

(applicable to the budgetary perimeter – administrative)

The identification of transactions inside the perimeter takes into account the concept of partner entity (all public entities that belong to the consolidation perimeter are partners among themselves) allowing the elimination of transations independently of their economic nature

Consolidation process – Hierarchies

(applicable to the budgetary perimeter – administrative)

The entities included in the consolidation perimeter are organized in hierarchies that define the levels at which consolidation will take place

Each level represents a subgroup that has internal transactions, being the automatic elimination accounting entries activated by the system as a function of the entities that belong to that level

Consolidation process – Hierarchies

(applicable to the budgetary perimeter – administrative)

Thus, it is possible to issue for each level the consolidated financial statements and consolidated budgetary statements incorporating the elimination of the transactions that took place between the entities that belong to that level

The consolidation hierarchies and respective levels are shown on the next slide, indicating the level at which consolidation takes place

Consolidation process – Hierarchy *(current exemple)*

(applicable to the budgetary perimeter – administrative)

MINISTRY HIERARCHY

Consolidation levels
3rd Level – Central Administration
2nd Level – Ministries
1st Level – SI and SFA
Consolidation Units

Consolidation process – Hierarchy *(future exemple)*

(applicable to the budgetary perimeter – administrative)

Many thanks you for your attention!