



**CROWN AGENTS**  
ACCELERATING SELF-SUFFICIENCY & PROSPERITY

Financial Management of Development Projects

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# **BUDGET CLASSIFICATIONS: CHARTS OF ACCOUNTS**



# Session Introduction

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## Session Aim

- To explain the rationale for Budget Classification and the issues and choices countries have to make
- Appreciate the importance of the GFS system and impacts on government financial management

## Session Learning Objectives – by the end of this course, you will be able to:

- The Budget Classification systems
- The uses of the BC systems
- The importance of GFS/COFOG Standardisation
- Issues and choices when implementing PBB
- Chart of Accounts (COA)



# Session Agenda

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**Our Learning Journey** – how we will achieve our objectives:

1. Provide overview recent developments in budget classification and charts of accounts (CoA)
2. Introduce and discuss the typical segments used in charts of accounts
3. Examine importance the CoA in linking budget performance in relation to government policy objectives
4. Review and discuss charts of accounts from various countries



# Traditional budget classification

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- Traditional budget classification structures
  - Traditional structures create a separation between budget classification and economic classification (also referred to as a chart of accounts)
- Under this arrangement the budget classification (BC) represent a framework for setting budget constraints and establishing control at functional levels of government
  - whilst the chart of accounts (CoA) is used for financial management analysis and reporting



## Traditional budget classification

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- In several jurisdictions separation between the BC and the CoA is underscored by institutional arrangements
  - BC is used by the Budget department for preparing the budget and
  - CoA by the Accountant-General's department to support budget execution and financial reporting



## Current trends in budget classification

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- PFM reforms have introduced the trend towards integration of the BC within the CoA
- This derived CoA can be described as comprising of two code segments: a budget segment and an accounting segment
- Increasing need to provide for better public sector performance measurement, accountability, and control as well as accommodate decentralised government structures, has led to more complex coding arrangements
- CoA design in many countries now caters for these demands by providing for analysis, typically, across a number of segments



## Typical CoA code segments

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- Location
  - Reflects a territorial or geographic classification which usually accords with decentralised levels of government
  - Typically required for constitutional reasons as well as the need to monitor the equity of resource distribution in geographic and social terms.
- Functional
  - Represents the broad channels through which governments manage the economy and deliver services to citizens
  - These channels usually accord with broad sector definitions: Health; Education; Defence; etc.
  - Many jurisdictions equate the functional segment with an implementation of the United Nations (UN) Classification of Functions of Government (COFOG)
  - In practice there can be overlaps between this segment and the Programme and Administrative segments



# Typical CoA code segments

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- Administrative
  - Usually reflects the establishments (ministries, departments, agencies – MDAs) charged with delivering government functions
  - It facilitates the tracking of resource allocation and utilisation by administrative entities that are responsible for implementing strategic policy objectives and is therefore essential for accountability measurement
  - This segment usually accords with administrative sectors such as Ministry of Health, Ministry of Education, etc.
- Economic
  - Deals directly with government revenue and expenditure
  - Being an accounting segment it needs to reflect the state of local or international standards such as the International Public Sector Accounting Standards (IPSAS) that apply
  - To this extent economic classification can include classifications of revenue, expenditure, assets and liabilities and retained earnings
  - Many jurisdictions implement this segment on the basis of the IMF Government Finance Statistics (GFS 2014 )





## Typical CoA code segments

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- Programme
  - Used to track the performance of government programmes in terms of outputs and outcomes
  - To this extent the segment may be of value only in circumstances where programme budgeting and results-based monitoring processes are well established
  - In general programme classifications are relevant only for expenditure items but could be applied to revenue items if appropriate



## Chart of Accounts – typical structure

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- Organisation – Ministry, Department/Agency, Division, Unit
- Location – HQ, Region, District
- Account – Class (Asset, Liability, Revenue, Expenditure-Item 1-4)
- Sector – Functions of Government
- Strategic Plan – Objective, Output, Activity
- Authorisation Type
- Fund Type
- Fund Source
- Spare Segment



## Additional classifications

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Gender

Poverty Reduction



# Chart of accounts – Nigeria

The Federal Government of Nigeria CoA is composed of a 52-digit code consisting of 6 segments. The CoA is a unified code which applies to all levels of government.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Administrative												Economic								Functional				Programme														Fund					Geo Code								
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	1	2	3	4	5	1	2	3	4	5	6	7	8	9	10	11	12	13	14	1	2	3	4	5	1	2	3	4	5	6	7	8
Sector		Organisation		Sub org			Sub-sub org			Sub-sub-sub org		Account type	Sub-account type	Account class	Sub-class		Economic code	Main function				Function	Secondary function	Policy	Programme		Project						Objective		Activity	Main funds		Sub-funds	Fund sources	Zone	State		Senatorial	LGA		Ward					



# Chart of accounts - Uganda

The Government of Uganda CoA is a 38-digit code with 10 segments

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38					
Fund		Fund source			Vote			Cost centre						Spare		Spare		Project				Spare				MTEF						Account										
1	2	1	2	3	1	2	3	1	2	3	4	5	6	1	2	1	2	1	2	3	4	1	2	3	4	1	2	3	4	5	6	1	2	3	4	5	6					
Fund		Funding source			Ministry/Agency/LG			Directorate or Programme						Unspecified		Unspecified		Project				Unspecified				Objective		Output		Activity		Account class		Item		Sub-item		Sub-sub item		Sub-sub-sub item		



# Chart of accounts – Sierra Leone

Sierra Leone is a unitary state with a population of about 5 million. Sub-national government consist of 19 Local Councils (composed of 5 City Councils, 1 Municipal Council in the urban areas and 13 District Councils in the rural areas). Local Councils are sub-divided into Chiefdom Councils.

The Sierra Leone CoA is made up a 27-digit code divided into 5 segments

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
Organisation							Fund			Project								Location					Object			
1	2	3	4	5	6	7	1	2	3	1	2	3	4	5	6	7	8	1	2	3	4	5	1	2	3	4
Sector	MDA		Division		Cost centre		Fund			Project / PRSP / COFOG								Location (Including Districts and Chiefdoms)					Line items / GFS			



# Chart of accounts - Philippines

The Philippines is a unitary state with a population of 100 million, the 12 largest in the world

Local government consists of 81 Provinces, 144 Cities, 1,490 Municipalities, 42,028 Barangays (villages) and one autonomous region.

The CoA is made up a 54-digit code divided into 5 segments

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	
Funding source								Organisation												Location									Program, activity, project																Object									
1	2	3	4	5	6	7	8	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1	2	3	4	5	6	7	8	9	10	
Fund cluster		Authorisation code		Fund category		Department code		Agency code		Operating unit		Lower level operating unit		Region		Province		City / municipality		Barangay		Sector		Project category		Project sub-category		Project title		Object code																								



# Chart of accounts – Ghana

The Government of Ghana CoA is a 74-digit code with 12 segments

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44							
Institution			Funding					Function					Organisation										Objectives						Programmes										Projects											
1	2	3	1	2	3	4	5	1	2	3	4	5	1	2	3	4	5	6	7	8	9	10	1	2	3	4	5	6	1	2	3	4	5	6	7	8	1	2	3	4	5	6	7							
Institution			Fund ty're				Fund source				Major			Minor		Detail		MDA, MMDA			Department		Division		Section / Unit			Policy Objectives						Programme / Sub-programme Objectives										Projects						

45	46	47	48	49	50	55	52	53	55	55	56	57	58	59	60	61	66	63	64	65	66	67	68	69	7	71	72	73	74			
Activities						Locations							Spare							Spare				Natural Account								
1	2	3	4	5	6	1	2	3	4	5	6	7	1	2	3	4	5	6	1	2	3	4	1	2	3	4	5	6	7			
Activities / Operations						Region		District		District Type		Sub-Metros		Unassigned							Unassigned				Class		Item		Sub-Item		Sub-Sub-Item	





# Government of Jamaica – Chart of Accounts

The Government of Jamaica CoA is a 46-digit code with 9 segments

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
Organisation									Fin Pat.	Fund Source				Function				Programme				Project						Activity						Economic						Location				
1	2	3	4	5	6	7	8	9	1	2	1	2	3	4	1	2	3	4	1	2	3	4	5	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3	4	5	6	1	2	3
Ministry		Org. type		Org. code			Org, internal		Type	Sub-type	Body			Loan / grant	Function	Sub-function		Programme		Sub-programme		Project				Sub-project		Project				Sub-project		Category	Object	Sub-object		Sub-sub-object		Parish		Constituency		



## Charts of accounts facilitate

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- Compilation of government financial statistics (for international comparison)
- Management reporting
- Policy formulation and Implementation
  - lays the foundation for budget preparation , execution, accounting and reporting)
- Prioritisation of resource allocation across sectors, regions, functions, programmes etc.
- Identification of the programme / activity focus of government
- Accountability and compliance levels
- Facilitates budget release and expenditure management
- Expenditure control



# Charts of accounts facilitate

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- Legal basis and structure for the approval of the government
- Administrative: Identify the responsibility and authority for MDAs and officials
- Government budgeting, accounting, reporting and auditing
- Analysis of the impact of government transactions in the economy as a whole (macro-fiscal analysis) and service delivery (functional policy and programme analysis)
- Improved efficiency in resource usage on delivering services (e.g. through monitoring & evaluation)



# International financial reporting requirements

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- Most country charts of accounts support international data requirements:
  - Government Finance Statistics (GFS 2014) - IMF
  - Classification of Functions of Government (COFOG) – OECD/UN
  - International Public Sector Accounting Standards – IPSAS 1: Presentation of Financial Statements



# Common Functions of Government (COFOG)

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## 10 Main Functions, 69 Sub Functions

### 1. General Public Services

- General Public Services

### 2. Defence

- Defence

### 3. Public Order and Safety

- Public Order and Safety

### 4. Economic Affairs

- Economic Affairs

### 5. Environmental Protection

- Environmental Protection

### 6. Housing and Community Amenities

- Housing and Community Amenities

### 7. Health

- Health

### 8. Recreation, Culture and Religion

- Recreation Culture and Religion

### 9. Education

- Education

### 10. Social Protection

- Social Protection

## Multifunction



# International Standard for Budget Classification is GFS

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## Government Finance Statistics (GFS) Supports

- COFOG (Functional Classification)
- Accrual Consistent Definitions of Revenue and Expenditure
- Financial Assets and Liabilities
- Clear and consistent definitions
- International Standards of Financial Reporting

## Custodians GFS and the System of National Accounts (SNAs)

- IMF/UN/WB/EU/OECD



## Session close

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Let's wrap up the session:

- Recap of key learning
- Final questions?
- Revisit session objectives – achieved?
- Application of learning – update your action plans
- What's next?



**THANK YOU /**





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