

# **Accruals and Performance**

## ***Next Steps in Budget Modernisation?***

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# Budgeting: what is “old” and what is “modern”?

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- **annual** → **multi-annual**
- PFM → strategic planning
- identifying savings → policy instrument
- **financial inputs** → **performance**
- bottom-up → top-down, fiscal targets
- **fiscal transparency** → **fiscal resilience**
- budget institution → other institutions
  - *citizens*
- budget process → public governance

# “Transparency” as a unifying theme

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## *Of what?*

- Revenues
- Expenditures
- Processes

- Liabilities
- Risks
- Plans
- Performance

## *To whom?*

- Citizens
- Parliament
- Auditors
- Peer countries
- Int’l bodies
- Markets

## *For what?*

- “The public interest”
- Integrity
- Comparability
- Trust
- Lower costs
- Participation
- Impacts

# From “Transparency” to “Governance”



# OECD Principles of Budgetary Governance



# OECD Principles of Budgetary Governance

**“Performance, evaluation and VFM are integral to the budget process...”**

**“In-year and audited year-end reports, if well-planned and -designed, can yield useful messages on performance and VFM”**



Performance,  
evaluation &  
VFM



Quality,  
integrity &  
independent  
audit

**“the role of both the internal and external control systems in auditing the cost-effectiveness of individual programmes and in assessing the quality of governance frameworks more generally”**

# OECD Principles of Budgetary Governance

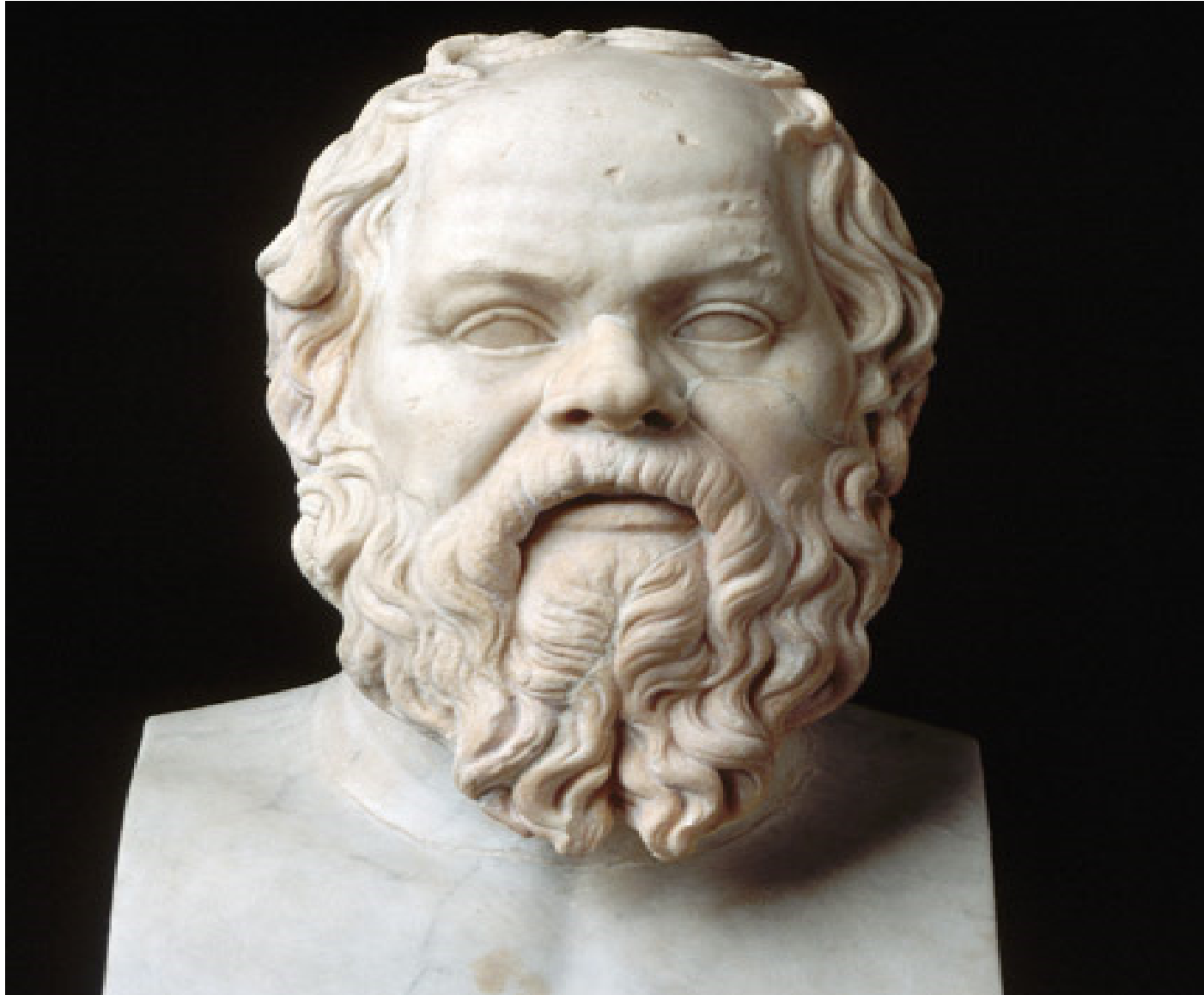
**“show the full financial costs and benefits of budget decisions, including the impact upon financial assets and liabilities, noting that (i) accruals budgeting and reporting routinely show these costs and benefits, (ii) where traditional cash budgeting is used, supplementary information is needed; and (iii) where accruals methodology is used, the cash statement should also be used to monitor and manage the funding of government operations”**



**“Clearly identifying, classifying, explaining and, as far as possible, quantifying fiscal risks, including contingent liabilities, so as to inform consideration and debate about the appropriate fiscal policy course”**

Knowledge = Virtue

≈ *Information?*





# Information does not always translate to knowledge

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- **Problems with performance budgeting**
  - “information overload”
  - how to select the “vital few” indicators?
  - what about international, inter-regional comparability?
  - how to respond to good/bad performance indicators?
  - Can degenerate from a political to a technocratic exercise
- **Problems with accrual budgeting**
  - is this information useable by politicians and policy-makers?
  - is “convergence” realistic, given the different purposes and audiences of budgeting / financial reporting / statistics?
  - Can degenerate from a political to a technocratic exercise

# Coping with “bounded rationality” of policy-makers

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- **Institutional supports**
  - Technical “fiscal rules” → Independent Fiscal Institutions
  - Similar approach for performance, accruals information?
  - Do audit institutions have a stronger role to play?
- **Can convergence be made a reality?**
  - Standardising outcome goals (e.g. UN SDGs)
  - Standardising measures of public output (National Accounts)
  - Standardising financial reporting standards (IPSAS/EPAS)
- **Expanding our boundaries**
  - Education, capacity-building and professionalisation
  - Setting new norms and new expectations
  - Do international organisations (EU, OECD) have a stronger role to play?