

Accounting Standardization in the Municipality of Elvas: stages and challenges

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ABSTRACT

The biggest change of paradigm in the accounting system of the Portuguese public sector, take place in 1997 with the public sector reform, which materialized through the Public Official Accounting Plan. However, despite the important role played by this accounting standard, it could not keep up with international standards or the evolution of accounting in the private sector. These facts along with the multiplicity of accounting systems in the public sector and the strong need for international accounting harmonization, led, in 2015, to the approval of the Public Sector Accounting Standardization System. Thus, the emergence of new challenges in public management was the lever for the most recent reform of public accounting in Portugal operationalized by the Public Sector Accounting Standardization System and the Budgetary Framework Law. This applies to all central, regional, and local government institutions. Among local government institutions, municipalities are the most representative. Their transition from the Official Accounting Plan for Local Authorities to Public Sector Accounting Standardization System was expected to be a long and complex process mainly due to obstacles such as the adaptation of computer systems and the high number of procedures needed. Thus, this study analyzes the conceptual basis and describes the transition stages from the Official Accounting Plan for Local Authorities to Public Sector Accounting Standardization System in a Portuguese municipality. This work follows a qualitative methodology. The case study identified three critical factors for the successful implementation of the Public Sector Accounting Standardization System: human resources with experience and adequate training, adequate information systems, and institutional support from official public entities. This paper contributes to a proper application of the system through theoretical and practical explanation of the processes, at the accounting and technologies levels. By highlighting crucial points in a process of change, this paper also contributes to the success of changing processes in the public sector.

Keywords: Accounting Standards, Local Government, Portugal, Public Sector Accounting, SNC-AP.

INTRODUCTION

The New Public Management (NPM) led to changes in administrative management to present financial results with greater accuracy, reliability, transparency, and comparability.

According to Gomes, Fernandes & Carvalho (2015, pp. 7), “the NPM model intends to change management structures, processes and practices in the public sector, to improve efficiency and make organizations more accountable”.

At the same time, Portugal's entry into the European Union (EU) had an impact on public accounting given the intention to harmonize accounting systems in the EU. The need for fragmented, consistent, and up-to-date public

accounting led to the officialization of the Public Sector Accounting Standards System (*Sistema de Normalização Contabilística para as Administrações Públicas - SNC-AP*) in Portugal with the publication of Decree-Law 192/2015, September 11th. This law requires the implementation of the SNC-AP in the administrative public sector.

The main purpose of the SNC-AP is to put an end to the disintegration of the different areas of accounting in public administration and, at the same time, bring the public accounting system closer to the private one. The approval and implementation of the SNC-AP are of great importance, due to the need to:

- harmonizing public administration accounting systems to achieve data reliability and comparability;
- converge public and private sector accounting systems;
- due to the global economy and the financial crisis, improve the assessment of the financial and economic performance of the governments of each country;
- reporting financial and accounting information, increasing accountability, and demanding greater rigor and transparency in the financial management of public entities;
- provide more credible financial information;
- provide credible financial information to support public sector decision-making;
- harmonize and reduce fragmentation and avoid inconsistencies in the sectorial plans, which hinder the comparability of information; and
- get reliable and timely economic and financial information to be possible to obtain public, national, and international sources of financing.

It is also expected that the improvement in the quality of the information produced with the SNC-AP model provide better and more efficient internal cost management and a more reliable accountability process, at the local, regional, and national levels, thus contributing to better accountability practices in Portuguese public administration.

To carry out the implementation process the political support from the government and local authorities, as well as the skills and technical knowledge of involved persons, were essential.

The main purpose of this paper is to describe this transition process, from the Official Accounting Plan for Local Authorities (*Plano Oficial de Contabilidade das Autarquias Locais - POCAL*) to SNC-AP, in the Portuguese municipality of Elvas. In this process, we can identify three stages: preparation, transition, and implementation/application of the SNC-AP. These stages represent the putting into action of financial, management, and budgetary accounting in the municipality.

This work follows a qualitative methodology and presents a case study. Data were collected through direct observation, attendance at several meetings, and documental analysis. The Enterprise Resource Planning (ERP) essential for the transition and the instructions issued by competent authorities such as the Portuguese Accounting Standards Board (*Comissão de Normalização Contabilística - CNC*) and General Directorate of Local Authorities (*Direção-Geral das Autarquias Locais - DGAL*) were also analyzed in detail.

The study highlights success factors in the process of transition and implementation of the SNC-AP such as human resources with experience and adequate training; adequate information systems and institutional support from official public entities (such as CNC, DGAL, Order of Certified Accountants OCC), Association of Portuguese Municipalities, Unit of Implementation of the Unit Budget Framework (*Unidade de Implementação da Lei de Enquadramento Orçamental - UniLEO*) and municipalities).

The procedures listed in this study, and the identification of success factors and difficulties can serve as a guide to other municipalities, allowing the improvement and development of the concepts foreseen in the SNC-AP.

The paper is structured as follows. The next section presents the evolution of public accounting in Portugal concluding with the international influence that led to the SNC-AP in Portugal. Section three describes the methodology. Section four presents the case study namely the main guidelines of the SNC-AP in Portugal and the transition stage of the municipality of Elvas (preparation, transition, and implementation). The paper ends up with conclusions in section five.

REVIEW OF LITERATURE

Evolution of Public Accounting in Portugal

The *Casa dos Contos* (Customs House) and the *Contos do Reino* (Kingdom Accounts) had been institutionalized since 1296. By that time, public accounting was cash-based bookkeeping, and the official accounts of the kingdom were recorded in revenue and expenditure books. During the Lisbon earthquake of 1755, the *Casa dos Contos* was destroyed, along with all its archived records. Moreover, it was seen as ineffective and unable to monitor public funds and control corruption (Santareno, 1998; Gomes, Carnegie, & Rodrigues, 2008). Aware of that, Marquês de Pombal, a prominent statesman, who served as the Prime Minister of Portugal from 1750 to 1777, established the *Junta do Comércio* (Board of Trade) to promote economic growth, regulate trade and industry, and improve the quality and safety of commercial products. According to Rodrigues and Sangster (2013, pp.169), "this action was important in the institutionalization of both the merchant profession and the accounting occupation..." because it "... encouraged the adoption of double entry, with the help of foreign accountants". Therefore, in 1759, the *Junta do Comércio* create the first school to teach public accounting, the *Aula do Comércio*. According to Gonçalves, Lira, and Marques (2013), the Marquês de Pombal founded this class to respond to his political strategy of preparing professionals to perform specific functions in this public service, the so-called *Tesouro Real* (Royal Treasury) or *Erário Régio* (Royal Erário).

Later, in the Law of 1761, he created the *Tesouro Real*, and, at the same time, the *Casa dos Contos* and the *Contos do Reino* were extinguished. The objective was to aggregate the *Tesouro Real* accounting, supervising the execution of expenses and revenues of the reign, based on the double-entry technique (Gonçalves, Lira & Marques, 2017). According to Gomes, Carnegie, & Rodrigues (2008, pp.1144), "the Royal Treasury was the first central government organization in Portugal to adopt double entry bookkeeping and was a crucial first step in the institutionalization of the technique in Portuguese public administration".

Then, in 1832, the *Tesouro Público* (Public Treasury) was created, which replaced the *Tesouro Real*, leading to a setback in accounting bookkeeping.

There was a return to single-entry accounting (Lira, 2011). In the following years, the contributions made to public accounting were scarce, due to the establishment of the Republic in 1910. A small group of Republican accountants attempted to use double-entry bookkeeping in public accounting but failed.

During the *Estado Novo* period, from 1926 to 1974, some reforms in public accounting were introduced, particularly in the budgetary field. The General State Budget model was adopted, adding these synthetic maps of understanding to the finances of the Local Authorities and the Colonies. The structure of the General State Budget was thus defined based on a classifier by revenue and expenditure with some degree of financial autonomy. Despite the reforms during this period, public accounting was still essentially budgetary, on a cash basis, where cash movements and financial flow operations were recorded (Nogueira, and Carvalho, 2006).

When Portugal formally became a member of the European Economic Community (CEE) in 1986, the need for public accounting reform appeared even more precise and urgent. Thus, in the 1990s, the public administration reform process was initiated with the publication of Law no. 8/90, Basic Law of Public Accounting; Law no. 6/91, Budgetary Framework Law; Law no. 155/92, the Regime of State Financial Administration). The Official Public Accounting Plan (*Plano Oficial de Contabilidade Pública* – POCP) was then published through Decree-Law No. 232/97. The POCP allowed the monitoring of budget execution on a cash and commitments basis, to obtain accurate accounting information, necessary for aggregate data from national accounting, and allow access to report on the assets of each entity. With this normative, the digraph method began to be used in the three optics: budgetary, financial, and cost accounting.

Even with the POCP, the problem of accounting disaggregation and inconsistency, as well as the need to make the convergence of national standards with International Public Sector Accounting Standards (IPSAS), persisted. Indeed, since the European System of National and Regional Accounts (ESA) transactions must be recorded on an accrual basis, i.e., "when the economic activity takes place, rather than when the cash is paid" (Eurostat, 2019, pp.4). Thus, Portugal has no choice. Therefore, the Public Accounting Standardization Committee worked hard for two years to make it possible to launch a new reform in public accounting, which ended up with the SNC-AP, approved in 2015 (Gomes, Fernandes & Carvalho, 2015).

The SNC-AP integrates three aspects of accounting, budgetary, financial, and management, allowing one to know, with greater certainty, the financial data of the various public entities, as well as the costs of goods and services produced/provided. Based on the recommendations of international entities, the principles of the IPSAS began to be used in the presentation of the accounts of public sector entities.

The main objective of the implementation of the SNC-AP is to increase transparency in the rendering of accounts and the accountability of the intervenient. External certification of accounts, as part of the accountability process, also emerges as one of the expected consequences. According to Santos & Saraiva (2016), the main mission of the SNC-AP is to improve the accuracy of accounting data and financial reporting, leading to effective management of productive resources of public goods and services, stabilizing the economy, and improving social welfare, from a better redistribution of wealth.

Currently, public organizations in Portugal, such as government agencies, municipalities, and public companies, are required to maintain accurate and reliable financial records and prepare financial statements following the accounting standards and guidelines set by the CNC, which sets the accounting standards and guidelines that public organizations must follow, based on the International Financial Reporting Standards (IFRS) and aligned with the EU directives.

Accounting reform in the public sector is primarily identified by the transition from cash accounting to accrual accounting (Lapsley, I., Mussari, R., & Paulsson, G. 2009). The adoption of a complete accrual system promises more efficiency, accountability, and transparency of accrual accounting (Krishnan, 2023) since it "permits the recognition of the effects of the transactions on the financial condition and performance of the entities at the time they occur; reflects all assets and liabilities, as well as revenues and expenses, capturing the long-term consequences of current decisions; and permits the measurement of the cost of providing goods and services, supporting a better allocation and management of public resources" (Manes Rossi and Cohen, 2016, pp. 190).

New Public Management and Public Accounting in Portugal

Just like other EU countries, NPM ideology has driven the major reform in the Portuguese government accounting system. In the 1980s, the NPM brought a new set of values in which accounting plays a central role (Silva, Fernandez-Feijoo, and Gago, 2020). The idea that accounting is an instrument that favors the implementation and success of NPM has gained a growing and significant consensus in the relevant literature (Lapsley, 1999) because the selective visibility that accounting gives to the organization's actions and results can play an important role and a decisive influence on what is seen as problematic, possible, desirable, and significant (Hopwood, 1984).

Moreover, the NPM demands important adaptations from the accounting systems both internally and externally. Internally because the change in the management model has implications both in terms of decision-making processes and in the definition of management priorities. Externally because the need for accountability has increased, both to evaluate the results of the new management models and to legitimize the adoption of these new management models, which often generate doubts and face political, professional, and cultural resistance (Silva, 2010). Indeed, as Oulasvirta, (2014, pp. 273) pointed out, "the NPM thoughts have caused governments to use more and more accruals-based accounting and also to present statements of financial performance and position".

Accounting and accountability are critical components of public organizations responsible for managing public resources and delivering services to the citizens they serve. Effective accounting practices and robust accountability mechanisms can help ensure that public organizations are transparent, efficient, and effective in their operations and that they use public resources responsibly and sustainably.

In the context of public organizations, accounting refers to the process of recording, classifying, and summarizing financial transactions and preparing financial statements, such as budgets, income statements, and balance sheets. Accounting is important for public organizations because it provides a clear and accurate picture of their financial position, performance, and cash flow, essential for making informed decisions about resource allocation and management.

Accountability, on the other hand, refers to the obligation of public organizations to answer for their actions, decisions, and performance to the stakeholders they serve, including citizens, policymakers, and oversight bodies. Accountability is important for public organizations because it helps ensure they are transparent, responsible, and responsive to the needs and expectations of their communities.

To promote effective accounting and accountability in public organizations, it is important to establish clear and robust systems and processes for financial management, reporting, and oversight. This may involve establishing accounting standards and procedures, implementing internal controls and audit mechanisms, and establishing independent oversight bodies, such as audit committees or inspectorates. Additionally, public organizations should strive to engage with their stakeholders transparently and inclusively, providing regular reports and updates on their financial performance, and seeking feedback and input from the communities they serve.

The lack of reliable financial data and reporting could lead to a less adequate or less credible picture of any public administration's true financial position and financial performance. Under these circumstances, decision-making in public administration could be jeopardized, and the quality of the services provided at risk. This needs to obtain accurate, trustworthy, and complete information about government management and the increasing dissatisfaction of the stakeholders of financial information in public administration led to changes in public accounting in several countries and the adoption of techniques based on private management. Thus, the emergence of NPM was a crucial factor in stimulating the new public accounting reforms (Hood, 1995).

Later, the severe public debt crisis, which spread through several Euro Zone countries in 2009, made them rethink the way they present their financial reports. Many economies were affected and had to rebalance their public finances through new policies, restrictive measures, and reforms, as was the case of the economies of Greece, Ireland, and Portugal.

In this context, the International Monetary Fund (IMF) was an important mechanism in improving the public accounts of some countries belonging to the EU, aiming to promote fiscal stability and reduce the public deficit (Monteiro, 2016). It was then, with the financial crisis in Europe, and because of this there was the intervention of TROIKA in some countries like Portugal; this intervention revealed the urgency to reformulate and converge the public administration accounting systems, increasing the rigor in the provision of accounts and its financial management, requiring more complete and reliable information.

Accounting in Local Government

Portuguese municipalities are the local government entities responsible for providing services and managing public resources within their geographic areas. Portugal is divided into 308 municipalities, each of which is led by a mayor and a municipal assembly. Carvalho, Camões, Jorge and Fernandes (2007) identify the main responsibilities of local government in the following domains: environment; culture; leisure; sports; economic development; civil protection; urban transports; territorial arrangement; social housing and support; and heritage preservation.

According to Carvalho, Gomes, & Fernandes (2012), the local governments introduced decentralized organizational structures with a distinct separation between political decision-making and public management and with a high focus on financial management practices (such as the development of a new accounting system). Accounting in a municipality is a critical component of financial management, as municipalities are responsible for managing public resources and providing services to the communities they serve. According to Jorge (2003), local government accounting in Portugal has suffered radical transformations since 1999. In 2002, public accounting for Local entities took a remarkable step forward with the imposition of the POCAL. Since then, the budgetary subsystem was integrated with financial and cost accounting information, and accrual accounting was made mandatory in all municipalities, having a significant impact on the use of the financial report in decision-making (Nogueira e Jorge, 2016). Even though the implementation of POCAL was very satisfactory in Portuguese municipalities, as referred to in the preamble of Decree-Law No. 192/2015, of September 11, "accounting standardization in Portugal for the public sector is currently outdated, fragmented and inconsistent". Therefore, the approval of the legal diploma resolved the fragmentation and technical inconsistency existing at the time, allowing "to provide Public Administrations with a budgetary and financial system that is more efficient and convergent with accounting systems" at an international level.

Municipalities are also subject to various legal and regulatory requirements, including those related to taxation, financial reporting, and auditing. Municipalities need to comply with these requirements to maintain transparency and accountability in their financial management practices. To ensure effective accounting practices in a municipality, it is imperative to establish clear and consistent accounting policies and procedures. This may involve developing an accounting manual outlining the municipality's financial policies and procedures, such as how financial transactions are recorded and reported, budgets are prepared and monitored, and financial reports are prepared and disseminated.

But regardless of the adoption of accrual accounting systems and performance measures systems in public sector entities and local government, it is important to note that, cash-based information still plays a central role in political decisions (Cohen et al, 2019). The uniformity and standardization of public information help to ensure the correct allocation and distribution of the budget (Mithun, 2021).

METHODOLOGY

This work presents a case study following a qualitative methodology. The purpose of the study is to provide a general description of the SNC-AP in Portugal and a description of the process of preparation, transition, and implementation/application of the SNC-AP in a municipality, that is, the process of putting into action budgetary, financial and management accounting in the public sector, both in terms of accounting and information technology. It is also intended to identify the factors that contributed to the success of the implementation and list the main difficulties.

Thus, we describe complex and holistic realities in a systematic, integrated, and simplified way, seeking to identify the large set of accounting and Information Technology (IT) procedures; we describe these procedures based on the software and accounting standards of the SNC-AP; using a reporting style is technical, narrative, and explanatory.

The present study uses multiple sources of data such as direct observation and participation in several meetings, document analysis, analysis of the various IT tools essential for the development of this transition, and instructions issued by competent authorities such as CNC and DGAL. The study benefited from privileged access to information, namely produced by computer applications, by one of the authors as a collaborator of the municipality. The crossing of data and joint analysis of the other authors allowed for the elimination of a possible data bias.

The study focuses on the Municipality of Elvas (ME) located in the Alentejo region in Portugal, with about 23 thousand inhabitants.

The ME is divided into three departments: the Department of Administration, Urbanism and Human Resources, the Department of Finance and Development, and the Department of Works and Urban Services. The transition process was the responsibility of the Department of Finance and Development, which has two divisions: the Development Division and the Financial Division. The financial division is made up of four organic subunits: assets, accounting, purchasing, and treasury.

Despite the municipality being prepared for the implementation of the SNC-AP in 2018, with the legal delay, the national preparation and transition process started in 2019, with the municipality of Elvas starting its application in March 2020.

CASE STUDY

Standardization System (SNC-AP)

The SNC-AP is composed of several guidelines, with Public Accounting Standards (*Normas da Contabilidade Pública - NCP*) having a fundamental role in its definition. Thus, the main guidelines of the SNC-AP are (Nunes, Rodrigues, & Viana, 2016):

1. The existence of a conceptual structure in which there are basic principles underlying the elaboration of NCP.
2. A chart of accounts with a high degree of detail (Multidimensional Chart of Accounts - *Plano de Contas Multidimensional - PCM*);
3. A set of 27 NCPs, including a specific standard relating to Accounting and Budget Reporting (NCP 26) and other specific standards relating to Management Accounting (NCP 27);
4. Financial accounting prepared on an accrual basis;
5. A set of proprietary and appropriate templates for issuing financial and budget statements.

One of the most important changes from POCAL to the SNC-AP is the conceptual framework, which aims to help the application of NCP. It constitutes a key starting point for the NCP, making the link with the financial statements and establishing measurement, recognition, disclosure, and presentation criteria. The conceptual framework has the following purposes: to help those responsible for financial statements in the application of NCP on an accrual basis and in the treatment of specific standards matters; to help form an opinion about the adequacy of the financial statements to the NCP; to help users in interpreting the information contained in prepared financial statements; to provide the accounting standards bodies with the necessary concepts for the formulation of NCP (point 16 of Annex I of Decree-Law No. 192/2015).

Another important change from POCAL to the SNC-AP is the PCM which is a fundamental pillar of public accounting and SNC-AP, as it ensures the classification, registration, and reporting of events and transactions in a

systematic, consistent manner and with a high degree of standardization (point 1 of Annex III of Decree-Law No. 192/2015).

The SNC-AP comprises 27 standards that can be divided into three classes or groups: financial accounting (NCP from 1 to 25), accounting and budget reporting (NCP 26), and management accounting (NCP 27). Financial accounting allows you to account for the movements that determine the financial situation. Budget accounting records the accounting of budget processes, from budget preparation to execution. Lastly, management accounting will allow an analysis of the cost/benefit ratio of the services provided by local authorities. It also allows evaluation of the result of activities and projects that contribute to the implementation of public policies (article 4 of Decree-Law 192/2015 of 11 September).

With these five basic premises, the SNC-AP presents objectives that lead to the fulfillment of management, control, analysis, and information objectives. The purpose and objectives of the SNC-AP guidelines are the evidence of budget execution and performance; to allow real and true information on the financial position, financial performance, and cash flows; to provide information for calculating the costs of public activities; to provide information for the preparation of reports, statements, and documents for the guardianship, control, and supervision entities; issuing information for the preparation of accounts following the ESA; allow financial control; to guarantee the legality and economy of public expenditures and issuing reports to make management decisions (Article 6 of Decree-Law No. 192/2015).

In the end, financial reporting is intended to satisfy the information needs of users. Residents, taxpayers, and citizens are the main users of this type of information. Public entities, through their executive and deliberative bodies, are responsible for representing them and ensuring that their needs are met with the greatest possible economy of resources.

Transition Process Stages

The process of transition from POCAL to SNC-AP starts with the publication of Decree-Law No. 192/2015, of September 11th, and subsequent legislation, in ME there were identified three stages - preparation, transition, and application.

Preparation began with a series of works, in terms of computer systems and administrative processes, adapting all functions and tasks to the rules introduced by the SNC-AP. This stage was completed in ME on December 31, 2019.

This stage includes the analysis of the legislation and documentation, training, the computer transition of the PCM, the recording of information in the computer systems (namely contracts), and the process of reclassification of assets in the Inventory and Registration System (*Sistema de Inventários e Cadastro - SIC*) (see **Table 1**). This stage consisted of a series of adjustments both in terms of accounting systems and in terms of administrative procedures.

Most of the preparation tasks were carried out in the ME's Enterprise Resource Planning (ERP), that is, in the Municipal Accounting System provided by the Software House *Associação Informática da Região Centro* (AIRC).

Table 1 - Tasks in the preparation stage of the transition process from POCAL to SNC-AP

Tasks	Organic Subunits / Human Resources	Computer Applications
Legislation and Documentation ¹	Directors, Public Accountants, Accounting, IT, Services	N/A
Training	Directors, Public Accountants, Accounting, Services	N/A
Construction of PCM	2 senior technicians financial division	Municipal Accounting System
Analysis and Registration of Contract Information	2 senior technicians financial division	Municipal Accounting System
Reclassification and Valuation of Assets	2 senior technicians financial division 1 senior technician External Company	Inventory and Registration System, Municipal Accounting System

It should be noted at this stage the external support for the implementation through an intensive training plan, on an E-Learning basis (see **Appendix B** – Training Plan in SNC-AP). This plan included NCP, particularly NCP 26 – Accounting and Budget Reporting and NCP 27 – Management Accounting. The training plan was published on October 17, 2017, through Order No. 9101/2017. At ME, training began in October 2017 and ended in June 2018.

¹ The **Appendix A** presents the main SNC-AP Legislation and Documentation

The ME's accounting system software was adjusted, providing new functionalities for structuring the PCM, which allowed the creation of accounts practically and quickly.

Given the monthly need to report to the DGAL, through the portal Information System for the Local Administration Subsector (*Sistema de Informação para o Subsetor da Administração Local – SISAL*), in the Contract Execution module all concession contracts, leasing (operating and financial) and investment subsidies aggregated by tangible fixed assets were recorded. This information is extremely important for the subsequent preparation of the annex to the financial statements, namely maps of tangible and intangible fixed assets, maps of financial and operating leases, investment properties, provisions, and financial assets.

Regarding the process of reclassification of assets in the SIC, the SNC-AP revokes the Classifier of the Registration and Inventory of State Assets (*Cadastro e Inventário de Bens do Estado - CIBE*), which is replaced by the new Complementary Classifier 2 (*Classificador Complementar 2 - CC2*).

At this stage, NCP 5 – Tangible Fixed Assets is extremely important since it applies to most of the reclassifications of assets existing in ME's, namely architectural, cultural, and social assets and public domain assets.

The transition stage began in December 2019 (the year in which the SNC-AP began to be applied in the ME), with the accessibility of new ERP applications namely Accounting Normalization System (*Sistema de Normalização Contabilístico – SNC*), Assets Normalization System (*Sistema de Normalização de Património - SNP*) and Treasury Normalization System (*Sistema de Tesouraria para SNC-AP - SNT*).

This phase was started, still, in POCAL time, so that, in January of the following year, the normative could be applied. **Table 2** presents the tasks, Human Resources, and computer applications of the transition stages from POCAL to the SNC-AP.

Table 2 - Tasks in the transition stage of the transition process from POCAL to SNC-AP

Task	Organic Subunits / Human Resources	Computer Applications
Software Installation	Informatic Department	All ERP Applications
Opening of the Treasury	Treasurer	SNT
Revenue Transition	2 senior technicians financial division	TAX, SGF, SNT, SNC, SEF, SGA, SGR
Debt Transition and Opening Balances	2 senior technicians financial division	SNC
Configuration of Due Sheets	2 senior technicians financial division	SNC, SGP
Closure of Warehouses	1 senior technician financial division	GES, OAD
Asset Transition	2 senior technicians financial division	SNP, SIC
Opening Balance Sheet	2 senior technicians financial division	SNC
Closure of POCAL	2 senior technicians financial division	SCA

For the transition stage, new applications and updated versions of old applications were made available by the software house AIRC, for the implementation of the SNC-AP. The computer applications used were the following:

- Accounting Normalization System (SNC),
- Assets Normalization System (SNP),
- Autarchy Accounting System (SCA),
- Billing Management System (SGF),
- Human Resources Management System (SGP),
- Inventory and Registration System (SIC),
- Meal Management System (SGR),
- System for issuing guides and invoices (TAX),
- Stock Management (GES),
- Treasury Management System (SGT),
- Treasury normalization system (SNT),
- Tax Enforcement System (SEF),
- Water Management System (EMS),
- Works by Direct Administration (OAD).

In this stage, we highlight the preparation of the Opening Balance Sheet along with the procedures, and adjustments to be made, from the recognition of all assets to the construction of maps to support the preparation of the Opening Balance Sheet. This stage ends with the end-of-year process in POCAL.

The application/implementation stage, starting in January 2020, is marked by the entry into force of the budget in SNC-AP. It is the last stage of the process. The implementation process was the responsibility of the Finance and Development Department, led by its respective director. The financial division and the organic accounting subunit were involved in the superintendence of this department, with a head of the division, two accounting technicians, and three technical assistants.

With the entry into force of the budget in SNC-AP, normal daily accounting movements can begin. The modus operandi in the new applications in SNC-AP (SNC, SNT, and SNP) is practically the same as in their predecessors (SCA, SGT, and SIC, respectively) in POCAL, in terms of functionalities.

Table 3 summarizes the main operations that changed concerning POCAL and that can be carried out in the first days of the year in SNC.

Table 3 – Accounting tasks in the implementation stage of the transition process from POCAL to SNC-AP

Task	Organic Subunits / Human Resources	Computer Applications
Salaries, Retention, and Discount Process	All units	ERP
Budget Modifications	All units	ERP
Reimbursements and Refunds	All units	ERP
Extinct Accounting in SNC-AP	All units	ERP

Of note are the salary, retention, and discount processes, with an initial treatment that must be respected and followed, to meet the new approach in SNC-AP. It should be noted that the area of salaries has undergone some changes, mainly in the types of approach to be given to bonuses and discounts. The modus operandi of budget execution and its modifications was changed in the SNC-AP in relation to the POCAL, being, currently, an easier and more intuitive process. The reimbursements and refunds have an accounting treatment in SNC-AP different from POCAL. In terms of extinct accounts in SNC-AP, emphasis should be placed on virtual revenue, debits to the treasurer, and current accounts.

The biggest constraint in this implementation, and with currently some problems, is the reporting to the regulatory entities for the implementation of the SNC-AP (Budget Framework Law Implementation Unit (UniLEO and DGAL). However, it should be noted that all issues and difficulties were being discussed between the parties involved in the companies and the regulatory authorities.

The software house AIRC also provided great support to the municipality, both at a technical and IT level. At a more advanced stage of implementation, the ME's statutory auditors were also essential for technical issues in greater depth. All decisions were taken, with the endorsement of the financial director together with the auditors.

No less relevant is the importance and sensitivity of mayors, as without the technical and human resources, made available by each municipal executive, the success of the transition could be called into question.

There were some difficulties in ME in this transition process (some corroborated by Veloso (2018)) such as:

- Insufficient personnel with skills and knowledge to ensure a timely transition and quality technical responses about income, receipts, expenses, and payments. There was difficulty in understanding these concepts. Now, after one year of entry into the SNC-AP, they are outdated namely the principle of specialization.
- Low involvement of the political structure in the implementation of the SNC-AP.
- Delay in preparing the opening balance sheet.
- Difficulties in identifying and valuing tangible fixed assets, following NCP, even though an external company was hired for the purpose.
- From the budgetary point of view, the revenue analysis, and the settlement surveys of future periods related to present assets lacked great difficulties.
- The biggest difficulty, even after the second year of implementation of the SNC-AP, are the computer systems that are still in the process of adapting to the normative and to the rules of reporting to the central system (the SISAL).

- The ME software house (AIRC) identified many constraints such as the shortage of human resources, the lack of explanatory information on legislation, and the timely response to the problems posed to UniLEO and CNC.

CONCLUSION

This work presents the accounting evolution of public administration, highlighting the international influence of the normalization system, in 2019 (SNC-AP). The NPM approach also influences public management results pressing governments to present financial results with greater rigor, reliability, transparency, and comparability. Changes in public management were also evidenced by administrative changes, to solve public administration problems, following the example of private administrative procedures.

Portugal's entry into the EU had an impact on public accounting given the intention to harmonize accounting systems in the EU. The starting point was the publication of the International Federation of Accountants (IFAC) standards for public administration (based on the International Accounting Standards Board (IASB)) which had a leverage effect on the advances in public accounting in Portugal.

The work follows a qualitative approach and describes the process of preparation, transition, and implementation of the SNC-AP in the ME. It was verified that the transition and implementation process requires, in the ME, three fundamental factors, to successfully develop the process of transition and application of the SNC-AP: human resources with experience and adequate training; adequate information systems, and institutional support from officials and public entities, that is, correct and synchronized communication between DGAL, the OCC, the Association of Portuguese Municipalities, UniLEO, the Accounting Standardization Commission and the Municipalities.

The implementation of the SNC-AP was initially scheduled for 2018, being postponed until 2020 by the local government, forcing the ME to postpone its implementation, in 2019, especially in stages 1 and 2 of the transition process.

There was some complexity in the IT systems, which are vast and diversified, forcing the human resources to have specialized training in this area. Basic computer knowledge is not enough. In this context, there are also required sensitivity, expertise, and the ability to configure menus and functions in various systems. We found that at least five different software are needed to use the SNC-AP in the ME: accounting, treasury, rates, inventory, and stock management.

It is concluded that the ME is equipped with the necessary computer resources, as well as human resources with the necessary training. However, there are always questions and doubts that arise in the day-to-day operations of the financial director, division head, or accounting officer. There is always a need to acquire new knowledge and skills.

This work makes it possible to provide users, employees, and technicians from the financial area of the ME, and from other municipalities (that can adapt this case study to their reality) with theoretical and practical skills for the implementation of the SNC-AP. It also contributes to the required factors for the success of public entities in processes of change.

As limitations, we present the fact that the studied computer system is only provided by the software house. This did not allow comparisons with other systems on the market, otherwise, we could verify whether this one is more intuitive and simpler, or more complex and difficult.

The conclusions reached with this work open the possibility of future investigations, namely, a comparative study of how the processes of implementation and transition to the SNC-AP took place, in other Municipalities with the same dimension as the ME.

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APPENDIX A – SNC-AP LEGISLATION AND DOCUMENTATION

Date	Legislation	Subject
11/09/2015	Decree-Law 192, 2015	Approves the Accounting Standardization System for Public Administrations (SNC-AP);
14/07/2016	Ordinance 189/2016	Framework Notes to the Multidimensional Chart of Accounts (PCM);
09/08/2016	Ordinance 218/2016	Simplified Regime of the SNC-AP;
21/12/2016	Decree-Law 85, 2016	Establishes the Postponement of the entry into force of the SNC-AP;
05/04/2017	128/2017	Establishes the dissemination and implementation strategy of the SNC-AP;
26/07/2017	Implementation Manual V2.0	Applies the SNC-AP Implementation Norms based on the Accounting Standardization Commission (CNC);
17/10/2017	Order 9101, 2017	Global Training Plan for the SNC-AP;
28/12/2017	Circular SNC	New postponement coming into effect SNC-AP;
31/12/2018	Law 71, 2018 (State Budget 2019)	Art.º98.º - "In 2019, the entities integrated into the local administration subsector apply the accounting reference that applied to them in 2018" - New postponement in practice for entry into force SNC-AP;
27/06/2022	Law 12, 2022 (State Budget 2022)	Art.º105.º- "No.1 In 2022, all entities integrated into the local administration subsector apply the SNC-AP. No. 2 – In the years 2022 and 2023, local government entities don't need to prepare the forecast financial statements provided for in paragraph 17 of Public Accounting Standard 1 (NCP 1) of the SNC -AP2".

APPENDIX B - SNC-AP TRAINING PLAN

- Module 1 - Context and Objectives of the Public Accounting Reform
- Module 2 - Conceptual Framework for Financial Accounting
- Module 3 - Budget Accounting Concepts
- Module 4 - Budget Changes
- Module 5 - Execution of the Revenue Budget
- Module 6 - Expense Budget Execution
- Module 7 - Small Entities Regime
- Module 8 - Tangible Fixed Assets
- Module 9 - Income from Transactions with Consideration and Construction Contracts
- Module 10 - Income from Transactions without Consideration
- Module 11 - Elementary Financial Instruments
- Module 12 - Operations with Incidence in Future Periods (income and expense)
- Module 13 - Treasury Operations
- Module 14 - The Internal Control System
- Module 15 - Inventories
- Module 16 - Agriculture
- Module 17 - Intangible Assets
- Module 18 - Service Concession Agreements Grantor
- Module 19 - Provisions, Contingent Liabilities, and Contingent Assets
- Module 20 - Preparation of the Initial Budget
- Module 21 - Impairment of Cash-Generating Assets
- Module 22 - Impairment of Non-Cash-Generating Assets
- Module 23 - Effects of Changes in Exchange Rates
- Module 24 - Employee Benefits
- Module 25 - Joint Agreements
- Module 26 - Elaboration of the Multiannual Investment Plan, Execution, and Amendments
- Module 27 - Leases
- Module 28 - Investment Properties
- Module 29 - Borrowing Costs Obtained
- Module 30 - Events After the Reporting Date
- Module 31 - Closing of Budget Accounting
- Module 32 - Consolidation of Investments in Associates and Joint Ventures
- Module 33 - Accounting for Investments in Controlled Entities
- Module 34 - Individual Budget Report
- Module 35 - Complex Financial Instruments
- Module 36 - Individual and Consolidated Financial Reporting
- Module 37 - Consolidated Budget Report
- Module 38 - Preparation Analysis Indicators Management
- Module 39 - Management Report