

# **Accounting – support to local management**

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# 1 – Introduction: Brief overview of the legal framework of financial and accounting management of local governments

## 1- Introduction:

□ Brief overview of the legal framework of financial and accounting management of local governments

The **organic law on the budget of local governments** passed on 2007 and **the public sector accounting code** passed on 1973 represent the two fundamental texts on local governments' financial management (municipalities and regional councils).

## 1 – Introduction: Brief overview of the legal framework of financial and accounting management of local governments

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□ Brief overview of the legal framework of financial and accounting management of local governments

These two texts govern the local budget's establishment, implementation and control according to budgetary principles (annuality-unity-equilibrium-specification...) and accounting rules and standards (the authorizing officer and the accountant fulfill separate functions – single ledger accounting – single fund – payment after services rendered)

## **1- Introduction: Some figures on local governments' accounting units**

**□ Collection centers in charge with local governments (264 municipalities and 24 regional councils) amount to 213, distributed as follows:**

- ❖ 189 collection centers tasked exclusively, or among other activities, with municipal finance management:
  - 055 municipal collection centers
  - 134 universal collection centers
- ❖ 024 collection centers tasked exclusively with regional finance management
- ❖ **There is a collection center in each of the 181 local governments' jurisdictions .**

## **2- Financial and accounting management of local governments – activity within the scope of the DG CPR network**

### **❑ What does the local sector represent for the DG CPR?**

- Administratively, Tunisia is organized into 264 municipalities (cities & towns) and 24 regional councils (rural areas) inhabited by some 12 mil people. The country is quite urbanized (more than 70% of the population live in urban areas);**
- Municipalities, especially Gouvernorats' capitals get most revenues from infrastructure, superstructure and socio-collective equipment;**
- Local governments deposit all their funds with the public treasury;**
- Local governments are a good indicator for social stability and tax compliance in the country**

## **2- Financial and accounting management of local governments – activity within the scope of the DG CPR network**

- **Local governments have the status of economic operators. Consequently, the general account of the Finance Administration, the Central Governments' clearing account and the State's consolidated account, those of public institutions and of the local governments could not be carried out without access to and use of electronic statistic data coming from these files;**
- **Local governments are for the DG CPR an extremely important data source for the recovery of public revenues**
- **Organizing all accounting units of local governments in one professional body, the network of public sector accountants, is a better guarantee for the principle of state unity (consistency in management and processing)**



## **2- Financial and accounting management of local governments – activity within the scope of the DG CPR network**

- ❑ **Public sector accountant's main responsibilities:**
  - **Daily and regular local government's accounting tasks.**

At the end of the year entry of resulting data in various accounts, statements on definitive revenues and expenses, especially in a financial account (single account – authorizing officer and accountant), which have to be submitted to the supervisory unit and, for some local governments, to the judicial review of the Court of Auditors (control on public state accountants).



## 2- Financial and accounting management of local governments – activity within the scope of the DG CPR network

### □ Public sector accountant's main responsibilities:

#### ➤ Local government's revenues collection

In this respect, it is within the public sector accountant's competence:

- to process, in an accounting record specific to local governments, the enforcement orders issued by the president of the local government council, the authorizing officer;
- to cash local government's revenues that he registers in accounting records;
- to re-launch recalcitrant debtors or debtors with delays in payments due to local governments and proceed to enforced collection;
- to assist the authorizing officer or the regional treasurer of finance in adequate proceedings of debt recovery suspension, debt waiver or exemption.

## 2- Financial and accounting management of local governments – activity within the scope of the DGCPR network

### □ Public sector accountant's main responsibilities:

#### ➤ Expense payment: the objective is to insure efficient use of scarce public funds

- Paper check, supporting documents check:
- Check on the authorizing officer, on imprest administrators;
  - ✓ Type of resources, regularity of expenses;
  - ✓ Go-ahead given by the public expense controller (reporting to the Prime Minister)
  - ✓ Existence of enough resources to make the payments;
  - ✓ Availability of enough resources in order to make the payment;
  - ✓ Manage objections, deductions, budget balances

### **3- Limitations and reform lines in the accounting management of local governments**

- Limitations inherent to single ledger accounting, to technical means:**
  - ❖ Local governments' single ledger accounting does not enable asset tracking, does not cover expenditures and revenues, does not free up debts and funds, consequently it does not support the implementation of cost accounting or that of a cost analysis system for the services provided by the local governments;**
  - ❖ Local governments' classification is not standardized; it rather results from budgetary aspects;**
  - ❖ Despite the fact that there are 2 electronic applications, one for the budgetary management of all local governments' expenses, and another for the budgetary resources of big cities, accounting records are kept and generated almost exclusively manually;**
  - ❖ From case to case, there is a higher or lower deficit of high quality accounting records and accountants.**

### 3- Limitations and reform lines in the accounting management of local governments

#### □ Reforms:

- The financial and accounting service of the local public sector proved to be, especially after the January 2011 revolution, rather fragile because of a significant decrease in collection level and of its incapacity to rapidly recover the lost resources. Consequently, it has to follow the already countrywide decentralization tendency in terms of tax and financial reforms, to adapt to new requirements in order to comply with the increasing demand for services and to meet the local partners' expectations.
- DGCP has to improve the services provided by public sector accountants via two major actions, i.e. **modernization** of financial and accounting management and **good use** of financial and accounting data.

### 3-Limitations and reform lines in the accounting management of local governments

#### ❖ **Modernization wise, the following goals should be met:**

- Implement, via the double-entry bookkeeping a complete, pertinent and true accounting system which shall:
  - 1) supply a true and complete view of local governments' financial position;
  - 2) detect and prevent financial difficulties;
  - 3) carry out financial analyses and generate financial and management indicators for local governments;
  - 4) enable local governments asset tracking
  
- Strengthen local governments' management and accounting competences that might improve collection, and especially those related to computerization of revenue accounting management

### 3-Limitations and reform lines in the accounting management of local governments

- ❖ **Good use of financial and accounting information:**
  - ❑ **The accountant:**
    - The accountant – consultant for local governments
    - The accountant – a true partner
  - ❑ **Information:**
    - Good quality, complete, pertinent, smooth, clear, rapid...
  - ❑ **The authorizing officer and the accountant** should establish **common** indicators, **implement** coordinated procedures, and a shared policy **of collection of local revenues**...

**Thank you!**