Introduction

The subject of governmental accountability becomes important after December 31st 2008, when the regulations were published; nonetheless, the year 2012 is important, because it is the first year, according to the fourth transitory article of the Law itself, “...the Federation, federal bodies, harmonization of accounting systems of the bodies of the Executive, Legislative and Judicial Power. Autonomous bodies shall carry out accounting records of patrimony and its valuation, generate index results regarding goal fulfillment and publish accounting, budgetary and programmatic information in their web pages so the general population can access them; all of this must be done no later than December 31st 2012; also, public accounts should be created by the beginning of the 2012 period”.¹

In relation to municipalities and political-administrative bodies of the Federal District and its territories, the Law established section V of the same transitory article; periodic information must be available and a public account must be created no later than December 31st 2012. The latter should at least include accounting and budgetary information put forward in this paper and stated in accounting regulations.

The conceptual framework of Governmental accountability must be applied to all public sector bodies of different government levels, including autonomous bodies.

¹ General Governmental Accounting Law, fourth transitory article, section III.
The goals of this paper are:

- To analyze accounting harmonization, which is seen as an intergovernmental integration system among state and municipal bodies, as well as the Federal District and its territories; respecting the federal order and regulations derived from the General Governmental Accounting Law, which certifies the use and allocation of public resources within the analyzed bodies;
- To examine new accounting instruments state and municipal bodies, as well as the Federal Districts and its territories will use, in accordance to the General Governmental Accounting Law (LGCG) and regulations issued by the National Accounting Harmonization Commission (CONAC), and
- To check to current accounting structure and functions within state and municipal bodies, so as to suggest which should be used, in light of the new regulations on the subject.

According to these goals, this analysis will first address local competence: organization and legal authority invested in it by the Constitution; later, operative and regulation instruments used in accordance to LGCG and CONAC are analyzed and finally, the last part of the analysis identifies current accounting functions carried out by municipalities and territories, suggesting which ones related to accounting harmonization could be included and which administrative bodies should carry them out in the municipal arena.

Goals and instruments of the Accounting Harmonization Process in state and municipal bodies

In this first section I will begin with analyzing competence or legal authority held by federal bodies, the latter can be found in the Mexican Constitution, 40th and 41st articles and in the Fifth Title: The States of the Federation and the Federal District articles 115-122. I will analyze the goals and instruments of the Accounting Harmonization Process in state and municipal bodies in the following paragraphs.

1. Local competence or legal authority

Regarding local legal authority, the Mexican Constitution states that “…states should also adopt the form of a republican, representative and popular government, with the basis of their territorial division and their political and administrative organization being the Free Municipality”.2

Power in these states is exercised through local Legislative, Executive and Judicial powers.

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2 Political Constitution of the United Mexican States. 115th article.
The Legislative Power is made up by the local Congress which includes local deputies of direct popular election; the Executive one is placed upon a governor which is elected directly and has several bodies that help him; the Judicial one is made up by a High Court of Justice and the Federal District has a head of government or governor elected through popular voting and also has several bodies that help him.

1.1. Free municipality

Free municipality is the basis of territorial division and political and administrative organization of the States, it is the body closest to the citizen, “…thus, it is essential to know its problems and put forward solutions that state municipal government actions that satisfy the needs of the community”.

1.2. Municipal autonomy

One of the basic characteristics of the municipality is its autonomy, “…in federal administration, as well as local administration; it also has political and legal transcendence because it is based on a system of democratic elections to appoint members of City Hall; there is no need to have intermediate bodies between the municipality and central, federal administration or the state’s government”.

This generates some degree of controversy, some researchers state that two autonomous bodies cannot coexist like they do in Mexico where federal and municipal bodies coexist.

Municipal autonomy is limited to the urban or rural region that comprises its territory and it should be ensured by its own income which will allow it to fulfill its faculties, attributions and tasks appointed by the Constitution.

1.3. Municipal competences and faculties

Municipal competences are stated in the 115th article of the Constitution, municipal government is in charge of City Hall, which is made up by a collegial body elected popularly that mainly carries out administrative functions; in some cases, it has the power to propose laws and in other cases it has municipal courthouses; this happens because municipal regulations in Mexico are very diverse.

Municipal characteristics and competences are established in article 115th of the Constitution:

“…Each municipality will be governed by a City Hall which will be popularly and directly elected, it will be made up by a Municipal President and councilors and trustees whose number will be appointed by law. The competence awarded to the municipal government by the Constitution will be exercised exclusively by City Hall and there will be no intermediate authority between the latter and the State’s government…” 5

1.4. Legal personality

“…municipalities will have legal personality and will manage their patrimony in accordance with the Law.

Municipalities will have the power to approve, according to municipal laws issued by states’ legislatures, police and government forces, regulations, administrative announcements and regulations of general observance within their own jurisdictions, organize municipal public administration, regulate properties, procedures, functions and public services and promote citizen and neighborhood participation”.6

Thereupon, municipalities are constituted as legal personalities of public law, which have political-administrative bodies with enough autonomy to manage strictly local municipal issues within their territories. The latter includes aspects related to potable water, drainage, sewerage, treatment and disposal of wastewater; public lighting; cleaning, collection, transportation and final disposal of waste; markets and supply centers; cemeteries; slaughterhouses; streets, parks and gardens and their equipment; and local public security, under the terms established by the Constitution.

1.5. Municipal Coordination

After municipalities’ city halls have reached an agreement among themselves, “…they can coordinate and associate themselves to provide more efficient public services or better exercise their functions. In this case, if municipalities of two or more states associate themselves, they shall have the approval of these states’ legislatures. Likewise, when the corresponding city hall deems it necessary it can sign agreements with the State in a direct manner or through an appropriate body so that the State can temporarily take care of some of them or be provided jointly by the State and the municipality itself.

Indigenous communities within municipalities will be able to coordinate and associate themselves according to the terms and effects provided by Law”.7

5 *Ibidem*. 115th Article, section I.
6 *Ibid*. Article 115th, section II.
7 *Ibid*. Article 115th, section III.
1.6. Fiscal Competence

In regards to fiscal matters, the Constitution states: “municipalities will freely manage their finances, which include profits of their properties, taxes and other incomes established by legislatures; in any case:

a) They will receive taxes, including additional rates established by the States on real estate, their division, consolidation, transfer and improvement; as well as those based on the change of property value. Municipalities will be able to sign agreements with the State so the latter can take care of functions pertaining to the administration of said taxes.

b) Municipalities’ federal taxes will be covered by the Federation according to bases, amounts and terms determined annually by the States’ legislatures.

c) Incomes derived from the provision of public services under their care.

Federal laws will not limit the States’ faculty to establish taxes mentioned in a) and c), nor grant exemptions in relation thereto. State laws will not establish tax exemptions or subsidies to benefit any person or institution. The only properties subject to exemption will be public properties of the Federation, States or Municipalities, except if said property is being used by public-sector or private bodies, under any title, for administrative purposes or any other purpose different to public order ones.

According to their competence, city halls will propose fees and shares on taxes, duties and improvement contributions and unit value tables for lands and constructions as a basis for the collection of property taxes.

The States’ legislatures will pass municipal income laws and will revise and control their public accounts. Expenditure budgets will be approved by city halls according to available incomes and should include detailed salary tabulation for municipal public employees based on Article 127th of the Constitution”.8

Resources pertaining to municipal funds will be exercised directly by city halls or by those authorized by Law.

According to the studied faculties, municipalities have a broad autonomy in the planning, programming and execution of programs and projects that promote their economic growth.

González Navarro states: “The federal system facilitates and promotes access to a solidarity system, with greater equity, balance and cooperation

8 Ibid. 115th Article, section IV.
among states themselves and the federation. At the same time it must not become egalitarianism or uniformity; federalism should live, feed on healthy and democratic competition among states that are members, and have a diversity of regions, customs and daily lifestyles.

By definition, federalism leads to the decrease of centralism and intensification of function and competence deconcentration in lower levels of government.

This system drives states and municipalities to broaden their participation in the offering of public services to the population living in their territories; this translates into greater openness, more options and more democracy”.9

This is why LGCG places state and municipal bodies, the Federal District and their territories at the heart of accounting harmonization.

2. Accounting Harmonization as means of State and Municipal Integration

On May 7th 2008, a decree to amend, add and abolish certain regulations of the Political Constitution of the United Mexican States was published; it adds to the 28th section of the 73rd article of our Political Constitution, which allows Congress to “…issue governmental accounting laws to control public accounting and the homogeneous presentation of financial, income and expenses information, as well as patrimonial one for the Federation, states, municipalities, the Federal District and political-administrative bodies in their territories to ensure their harmonization at a national level”.10

This helped to resolve one of the priorities shared by different government orders, which aim to achieve transparency and accountability; with comparable information, “…not only citizens can evaluate with certainty the results yielded by their leaders’ administration; but they will also have a key instrument to make decisions, holding their ground on compatible and congruent reports, adapted to their technical basis and better financial administration national and international practices.

According to this framework, governmental accounting no longer believes its only purpose is the generation of information to integrate public accounts in different levels of government”.11

Governmental accounting is an important, permanent and recurring instrument in decision making, transparency and accountability in public sector that includes three government orders, powers of the federation, as well as autonomous bodies.

9 González Navarro, op. cit., p. 67.
10 Initiative to enact the General Law of Governmental Accounting, 2008.
11 Idem.
This can be achieved thanks to some of the LGCG’s goals:

- “It establishes criteria and general guidelines for accounting records for financial operations, and for the issuance of accounting information and Public Account for the three levels of government.
- It proposes a clear regulatory framework in its approach and direction; but flexible in the incorporation of up to date rules, instruments and criteria as needed by the dynamic of public management.
- It assumes as its basic premise the registration and valuation of the State’s patrimony.
- It entails the adoption of an accounting model to promote the improvement of national and international practices, it considers, among other elements, the accrual basis accounting for the registry and processing of values of economic-financial facts; recognition of assets, liabilities, income and public expenses; state patrimony; and the implementation of basic premises of governmental accounting.
- In regards to Public Account it establishes the minimum information needed to integrate a document; budget and programmatic information must be included and should relate to the goals and priorities of National and State Planning.
- It foresees that the Federation, states, municipalities and Federal District’s Public Accounts should include performance evaluation results in accordance with the provisions of the Federal Fiscal Coordination of Budgets and Tax Responsibility”. ¹²

The goal is that different public bodies of all levels of government have a harmonic governmental accounting that reflects assets, liabilities, revenues and expenses.

Likewise, LGCG states the content of Public Account so the Legislative Power of each level of government has better elements to control public spending and monitor accounting records of expenditures.

These elements allow accounting harmonization as means of integration based on a municipal basis.

3. Accounting Harmonization Process in State, Municipal Bodies, the Federal District and its Territories

The LGCG and the Governmental Accounting Framework (MCCG) applies to every public body in the legal environment; the following section will focus on the operation of state and municipal bodies, the Federal District and its territories as an element of intergovernmental coordination.

¹² Idem.
In its first article, the LGCG states that “…State governments should coordinate with municipal ones to harmonize their accounts in accordance with the provisions of this Law. The Federal District’s Government should coordinate with the political-administrative bodies of its territories”.13

It also establishes that “Federal states shall respect the rights of municipalities with indigenous population, which includes the right to decide internal ways of political coexistence and the right to choose according to their rules and customs, authorities or representatives to exercise their own forms of internal government”.14

Governmental accounting in different levels of government shall observe applicable legal regulations in every transaction made by the public body, insofar as multiple institutions interact among them to achieve the goals for which they were created.

This regulation operates in different bodies, from the body in charge of issuing the regulation, the one responsible for the registry, the one presenting the information, to the one which reviews it reasonableness.

The goals governmental accountability has to fulfill at its federal, state and municipal level are:

   “a) To establish special attributes to develop governmental accounting regulations;
   b) Include the application of registry in operations and transactions that can be assessed and quantified;
   c) Provide the essential concepts that rule governmental accounting, identifying precisely the bases that support it;
   d) Harmonize the generation and presentation of financial information”.15

4. System of Governmental Accounting (SCG) and its implementation in State and Municipal bodies, the Federal District and its Territories

The implementation of SCG in state and municipal bodies, the Federal District and its territories, will be “…made up by the collection of registries, procedures, criteria and records organized according to common technical principles destined to capture, value, register, classify, extinguish, inform and interpret transactions, transformation and events that derive from economic activity, modify the economic, financial and patrimonial situation”.

13 General Law of Governmental Accountability, 1st article.
14 Ibidem.
15 Characteristics of the Governmental Accounting Framework (MCCG).
4.1. Basic Postulates of Governmental Accountability

The Basic Postulates of Governmental Accountability (PBCG) that state and municipal bodies, the Federal District and its territories have to fulfill are:


These postulates are consistent with national and international principles of general and governmental accounting; issued by bodies and authorities on the subject.

4.2. Characteristics of financial information

Financial information generated by state and municipal bodies, the Federal District and its territories, must comply, to make decisions, with user requirements in the field of their competence:

- Monitoring state bodies and internal bodies of control;
- Public entities;
- Entities which provide funding and rate the creditworthiness of public entities; and
- General Public.

4.3. Information Qualities

Qualities of financial information that state and municipal bodies, the Federal District and its territories have to provide must meet essential attributes and requirements of accounting and budget information, it must “…include all information that allows the correct interpretation of the economic and financial situation, achieved results of the development of attributions legally granted to the public entity must be reflected accurately and clearly”.¹⁶

4.4. Characteristics of the Governmental Accounting System

The characteristics of the governmental accounting system of state and municipal entities, the Federal District and its territories will be: usefulness, trustworthiness, reliability, representativeness, objectivity, verifiability, sufficient, relevant and understandable information; as well as the possibility of comparing it to the one generated by other entities.

The charts 1, 2 and 3 clearly show us government financial information that accounting entities from different government entities have to present.\footnote{Official Journal of the Federation (DOF), Regulations and Methodology to issue financial information and structure of basic financial statements of Public Entities and Characteristics of their notes. December 9th 2009, Ministry of Tax and Public Credit. National Council of Accounting Harmonization.}

Federal states and municipalities must present governmental accounting information, including financial, budget and economic statements which must meet user requirements within the applicable legal framework.

The integration of said information will be based on data and numbers generated by state and municipal entities, according to their particular faculties and characteristics.

State and municipal entities, the Federal District and its territories must issue periodically financial information, accounting, budget and programmatic statements and additional information to generate national accounts and pay attention to other requirements from international organizations to which Mexico belongs.

5. Accounting, Budget and Financial Information which federal and municipal entities, the Federal District and its territories must integrate\footnote{Ibidem.}

5.1. Accounting information

The 48th article of the LGCG states: “...in regards to municipal city halls and political-administrative bodies of the Federal District’s territories, the systems must produce, at least, accounting and budget information referred to in the 46th article, based on the following:

a) Financial situation statements;
b) Statements of change in public finance;
c) Statements of change in financial situation;
d) Reports of contingent liabilities (states only);
e) Notes to financial statements;
f) Analytical state of assets;
g) Analytical state of domestic debts according to short and long term classification and funding source (states only).

Notes to financial statements are integral part of these; they should reveal and provide additional and sufficient information to expand and give meaning to the data contained in the reports.
States and the Federal District will not have to generate Results Statements because of their state or Federal District character; they have business entities and Activity Statements which are part of the financial statements that public entities produce with non-profit purposes.

Chart 1

<table>
<thead>
<tr>
<th>GOVERNMENT FINANCIAL INFORMATION</th>
<th>Federation</th>
<th>States</th>
<th>Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. ACCOUNTABLE INFORMATION, WITH THE FOLLOWING DISAGGREGATION:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Financial situation statement</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>b) Statements of change in public finance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>c) Statements of change in financial situation</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>d) Reports of contingent liabilities</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>e) Notes to financial statements</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>f) Analytical state of debt and other liabilities; the following classifications are derived from it</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>i.- Long and short term (as well as by origin: internal and external, only for the Federation)</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>ii.- Funding source</td>
<td>✓</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>iii.- Currency of transaction</td>
<td>✓</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>iv.- Creditor country</td>
<td>✓</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: General Governmental Accounting Law

Accounting statements must reflect:

- Assets, liabilities and patrimony or public finances and the ones originated by patrimonial changes;
- Rights and obligations must be distinguished by considering their short and long term realization, including property ones and the ones the government is responsible for and the ones they take care of for some reason;
- Through notes to financial statements, assets and liabilities of uncertain amount or subject to a future condition which must be confirmed by a subsequent legal act o or by a third party must be disclosed. If the event is quantifiable it will be registered under memorandum accounts to control effects until it affects the financial situation of the public entity;
- Incomes and expenses derived from the exercise and execution of public budgets will be presented.”
5.2.1. Budget information

The following list mentions the budget statements states and the Federal District must carry out:

- **a) Analytical review of income**, all of the estimated income and the actual one obtained during a period according to their classification in the State Revenue Act and Revenue Classification; as well as
- **b) Analytical review of expenditure budget**, which reflects the behavior of the original budget authorized by local congresses and the Legislative Assembly of the Federal District, changes authorized during certain period and the exercise of paid and unpaid budget of every public entity. From this document the classification analysis derives: administrative, economic, object of expenditure, as well as functional programmatic.
- **c) Net internal debt**, funding minus depreciation and debt interests.
- **d) Debt interest**, the following classifications are derived from it: short and long term and funding sources.
- **e) Flow of funds**, summarizes operations and fiscal indicators.

**CHART 2**

<table>
<thead>
<tr>
<th>GOVERNMENT FINANCIAL INFORMATION</th>
<th>Federation</th>
<th>States</th>
<th>Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>II. BUDGET INFORMATION WITH THE FOLLOWING DISAGGREGATION:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Analytical review of income, the presentation of economic classification derives from it and is divided into funding and concept</td>
<td>3</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>b) a) Analytical review of expenditure Budget, divided into the following classifications:</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>i.- Administrative</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>ii. Economic and object of expenditure</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>iii.- Functional-Programmatic</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>c) Net internal debt, funding minus depreciation, divided into classification by origin: internal and external</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>d) Debt interest</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>e) Flow of funds that summarizes operations and fiscal indicators</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Source:** General Governmental Accounting Law

Budget statements must include:
– Income derived from the enforcement of the local Revenue Act, mainly considering numbers that show estimated, modified, accrued, collected, their difference and of the different sections of said Act;
– Income derived from the final results of funding operations, limits and sections from the Revenue Act;
– Expenditures derived from the exercise of the expenditure Budget, presenting different stages such as: approved, modified and
– Committed, accrued, exercised and paid. Said information should allow its presentation by different levels of aggregation.

5.2.2. Budget information integrated by municipalities and territories of the Federal District\textsuperscript{19}

\textbf{a) Analytical Review of municipal income}, all estimated income obtained during the period according to their classification in the State Revenue Act and Revenue Classification; as well as…

\textbf{b) Analytical review of expenditure budget}, which reflects the behavior of the original budget authorized by local city halls and the Legislative Assembly of the Federal District, changes authorized during certain period and the exercise of paid and unpaid budget of every public entity.

From this document, municipalities and territories shall also derive the analysis of classifications: administrative, economic, object of expenditure and functional programmatic.

5.2.3. Programmatic Information

Programmatic information states and the Federal District must integrate, with the detailed disaggregation, are the following:\textsuperscript{20}

1. Expenditure in each programmatic category
2. Programs and investment projects.
3. Result indicators.

Municipalities will not have to produce programmatic information.

\begin{center}
\textbf{Chart 3}
\end{center}

<table>
<thead>
<tr>
<th>GOVERNMENT FINANCIAL INFORMATION</th>
<th>Federation</th>
<th>States</th>
<th>Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>III. INFORMACIÓN PROGRAMÁTICA CON LA DESAGREGACIÓN SIGUIENTE:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Expenditure in each programmatic category.</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
<tr>
<td>b) Programs and investment projects.</td>
<td>✓</td>
<td>✓</td>
<td>N/A</td>
</tr>
</tbody>
</table>

\textsuperscript{19} Standards and methodology for the issuance of budget information. CONAC.

\textsuperscript{20} Standards and methodology for the issuance of financial information and structure of basic financial states of public entities and characteristics of their notes. CONAC.
c) Result indicators.

| IV.- Complementary information to create national accounts and attend other requirements from organizations to which Mexico belongs. | ✓ | ✓ | N/A |

Source: General Governmental Accounting Law

It is noteworthy to mention that the list of accounting, budget and programmatic information is the minimum requirements they have to produce; this can vary among state and municipal entities, the Federal District and its territories according to internal regulations that this entities establish regarding governmental accounting.

5.3. Instruments to implement governmental accounting in states, municipalities and territories of the Federal District

5.3.1. Income, states and municipalities, as well as the Federal District and its territories must elaborate their source of income classifier in accordance to the established in Constitutional article 115th section IV, which reads: “…states will adopt, for their inner regime the form of a republican, representative, popular government; territorial division, political organization based on the following…:

IV. Municipalities will freely manage their finances, which include profits of their properties, taxes and other incomes established by legislatures; in any case

a) They will receive taxes, including additional rates established by the States on real estate, their division, consolidation, transfer and improvement; as well as those based on the change of property value.

b) Municipalities will be able to sign agreements with the State so the latter can take care of functions pertaining to the administration of said taxes.

c) Municipalities’ federal taxes will be covered by the Federation according to bases, amounts and terms determined annually by the States’ legislatures.

d) Incomes derived from the provision of public services under their care.

Federal laws will not limit the States’ faculty to establish taxes mentioned in a) and c), nor grant exemptions in relation thereto. State laws will not establish tax exemptions or subsidies to benefit any person or institution. The only properties subject to exemption will be public properties of the Federation, States or Municipalities, except if said property is being used by public-sector or private bodies, under any title, for administrative purposes or any other purpose different to public order ones.
According to their competence, city halls will propose fees and shares on taxes, duties and improvement contributions and unit value tables for lands and constructions as a basis for the collection of property taxes.

The States’ legislatures will pass municipal income laws and will revise and control their public accounts. Expenditure budgets will be approved by city halls according to available incomes and should include detailed salary tabulation for municipal public employees based on Article 127\textsuperscript{th} of the Constitution.

Resources pertaining to municipal funds will be exercised directly by city halls or by those authorized by Law.\textsuperscript{21}

5.3.1.1. Income Classification (CRI)\textsuperscript{22}.

Based on these elements states, municipalities and territories of the Federal District must have an Income Classification, which has the following goals:

- Identify public entities’ income depending on the activity they carry out;
- Carry out an economic-financial analysis and make decision making processes easier for public entities;
- Contribute to the definition of budget policy of a specific period;
- Try to measure the collection effect within public entities in different sectors of economic activity;
- Determine the elasticity of taxable income in regards to variables that constitute its tax base;
- Establish the characteristics and importance of resources in public-sector economy, and
- Identify the means of funding arising from the difference in assets and liabilities.

5.3.1.2. Revenue Accounting Moment.

The General Governmental Accounting Law establishes the need to enter revenue accounting moments to have greater budget control; thus, accounting in state and municipal entities, Federal District and its territories will have to follow these guidelines.

Revenue accounting moments, according to LGCG are:\textsuperscript{23}

\textsuperscript{21} 115\textsuperscript{th} Article, section IV, op. cit.
\textsuperscript{22} Income Classification. CONAC.
\textsuperscript{23} Ministry of Tax and Public Credit, \textit{Momentos Contables de los Ingresos}. CONAC.
## Chart 4
### REVENUE ACCOUNTING MOMENTS

<table>
<thead>
<tr>
<th>Estimated Revenue: Approved by the Revenue Act</th>
<th>Modified Revenue: Budget allocation regarding the Revenue Act that stems from the incorporation of estimated revenue modifications are reflected; established in the Revenue Act.</th>
<th>Accrued Revenue: When there is a legal right to collect.</th>
<th>Collected Revenue: Reflects cash collection or any other means of payment.</th>
</tr>
</thead>
</table>

### 2 Revenue Types depending on who determines it

<table>
<thead>
<tr>
<th>Determinable when public entities identify the taxable fact, taxpayer and tax amount</th>
<th>Self-determinable when taxpayers make the determination</th>
</tr>
</thead>
</table>

### Source: General Governmental Accounting Law

#### 5.3.2. Expenditure

For the single record of budget and accounting operations, state and municipal entities, the Federal District and its territories must have budget classifiers, list of accounts and a catalogue of similar goods or instruments that will allow their automatic interrelationship.

#### 5.3.2.1. Object of Expenditure Classification\(^{24}\)

The classification of object of expenditure will allow expenditures to be classified according to international criteria and clear, precise, integral and useful accounting criteria; so as to promote an adequate registry and presentation of operations and make interrelation among patrimonial accounts easier.

The goal of this classification is to register expenditures made in the budget process. It summarizes, orders and presents programmed budget expenditures according to the nature of the goods, services and financial assets and liabilities. It includes all of the transactions made by public entities to obtain goods and services which area used to provide public services and carry out transfers in the expenditure budget framework.

---

The classification of object of expenditure gathers in a systematic and homogenous manner every concept of expenditure described and includes financial assets and liabilities. In that order, an essential element of the general account system is constituted; every component highlights specific aspects of budget and provides information that meets different yet connected needs, allowing the accountability bond.

The “Object of Expenditure Classifier” has been designed with a disaggregation level that allows the single transaction record with economic-financial incidence carried out by a public entity, in the budget framework.

It is an instrument that allows the obtainment of information for governmental financial management analysis and monitoring, it is the operative classification that allows us to know what is being spent (registry of economic-financial transactions) and also allows the quantification of the demand of goods and services provided by municipal and state entities, the Federal District and its territories.

**Codification Structure**

The structure of the “Object of Expenditure Classifier”, was designed with a disaggregation level that allows its accounts to make single transaction records with economic-financial incidence easier; thus, harmonization takes place in the third digit of the generic entry, building the following structure:

- **Chapter.** Highest aggregation level that identifies the homogeneous and organized collection or groups of goods and services public entities need.
- **Concept.** Homogeneous and specifically organized subgroups, product of the disaggregation of goods and services, included in every chapter.
- **Entry.** Most specific aggregation level where specific and detailed expressions of goods and services are found; its components are:
  
  a) **Generic entry**, refers to the third digit in which the harmonization takes place in all levels of government; and
  
  b) **Specific entry**, refers to the fourth digit that administrative units or competent instances of governmental accounting and budget of each level of government will agree on according to their needs, preserving basic structure so as to maintain harmonization in the account plan.

**Expenditure chapters**

The most used expenditure chapters by state and municipal entities, the Federal District and its territories are: Personal Services (1000); Materials
and supplies (2000); General Services (3000); Chattel, Real Estate and Intangibles (5000); Public Investment (6000); Financial Investment and other provisions (7000); as well as chapter 9000 Inner Public Debt, used only by states and the Federal District.

Chart 5

<table>
<thead>
<tr>
<th>Codification Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry</td>
</tr>
<tr>
<td>Chapter</td>
</tr>
<tr>
<td>X000</td>
</tr>
</tbody>
</table>

5.3.2.2. Expenditure Type Classification

Classification of types of expenditure links public transactions that generate expenditures with great aggregates of economic classification presenting current capital, amortization of debt and reduction of liabilities.

- **Current expenditure**: consumption and/or operational expenditures, leasing of the property and transfers given to other institutional components of the economic system to finance expenditures of this nature.
- **Capital expenditure**: expenditures to be used in capital investment and transfers to other institutional components of the economic system to finance expenditures of this nature.
- **Amortization of debt and reduction of liabilities**: It entails the amortization of acquired debt and reduction of liabilities in the private, public and external sector.

5.3.2.3. Functional classification of expenditure

Functional classification of expenditure puts expenditures into groups depending on their purpose or socioeconomic goals of different public entities. It presents public expenditure according to the nature of governmental services that are provided to the population.

Said classification identifies the Budget for function such as: Government, Social development, Economic Development and other unclassified ones.

This classification allows the determination of general goals of public policies and financial resources allocated to achieve these.

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Information of this functional classification is of primary interest to citizens in general, high level public employees of the State, for those who exercise political activity and for analysts who carry out studies regarding the execution of public policies.

Functional Classification links and connects, among others, with administrative, programmatic and object of expenditure classifications.

The proposed classification model was developed in accordance with technical criteria used in the best national and international practices such as: Classifications of Expenditure According to Purpose of the United Nations (UN), Government Finance Statistics Manual of the International Monetary Fund (IMF), System of National Accounts (2008) developed by the European Union (EU), Organization for Economic Co-operation and Development (OECD) and the World Bank (WB).

The functional classification of expenditure has been structured as follows:

− 4 purposes identified by the first digit of the classification;
− 28 functions identified by the second digit; and
− 111 subsumptions related to the third digit.

It is important to note that each one of the budget classifications has a specific utility; however, if we use them jointly, we can obtain greater value-added and more appropriate information to comprehend and analyze budget expenditures because it is not possible to satisfy every analytical purpose with only one classification.

5.3.2.4 Accounting moments of expenditure

Accounting records of public entities are cumulative. Accounting of expenditure transactions will be carried out according to their execution date, regardless of their payment.

The registry of budget stages of public entities will be carried out in countable accounts, established by the Council which should reflect regarding expenditure the following:

<table>
<thead>
<tr>
<th>Chart 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCOUNTING MOMENTS OF EXPENDITURE</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>Approved</td>
</tr>
</tbody>
</table>

1. Accounting moment of approved expenditure, reflects annual budget assignments committed to the expenditure budget.
2. Modified expenditure is the accounting moment that reflects the budget allotment that comes from the incorporation of budget adaptations to the approved budget.

3. Committed expenditure is the accounting moment that reflects the approval by the competent authority of an administrative act or other legal instrument that makes a legal relationship with third parties to acquire goods and services or execute works legal. When talking about works to be executed or the provision of goods and services for several periods, the commitment shall be registered by the party that will execute or receive, on each period.

4. Accrued expenditure is the accounting moment that reflects the acknowledgment of payment obligations in favor of third parties for the reception of goods, services and appropriately hired works; as well as obligations derived from treaties, laws, decrees, resolutions and final judgments.

5. Exercise expenditure is the accounting moment that reflects the emission of an unpaid certified account or an equivalent document duly approved by the competent authority.

6. Paid expenditure is the accounting moment that reflects the absolute part payment of obligations done by means of cash disbursement or other means of payment.

Exceptionally, when the nature of the operations do not allow the consecutive registry of every accounting moment of expenditure, these will be simultaneously registered according to guidelines which have been previously defined by administrative units or competent instances in charge of governmental accounting.

5.4. Indicators to measure physical financial progress related to federal resources.

Public entities that exercise federal public resources shall have performance indicators to measure physical and financial progress to allow the evaluation of the use of federal public resources for the purpose they were intended.

Performance indicator to measure physical progress must be associated to the fulfillment of budget programs’ goals; have annual goals for the current year and for at least three years later and trimestral ones, as well as technical specifications that explain the indicator.

Performance indicators shall allow the measuring of goals in the following dimensions: effectiveness, efficiency, economy and quality.
To measure generated financial progress, performance indicators will be developed according to the expenditure classifications recognized by Law: Administrative, Functional-Programmatic and Economic.

For each countable-committed, accrued, exercised and paid moment the following indicators shall be developed, in a gradual framework, regarding approved and modified budget:

- Percentage of progress regarding annual budget;
- Percentage of progress regarding scheduled amounts for the period;
- Percentage, nominal and real variation relative to the amount registered in the same period last year.

5.5. Governmental Accounting Handbook\(^\text{26}\)

Within the regulatory framework, CONAC developed an operational handbook that implements actions that regulate accounting harmonization and its implementation by public entities.

### Chart 7

**GOVERNMENTAL ACCOUNTING HANDBOOK**

The handbook’s goal is to show in one single document all of the elements of the accounting system that the Accounting Law states, as well as the necessary tools and methods to appropriately register financial operations and produce automatically and on real time the necessary information and accounting, budgetary, programmatic and economic statements. Their content makes accounting harmonization of accounting systems of the three levels of government easier by eliminating existing conceptual and technical differences.

The Governmental Accounting Handbook mentioned in the third transitory article, section IV of the Accounting Law has the following chapters:

- Chapter I General Aspects of Governmental Accounting;
- Chapter II Methodological Fundamentals of the Integration and Production of Financial Information;
- Chapter III Account Plan;
- Chapter IV Account Management Instructions;
- Chapter V Entry Model for Accounting Records;
- Chapter VI Accounting Manual;
- \(\text{CHAPTER VII Methodological regulations for the emission of financial information and structure of basic financial statements of the public entity and characteristics of their notes;}\)
- Appendix I Conversion Matrices.

<table>
<thead>
<tr>
<th>Chapter I</th>
<th>General Aspects of Governmental Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chart 8</strong> Chapters I, II and III</td>
<td></td>
</tr>
<tr>
<td>General regulatory and theoretical aspects that frame and condition the number of the Accounting System (SCG), which comply, mostly, with dispositions issued in the Accounting, as well as reductions issued by CONAC and the general accounting theory are explained.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter II</th>
<th>Methodological Fundamentals of the Integration and Production of Financial Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Comprises the conceptual basis and general criteria to be applied in functional and computer design to create the Integrated Government Accounting System (SICG)</td>
<td></td>
</tr>
<tr>
<td>• This system will be supported by a modular automatic tool whose primary function is making single record of budget and accounting operations easier, performing automatically when administrative processes that gave rise to them happen; thus, real -time reports on the exercise of the Expenditure Budget and the Revenue Act, as well as accounting and economic ones will be available.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chapter III</th>
<th>Account Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Based on the structure and content approved by CONAC, it will present an updated version, adding the necessary descriptions up to the fourth level of openness.</td>
<td></td>
</tr>
<tr>
<td>• This account plan was developed according to legal and technical basis established in the Accounting Law, the Conceptual Framework and Basic Postulates that rule governmental accounting; and to attend the information needs of non -business public entities.</td>
<td></td>
</tr>
<tr>
<td>• Additionally, it is needed that some of the accounts that make up the Account Plan be administered up to the fifth level of disaggregation (Subaccounts).</td>
<td></td>
</tr>
</tbody>
</table>

INSTRUCTIVOS DE MANEJO DE CUENTAS

**Source:** Deloitte, Workshop of the General Governmental Accountability Law, Mexico 2011.

**Chapter IV**

**INSTRUCTIVOS DE MANEJO DE CUENTAS**

<table>
<thead>
<tr>
<th>NÚMERO</th>
<th>TIPO</th>
<th>NATURE</th>
<th>GROUP</th>
<th>AREA</th>
<th>DETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1.12</td>
<td>Active</td>
<td>Debtor</td>
<td>Current Asset</td>
<td>Cash and equivalents</td>
<td>Banks/Treasury</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>DETAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Payment of refunds:</td>
</tr>
<tr>
<td>2</td>
<td>Revenue Collection:</td>
</tr>
<tr>
<td>3</td>
<td>Better Use of the Collection of:</td>
</tr>
<tr>
<td>4</td>
<td>Resource Income from the Cancellation of Revolving Funds:</td>
</tr>
<tr>
<td>5</td>
<td>Collection of Sales of Goods and the Provision of Services:</td>
</tr>
<tr>
<td>6</td>
<td>Sale of Fixed Assets or Inventory:</td>
</tr>
</tbody>
</table>

- Their purpose is to orient the record of operation results to those who are responsible for their execution, and for those who want to know the criteria used in each operation.
- In said manual, records are organized by administrative/financial process and accounting entries that have to be carried out in their main stages are shown in sequence.
Chart 10  
Chapter V  
Entry Model for Accounting Records

- It shows the group of accounting entries that revenue, expenditure, public financing and other financial operations carried out in the Tax Cycle framework, whether they are budgetary or not.
- Their purpose is to have an orientation guide regarding how each relevant and habitual economic entry of public entities that impact patrimony must be recorded.
- The model presents, firstly, entries related to the exercise of the Revenue Act and Expenditure Budget that are automatically generated through conversion matrices; it continues with non-budget ones and funding operations. Lastly, it has a double-entry model of budget operations.

II.1.4.4 Accrued record and collection by self-determined rights.


<table>
<thead>
<tr>
<th>CHARGE</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.2.4 Short-Term Recovery of Revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.1.4.1 Use, possession or exploitation rights of Public Property goods</td>
</tr>
<tr>
<td></td>
<td>4.1.4.2 Hydrocarbon Rights</td>
</tr>
<tr>
<td></td>
<td>4.1.4.3 Provision of services Rights</td>
</tr>
<tr>
<td></td>
<td>4.1.4.4 Accessories Rights</td>
</tr>
<tr>
<td></td>
<td>4.1.4.9 Other rights</td>
</tr>
<tr>
<td></td>
<td>4.1.9.2 Improvement contributions, rights, products and exploitation not included in sections of the Revenue Act carried out in previous Fiscal periods that have not been paid.</td>
</tr>
<tr>
<td>1.1.1.1 Cash</td>
<td></td>
</tr>
<tr>
<td>1.1.1.2 Banks/Treasury</td>
<td></td>
</tr>
</tbody>
</table>

Their purpose is to orient the record of operation results to those who are responsible for their execution, and for those who want to know the criteria used in each operation.

In said manual, records are organized by administrative/financial process and accounting entries that have to be carried out in their main stages are shown in sequence.

### VII.1.1 RECORD BUDGET OF THE REVENUE ACT

<table>
<thead>
<tr>
<th>No.</th>
<th>CONCEPT</th>
<th>DOCUMENT SOURCE</th>
<th>PERIODICITY</th>
<th>RECORD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ACCOUNTING</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CHARGE</td>
</tr>
<tr>
<td>1</td>
<td>Estimated Revenue Act</td>
<td>Approved Revenue Act</td>
<td>Annual</td>
<td>8.1.1.1 Estimated Revenue Act</td>
</tr>
<tr>
<td>2</td>
<td>Positive Modifications to the Revenue Act</td>
<td>Modifications to the Revenue Act</td>
<td>Eventual</td>
<td>8.1.2.1 Modifications to the Estimated Revenue Act</td>
</tr>
<tr>
<td>3</td>
<td>Negative Modifications to the Revenue Act</td>
<td>Modifications to the Revenue Act</td>
<td>Eventual</td>
<td>8.1.2.2 Revenue Act to be Executed</td>
</tr>
<tr>
<td>4</td>
<td>Accrued Revenue</td>
<td>Document issued by the competent Law</td>
<td>Frequent</td>
<td>8.1.3.1 Accrued Revenue Act</td>
</tr>
<tr>
<td>5</td>
<td>Collected Revenue</td>
<td>Authorized Payment Form, Official receipt</td>
<td>Frequent</td>
<td>8.1.4.1 Accrued Revenue Act</td>
</tr>
</tbody>
</table>

Source: Deloitte, Workshop of the General Governmental Accountability Law, Mexico 2011.
It includes in an integral manner the new, adjusted and updates version, which shows financial statements and information (accounting, budget, programmatic and economic) that every public entity has to generate according to the 46th article of the Accounting Law.

**CHARACTERISTICS OF THEIR NOTES**

<table>
<thead>
<tr>
<th>NAME OF THE PUBLIC ENTITY</th>
<th>STATE OF ACTIVITIES</th>
<th>XXXX - XXXX</th>
<th>(thousands of pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUE AND OTHER BENEFITS</td>
<td>Management Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production, consumption and transaction Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign Trade Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll and similar Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accessories Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvement Contributions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rights</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current type products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues from sales of produced goods and services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government establishments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other contributions made in previous periods</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Shares and Contributions**

- Shares
- Contributions
- Agreements

**Transferences, Assignments, Subsidies and other aids**

- Internal transferences and public sector assignments
- Transferences to the rest of the public sector
- Subsidies and Subventions
- Social Aids
- Pensions and Retirements

**Other Revenues and Benefits**

- Financial Revenues
  - Interests from Securities, Loans, bonds and other
  - Financial Revenues

*Source: National Accounting Harmonization Commission, Regulatory Documents Investment Matrixes are added to the Governmental Accounting Handbook*
Chart 13
Appendix I Conversion Matrices

- Shows the implementation of the methodology to integrate elements that originate the conversion of operation accounting budget records.
- To this regard, the operation of the matrix is exemplified for each one of the main budget transactions of revenue and expenditure. As a result of the implementation of this matrix it is possible to generate entries, records in accounting books and movements in financial statements in an automatic manner and in real time.

<table>
<thead>
<tr>
<th>COG</th>
<th>Name of COG</th>
<th>Type of expenditure</th>
<th>Characteristic</th>
<th>Means of Payment</th>
<th>Charge Account</th>
<th>Credit Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>382</td>
<td>Social and cultural expenditure</td>
<td>1</td>
<td>Foreign currency bank</td>
<td>2.1.1.2 Short-term payments to suppliers</td>
<td>1.1.1.2</td>
<td>Banks/Treasury</td>
</tr>
<tr>
<td>383</td>
<td>Conferences and conventions</td>
<td>1</td>
<td>National currency bank</td>
<td>2.1.1.2 Short-term payments to suppliers</td>
<td>1.1.1.2</td>
<td>Banks/Treasury</td>
</tr>
<tr>
<td>384</td>
<td>Expositions</td>
<td>1</td>
<td>National currency bank</td>
<td>2.1.1.2 Short-term payments to suppliers</td>
<td>1.1.1.2</td>
<td>Banks/Treasury</td>
</tr>
<tr>
<td>385</td>
<td>Representation expenses</td>
<td>1</td>
<td>National currency bank</td>
<td>2.1.1.2 Short-term payments to suppliers</td>
<td>1.1.1.2</td>
<td>Banks/Treasury</td>
</tr>
</tbody>
</table>

Source: Deloitte, Workshop of the General Governmental Accountability Law, Mexico 2011.

New Governmental Accounting, a Redefinition Process of Functions to Develop within Municipalities

The new General Governmental Accounting Law, states as mandatory for state and municipal entities, the Federal District and its territories the implementation of accounting harmonization; this entails the development, establishment, operation and control of an Accounting system that issues financial statements and periodical reports according to the regulations analyzed in this chapter.

Municipalities of less than twenty five thousand inhabitants, simplified systems will be established, their regulations will be developed by CONAC.
and INFOTEC, which will develop computing tools regarding: Budgeting, Expenditure execution management, collection, land registry, Services provided by municipalities, Treasury, Investments and public works, Public debt, Acquisitions and contracting, Human Resources, Asset management and transparency.

To develop these activities, municipal public administrations according to their specific characteristics, have municipal presidents or mayors, collegiate bodies which have aldermen, councilmen or town councilors. Their number varies according to the municipalities’ importance.

There are several systems to determine the job positions of each of city hall’s members will hold “…aldermen of a certain industry (markets, slaughterhouses, entertainment, treasury, secretariat, municipal presidency) can be elected or their election can be done by groups, once they have been elected they distribute among themselves the different branches of municipal administration”.27

7. Municipal Public Administration Organization28

Municipal public administration is mainly made up by city hall, a body of popular representation in charge of the government and municipal administration. City hall is elected directly in accordance with Municipal Organic Law and completes three years in office.

7.2. Accounting activities developed by elements integrating City Hall

City Hall develops different activities, this part only mentions the ones related to accounting harmonization and development of the new “Governmental Accounting System”.

City Hall is integrated by: the Municipal President, Aldermen and Councilmen.

- The municipal president is in charge of implementing decisions taken by city hall and is responsible for the proper functioning of municipal public administration. Currently, his functions regarding accounting are: Obey and enforce city hall’s resolutions regarding governmental accounting; control the implementation and exercise of the Revenue Act and Expenditure Budget; monitor the implementation of state and municipal development plans and programs; annually inform the population of the situation of municipal administration, giving detailed accounts of activities carried out by municipal departments and the use of public funds.

27 Acosta Romero, op. cit. p. 701.
28 This section takes into account INAFED analysis.
– Aldermen are in charge of defending municipal interests and legally represent city hall in lawsuits it might get involved in. They are also responsible for monitoring public tax management in accordance with the Municipal Organic Law. The accounting functions they carry out are: monitoring of municipal public finances; keep up to date the general inventory of municipal chattel and real estate; check and sign account statements of the municipal treasury and send them to the Accounting Gloss Office of the State’s Congress; make sure the public account gets on time to the Local Congress to be reviewed, as well as monthly accounting and financial reports.

– Councilmen are members of City Hall in charge of different commissions regarding municipal public administration. Their current accounting functions are: preside and perform the Governmental Accounting Commission and inform City Hall about its results; propose City Halls agreements to achieve better municipal governmental accounting; monitor the functioning of administrative departments and take care of the issues they are responsible for; present their annual work program and inform City Hall of the fulfillment of their tasks.

<table>
<thead>
<tr>
<th>MUNICIPALITY</th>
<th>Power</th>
<th>COLLEGIATED BODY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>City Hall</td>
<td>Elected by the people</td>
</tr>
<tr>
<td></td>
<td>Town Council</td>
<td></td>
</tr>
<tr>
<td>PUBLIC ADMINISTRATION OF CITY HALL</td>
<td>Public Administration of City Hall</td>
<td></td>
</tr>
<tr>
<td>Central Sector</td>
<td></td>
<td>Public-Sector (1)</td>
</tr>
<tr>
<td>Municipal President</td>
<td>Decentralized Bodies</td>
<td></td>
</tr>
<tr>
<td>Secretary</td>
<td>Public Enterprises</td>
<td></td>
</tr>
<tr>
<td>Treasurer</td>
<td>Public Trusts</td>
<td></td>
</tr>
<tr>
<td>Aldermen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Councilmen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Chart 14 Municipal Organization**


*Note:* This municipal organization was developed by the author based on the Naucalpan the Juárez municipality in the State of México.

(1) Not every municipality has this sector.

**City Hall’s accounting functions**

Governmental accounting functions currently being carried out by City Hall are:

- Analyze, discuss and approve the Expenditure Budget and the Revenue Act of the municipality.
Monitor the appropriate and correct collection of municipal income; as well as presenting appropriately accounts and collection and public fund expenditure receipts to the Local Congress.

7.3. Organization of City Hall

Town Council

Town Council is the reunion of City Hall’s members to exercise their responsibilities. To have better work performance, the Town Council carries out sessions and commissions; there, the Tax Commission is in charge of distributing guidelines for the appropriate functioning of municipal administration and this is where functions of the new governmental accounting should be implemented.

Besides this commission, city hall also requires administrative bodies that have sufficient technical and human elements to fulfill their new obligations and functions and implement the new General Governmental Accounting Law.

Municipal Treasury

The Treasury is the municipal administration body that is in charge of budget functions, to which should be added those of governmental accounting:

Collect income that belongs to municipalities according to the Tax Law and the Municipal Revenue Act; administer funds and values with strict adherence to the expenditure budget; program and coordinate activities regarding collecting, accounting and city hall expenditures; and control of municipal property assets.

It is very important for the municipality the administration and allocation of its resources; thus, the Treasury should inform City Hall on a monthly basis of the state of income and expenses.

This office is headed by a municipal treasurer, appointed by City Hall. His main budget and accounting functions are:

- Coordinate and program collection, accounting and municipal expenditure activities;
- Establish an inspection, control and fiscal execution system;
- Develop and present city hall’s financial reports;
- Promote and maintain necessary fiscal coordination mechanisms with state and federal authorities;
- Keep city hall’s accounting and financial systems up to date;
- Permanently develop and update taxpayer’s registry;
- Develop the Income Law project;
Plan and program city hall’s expenditure to formulate the expenditure budget of the current fiscal period; and

Prepare an auxiliary registry with an inventory of chattel or real estate under their care, which by their nature are inalienable and imprescriptible, such as archaeological, artistic and historical monuments.

Besides fulfilling these functions, according to the LGCG the Municipal Treasury should also:

- Implement governmental accounting to make asset, liabilities, income and expense registry easier;
- Contribute to measure public income and expenditure effectiveness, economy and efficiency, administration of public debt including contingent obligations and patrimony of the State;
- Value State’s assets and its expression in financial states;
- Register Budget and accounting operations derived from public management and other economic flows in a harmonious, limited and specific way;
- Generate trustworthy, appropriate, comprehensive, periodic and comparable financial statements, which will be expressed in monetary terms;
- Develop accounting handbooks, as well as other accounting instruments defined by the council;
- Register and control the entity’s patrimony;
- Keep detailed historical records of financial management operations in the accounting journal, general ledger and inventories and balances;
- Keep auxiliary records that show the budget and accounting progresses so as to monitor and evaluate the exercise of public spending and income collection, as well as the analysis of balances in their financial statements;
- Prepare their charts of account to register Budget and accounting operations, their lists of accounts shall be aligned, conceptually and its main aggregates, to the account plan issued by the council;
- Register and valuate the provisions appointed to face any kind of liability, even if they are classified as public debt in terms of current regulations;
- Have Budget classifications, lists of account and catalogues of goods and instruments that allow them to be automatically interrelated; and
- Register chattel and real estate used for public services in accordance with current regulations; except archeological, artistic or historical monuments; furniture and equipment including computers, vehicles and other property that serves public entities and other movable or unmovable goods the council determines should be registered.

All of these activities need to have a harmonized governmental accounting system, consisting of registries, procedures, criteria and reports based
on technical principles destined to capture, valuate, register, classify, inform and interpret transactions, transformations and events derived from economic activity that modify the government and public finances’ patrimonial situation.

The system developed by state and municipal entities, the Federal District and its territories must:

- Reflect the use of principles, general and specific accounting regulations and instruments established by the Council;
- Make the recognition of income, expense, assets, liabilities and patrimonial operations of public entities easier;
- Automatically integrate the Budget exercise with the accounting operation through the use of accrued expenditure;
- Allow registers to be done based on the cumulative base to integrate Budget and accounting information;
- Reflect a congruent and organized registry of each operation that generates rights and obligations as a result of economic-financial management of public entities;
- Generate real-time financial, execution and Budget statements and other information that contributes to the decision making process, results based programming, evaluation and accountability; and
- Make inventory registry and control of chattel and real estate of public entities easier.

Every public entity will be responsible for its own accounting, system operation and the enforcement of the Law and regulations issued by the Council.

Governmental accounting should allow the reliable expression of transactions in financial statements and consider the use of the best international and national practices to support financial planning, resource control, analysis and auditing tasks.

Public entities’ administrative processes that require budget and accounting transactions will generate automatic registry in the appropriate accounting moments. Accounting of budget and accounting operations shall be backed up with original documents that verify and justify the records made.

It will be mandatory for public entities to preserve and make available to the appropriate authorities verifying and explanatory documents, as well as accounting ledgers in accordance to the guidelines established by the Council.

Public entities shall follow the best national and international accounting practices to support financial planning, resources control, analysis and auditing tasks; this will surely be a challenge for this level of government.
Municipal Comptroller

Municipal control and evaluation are tasks fulfilled by the municipal comptroller. In general terms its activities are:

- Establish and operate the municipal control and evaluation system;
- Audit municipal public spending exercise;
- Apply regulations and criteria regarding control, evaluation, auditing and inspections;
- Monitor that federal and state resources allotted to municipalities are used according to agreed laws and regulations;
- Monitor the fulfilment of suppliers and contractors’ obligations;
- Monitor the efficiency and effectiveness in the execution of works;
- Carry out audits and evaluations and inform City Hall;
- Develop and keep up to date the general inventory of the municipality’s chattel and real estate;
- Verify that municipal public employees fulfill their obligation of presenting appropriately their declaration of assets;
- Promote citizen participation in the supervision and monitoring of government actions; and
- Establish mechanisms to attend the citizenry’s queries, complaints or reports.

If the municipality does not have a municipal control body, these functions can be fulfilled by a municipal clerk or any councilor supported by other public employees.

The council will approve general dispositions on this matter, taking into account the auditing guidelines issued by the Public Function Ministry, the Superior Audit of the Federation and their state-level equivalents.

State legislatures in accordance with the LGCG will have state audit entities, or bodies with technical and management autonomy to exercise their attributions and decide their internal organization, functioning and resolutions in accordance with their laws. The audit function will be developed according to the non-retroactivity, annuity, legality, fairness and reliability principles.

7.4. Size of the municipalities

The number of human and material elements to develop functions established in the new governmental accountability regulations will depend on the size and characteristics of the municipality. As we already know, according to the 2010 Population Census there are 2,456 municipalities that have very different populations in terms of size, population density and geographic extension; some municipalities have more inhabitants
and budget than some states, this is why resource allocation to implement governmental accounting systems has to be different.

The Federal District and its territories house approximately 553,193 persons, meanwhile some states like Oaxaca, Yucatán and Tlaxcala approximately had in 2010, 6,670, 18,449 and 19,499 respectively. Nonetheless, most states have municipalities with high and low populations, for this reason, it was necessary to establish specific regulation to the municipalities of less than twenty-five thousand inhabitants and those regulated by traditions and customs; their legal, budget and operative conditions are different from those who have more inhabitants or with different organization of the one described.

Conclusions

The governmental accounting system described for federal and municipal entities, the Federal District and its territories will form a national system of transparency, audit and accountability that will allow the harmonization and modernization if accounting information systems for the three levels of government, it will include: accounting framework for the tree levels of government, common accounting principles and regulations, financial administration systems, account registry, information models of compatible accounts that will promote:

- The improvement of public management, transparency and access to information regarding income and expenditure flow of the municipal public administration;
- They will be the basis for adequate control, evaluation and audit of public finances; and
- They will prevent corruption acts in the federal government, states and municipalities of the Mexican Republic.

Corruption in expenditure can be seen in indicators such as the Corruption Perception Index of the public sector, which is developed every year by Transparency International, according to the perception entrepreneurs and analysts have of each country and the corruption of its government.

In this index 10 means lack of corruption and 0 means very high corruption; out of 178 countries Mexico won the 72nd place with a 3.6 score. In 2010 this situation worsened, Mexico was awarded the 98th place with a 3.1 score; it did worse than countries like Saudi Arabia, Czech Republic, Kuwait, South Africa, Namibia, Turkey, Latvia, Slovakia, Tunisia, Croatia, Macedonia, Ghana, Samoa and Ruanda; which have a lower level of development. This organization states this is a “continuous humanitarian disaster” for the Mexican economy.
This is why it is important to have a governmental accounting system operating in different government levels, in an adequate way and in accordance with regulations established by the General Governmental Accountability Law, CONAC, international and national regulations issued by public and private bodies that regulate accounting matters.

Bibliography


Regulatory Framework

*Political Constitution of the United Mexican States*, 1917, with latest updates.


*Main Patrimony Registration and Valuation Rules (General Elements)*. (CONAC). December 2010.


