ADOPTION OF ACCRUAL ACCOUNTING IN THE BRAZILIAN PUBLIC SECTOR: A CASE STUDY IN LIGHT OF REGULATION THEORY

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ABSTRACT

Objective: To identify existing gaps in the adoption of full accrual accounting in the public sector, with a focus on analyzing the financial statements of the Ministry of Defense (MD), and to investigate the application of accrual accounting in the public sector, considering its complex regulations.

Theoretical Framework: For the analyses, the theoretical foundation is based on the theory of regulation applicable to accounting regimes in the public sector.

Methodology: The research, using the Ministry of Defense (MD) as a case study, adopted a multifaceted methodological approach, including a case study, literature review, and documentary analysis. Data sources included books, dissertations, scientific articles, and legislation. Documentary analysis focused on the MD’s Financial Statements, accessed through the government portal, covering the years 2018 to 2022. The research also employed content analysis techniques, following the methodology suggested by Sampaio and Lycarião (2021), to evaluate the content of the information in relation to the established objectives.

Results and Conclusions: The research identified that there is already partial adherence of the public sector to international standards, as the cash basis is still observed for revenues, and areas for improvement were noted, such as the adoption of the Statement of Comprehensive Income in the context of the public sector.

Research Implications: It was observed that regulatory changes are important instruments for influencing the accountability processes of the public sector.

Originality/Value: The research emphasizes the partial adoption of international public accounting standards and suggests further discussions and analysis to achieve complete adherence, confirming a gap between the implementation of standards and their practical application.

Keywords: Regulation, Accrual Basis, Cash Basis, Public Sector.

ADOÇÃO DA CONTABILIDADE POR COMPETÊNCIA NO SETOR PÚBLICO BRASILEIRO: UM ESTUDO DE CASO À LUZ DA TEORIA DA REGULAÇÃO

RESUMO

Objetivo: Identificar as lacunas existentes na adoção do regime de competência integral no setor público, com foco na análise das demonstrações contábeis do Ministério da Defesa (MD), e investigar a aplicação do regime de competência no setor público, considerando suas complexas regulamentações

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Referencial Teórico: Para as análises tem-se como alicerce a teoria da regulação aplicável aos regimes contábeis no setor público.

Metodologia: A pesquisa, utilizando o MD como estudo de caso, adotou uma abordagem metodológica multifacetada, incluindo estudo de caso, revisão bibliográfica e análise documental. As fontes de dados incluíram livros, dissertações, artigos científicos e legislação. A análise documental focou nas Demonstrações Contábeis do MD, acessadas através do portal do governo, abrangendo os anos de 2018 a 2022. A pesquisa também empregou técnicas de análise de conteúdo, seguindo a metodologia sugerida por Sampaio e Lycarião (2021), para avaliar o conteúdo das informações em relação aos objetivos estabelecidos.

Resultados e Conclusão: A pesquisa identificou que já há aderência parcial do setor público às normais internacionais, pois, ainda se percebe a adoção do regime de caixa para as receitas e pontos que podem ser aprimorados, tais como a adoção da Demonstração do Resultado Abrangente no contexto do setor público.

Implicações da Pesquisa: Observou-se que as alterações regulatórias são importantes instrumentos para influenciar os processos de accountability do setor público.

Originalidade/Valor: A pesquisa enfatiza a adoção das normas internacionais de contabilidade pública de forma parcial, e sugere maiores discussões e análises para que adeência seja completa, confirmando uma lacuna entre a implementação das normas e sua aplicação prática.

Palavras-chave: Regulação, Regime de Competência, Regime de Caixa, Setor Público.
1 INTRODUCTION

The term Accounting Regulation refers to the existing laws, rules and generally accepted accounting principles that deal with the content, form and periodicity of the accounting statements (LEV, 1988). Regulatory Theory is an approach that seeks to understand and guide government intervention in the economy and other sectors of public interest. Its goal is to establish rules and standards that public organisations must comply with, aiming at the interest of society as a whole (Niyama & Silva, 2022).

The public sector is highly regulated, and above all, the principle of legality directs the public administrator to do only what the law prescribes (cf. Art. 5, II). The figure of the legislator, that is, the one who creates the laws, is often confused with that of the regulator, responsible for applying and supervising compliance with these laws. This confusion of roles can pose challenges and dilemmas for public administration, as it can lead to regulatory decisions and interventions that are not always efficient or adequate to meet the interests of society.

The complexity of economic regulation in the public sector requires a careful and well-founded approach to ensure that the policies and standards adopted are effective. Transparency, societal participation and ongoing assessment of regulatory impacts are key aspects to ensure that regulatory actions are well aligned with public interests and promote overall well-being.

In this scenario, Accounting is also the target of regulation. The regulatory bodies establish laws, principles, standards, rules, technical pronouncements, interpretations, instructions, deliberations, resolutions that the Accounting should follow, however, the accounting practice is not always determined by the normalisation (Murcia, 2010).

In view of this, the convergence of Brazil to IPSAS - International Public Sector Accounting Standards and the adoption of the regime of full competence in the public sector, through various legal provisions, brought some issues to be discussed, such as the full adoption of such regime to revenues and expenditures.

The basic idea of the employment of the Cash Regime was based on Article 35 of Law 4,320, of March 17, 1964, which established a mixed system that took into account in the financial year the revenues collected and the expenditures committed. The regulator's idea was that the budget should respect the principle of prudence, preventing the manager from considering as belonging to the financial year revenues that were only foreseen but were not collected, as well as limiting the possibility of commitment to the approved budget.

The adoption of this mixed system, together with the emphasis given by Law No. 4,320 to budgetary classifications, led to an interpretation that the focus of public accounting should...
be on the budget and not on assets. For some authors, such as Herbest (2010) and Dutra and Jesus (2012), a type of mixed competence regime still prevails in the Brazilian public sector. The central issue was the transition to the full implementation of the public sector competence regime, which required a paradigm shift from a historically public finance law-based regime that prioritised committed spending and earned revenues as the basis of Public Accounting.

Sousa et al. (2013) consider that the need to increase the transparency and accountability of managers in the public sector has led to the understanding that the competence regime is the alternative for generating better information for decision-making as well as for assessing the performance of managers. According to Monteiro and Gomes (2013), this change to the competency regime allowed information users to assess accountability for all resources controlled by the entity, as well as the distribution of those resources, evaluate the entity's performance, financial position and cash flow, and also make decisions about the provision of resources.

New Public Governance, a movement that reinforced the need to create transparency and accountability mechanisms in the Public Sector, highlighted transparency as one of the core values, and that financial reports are instruments of communication from public managers to citizens (Gomes et al., 2024).

Thus, the convergence of the public sector to international accounting standards has brought new challenges to public institutions, especially as it is a highly regulated sector. Faced with these challenges, it was sought to assess, in a case study, how the Ministry of Defence adhered to international accounting standards applicable to the public sector, using the competency regime for its financial statements from 2018 to 2022.

It was chosen to choose the Ministry of Defence as an institution that operates on a significant and complex budget scale, encompassing several Management Units subordinate to the Ministry of Defence itself, as well as the Air Force, Army and Navy Command. In addition, the defence sector is of great importance for society and is essential for the security of the national territory.

Thus, as to the method employed, the research is characterised as: case study, bibliography and documentary. It was sought, using the case study in the MD, to investigate whether the jurisdiction regime is being applied in practice, in view of the various public sector regulations. The basic sources were searched in books, dissertations, scientific articles and legislation. The documentary research assessed the public documents of the Ministry of Defence, fundamentally the Accounting Statements, with access to the government portals: www.gov.br/defesa/pt-br/acesso-a-informacao/despesas-1/demonstracoes-contabeis the documents published in the
years 2018 to 2022, period available in public consultation. It should be noted that the data were analysed based only on the demonstrations available on the website.

The research also characterises itself as a content analysis application. According to Sampaio and Lycarião (2021), such research is used to audit the content of communications in relation to their objectives and is already used to evaluate the content of scientific articles.

The following contents of the accounting statements made available by the Ministry of Defence were consulted: the Balance Sheet, the Statement of Balance of Assets Variations, the Budget Balance Sheet, the Financial Balance Sheet, the Cash Flow Statement, the Statements of Equity Changes and, finally, the Explanatory Notes to the Accounting Statements.

On the Balance Sheet, you can track depreciation, amortisation, and exhaustion of assets, as well as the reduction to the recoverable value of those assets. However, during the analysis of the Statement of Balance Sheet Changes, a comparison of the revenues with the Budget Balance Sheet was sought to verify the consistency of the data, but inconsistencies were observed. In addition, there was no proper valuation to verify that the revenue collected was duly recorded in the Statement of changes in the balance sheet. This suggests the need for a more detailed and careful review of accounting records and integration between different financial reports. The reference to the recording of revenue by the jurisdiction regime was not identified in the explanatory notes.

The Balance Sheet and Income Statement provide summary information of transactions and accounting policies and more detailed information is provided in the explanatory notes (CPC 00). In view of this, it was in the explanatory notes that a view was sought on the use of the accrual regime for expenditure. However, the analysis did not identify the reference to the adoption of the revenue accrual regime.

This research was purely investigative, aimed at academic purposes, and should not be interpreted as a conclusive analysis or judgement on the relevance of the reported facts.

This article aims to demonstrate that, although the accounting legislation adopted in Brazil determines the use of the competency regime, there are still gaps that hinder its full implementation, mainly as regards public revenues. To achieve our goal, the article is structured in this introduction and three more sections. The second section presents the theoretical framework. The third article presents the results of the research, with the data collected in the government portal on the Accounting Statements of the Ministry of Defence, and its analysis on the competence regime. The final considerations are set out in the fourth section.
2 THEORETICAL FRAME

2.1 THE REGULATORY THEORY

According to Murcia (2010) for the accounting community, high-quality laws and regulations improve users’ confidence in accounting statements, improving market development and resource allocation in the economy. Thus, the main purpose of accounting regulation is to require the information that users need and that companies are not willing to disclose voluntarily.

History tells us that accounting practices have not always been regulated, and there are no standards or norms that could determine criteria for recognising, measuring, and evidencing economic and financial transactions. In the classic case of railways in the US and the UK, it is shown that before 1906 - when the Interstate Commerce Commission (ICC) began to establish an accounting system - there were no debates in the literature on depreciation, which only started after the ICC regulation fixing the railways' rate after profit. Thus, depreciation became recognised as expense and no longer as profit allocation. These regulations preceded the debates observed in the accounting literature on depreciation (Watts & Zimmerman, 1979, apud Niyama & Silva, 2022).

However, the discussion addresses issues such as the extent to which a rule or law should require users to disclose information.

As there is a fine line between what information is actually relevant to users and how wide the range of users is, it is unclear what criterion regulators should use to decide what should be disclosed by companies (Lev, 1988).

Cardoso (2005) analysed whether the regulatory requirement by the National Regulatory Agency - ANS of certain economic-financial parameters may affect the accounting practices choices of the regulated companies, and found that the regulation encourages the practice of simple result management, such as avoiding injury and avoiding Overdraft Liabilities.

The study conducted by Ferreira et al. (2023) analysed government regulation in the electricity sector and found that regulatory changes implemented by the regulator had a positive impact on the Economic Result of the assets, which proved to be advantageous for investors. These results suggest that regulatory changes have contributed to improving the financial performance of assets in the electricity sector, offering benefits to investors involved in this market.
In recent years, there has been a substantial increase in the number of accounting standards. The responsible bodies seek to issue rules and regulations on various accounting matters, under allegation of social justice (Nyiama & Silva, 2022).

The asymmetry of the information assumes that the company administrator holds all the information, but the other stakeholders in the accounting do not have this knowledge. Regulation tends to lessen this information asymmetry by seeking social justice.

To this end, the theory of regulation defines rules and standards that public organisations must comply with in the interest of society. In this context, it seeks to explain the purposes for which regulators or regulators intervene in market behaviour.

However, in Government Accounting, there is no room for the administrator to use the generally accepted principles, only in the regulatory framework, because in the Public Sector it is only allowed to do what the law so determines.

In this context, Public Accounting has undergone a continuous process of evolution in response to social changes. The only regulation on the theme, dated 1964, Law No. 4320, shows signs of obsolescence, while Brazil is awaiting the processing of a new draft law on public finances (Brazil, 2016).

Law No. 4,320 played a crucial role in shaping the evolutionary scenario in the country's accounting and finances. At that time, the emphasis of regulation was on the public budget, filling a regulatory vacuum in that context. However, as times progressed and regulation progressed, attention gradually shifted to the sphere of accounting balance. In such a scenario, the jurisdiction regime is the most appropriate approach to reflect the reality of economic transactions and events.

Thus, the system of competence in the public sector appeared through coercion by regulators and inspectors (Herbest, 2010). To this end, it is relevant to present a historical account of this regime in the Brazilian public sector.

2.2 HISTORY OF THE PUBLIC SECTOR ACCOUNTING REGIME IN BRAZIL

Until the edition of Complementary Law No. 101 of 2,000, known as the Fiscal Responsibility Law - LRF, Law No. 4,320, had been the only general rule of public finance. Article 35, established a mixed system in which the revenues collected and the expenses committed were considered in the financial year: "the revenues collected and the expenses legally committed in the financial year belong to the financial year" (Brazil, 1964).
According to Nunes et al. (2017) the advantage of this criterion was compliance with the principle of prudence, preventing the manager from considering as belonging to the financial year revenues that were only forecast but were not collected, as well as limiting the possibility of encumbrance in the approved budget. It was, therefore, the most adequate criterion for the Brazilian reality.

The adoption of this mixed system, coupled with the emphasis given by Law No. 4,320 to budgetary classifications, provided an interpretation that the focus of public accounting should be on the budget and not on assets. In practice, the diffusion of this interpretation led some, mistakenly, to seek to associate Article 35 with an "accounting regime", although Law No. 4,320 did not use this denomination, nor did it mention the regime of cash or competence (Nunes et al., 2017). The Court of Auditors of the Union - TCU ruled in this respect, noting that the adoption of the competence regime for recognition of public revenue is not supported by Law No. 4,320 (Brazil, 2012).

In 2000, with the publication of the FRL, it was decided to adopt the competence system for determining the limits of personnel expenditure, as well as expenditure and commitment, independent of commitment. Thus, in the interpretation predominant at the time of the elaboration of the CRL, the main function of public accounting was to record and evidence the acts and facts in each of the stages of budget execution, even after the beginning of the process of convergence of Brazilian public accounting to international standards (Nunes et al., 2017). The convergence process only came to fruition in 2008, following the publication of Order No 184 of 25 August 2008.

With regard to revenue, it was considered more prudent, for the determination of tax ceilings and targets, the cash regime to prevent the State from "creating" revenues that have not yet entered public coffers as a way of adjusting artificially. The choice was thus made by the stricter and more conservative criterion, considered more prudent, since it would offer less space for creative accounting. Borges et al. (2010) consider the accounting regime adopted in the FRL to be a mixed regime.

The adoption of the jurisdictional regime in the Public Sector Accounting Handbook-MCASp was the subject of analysis and intense debate in the TCU, which assessed the relevance of the convergence process to international standards in the context of the TCU judgement No 158/2012. The decision was for the adoption of the competence, but, in the process, the risks for tax management were debated. The technical analysis showed a fear that this regime would open up new possibilities for non-compliance with the FRR, due to the overestimation of revenues. In this sense, Nunes et al. (2017, p. 8):
By changing the accounting regime, "financial assets" will incorporate items whose value will be recorded by estimate, enabling federated entities to control their net indebtedness through "overestimated" revenues.

For some time, the claim in favour of using the cash regime was that the country was still at an early stage in the process of convergence to international standards and the competence regime was not yet fully established. However, the Federal Government's Cost Information System (SIC) already used a methodology that was close to the competence, starting from the information at the stage of settlement of expenses (Nunes et al., 2017).

However, there are still points of doubt in the public bodies that need to be further developed. The work of Borges et al. (2010) discussing the likely benefits of adopting the government governance competence regime. They point out that many analyses need to be carried out, since the adoption of the new regime has an impact on society as a whole, and may generate costs that cannot yet be measured.

Sousa et al. (2013) investigated the perception of users and preparers of public sector accounting information about the change to the competency regime to produce potential benefits for decision-making purposes from ten specific situations and found that the general perception of respondents is consistent with the national and international literature most suited to such regime. As a result, they suggest that the change to the jurisdiction regime may result in informational benefits for decision-making and management of public entities. They conclude that the proposal and implementation of concepts and techniques related to the use of competence, Accounting Science brings to the public sector a powerful management tool.

Herbest (2010) studied the difficulties in applying competence in the public sector and found that empirical studies show that the implementation of such a regime has had little or no success. He presented that the lack of political will reveals itself as the main difficulty, since the information generated is not duly used in the decision making and in the control of the entity. The author interviewed Brazilian municipal managers and the answers obtained indicated that the statement of economic result and balance sheet were not considered relevant for decision making, and that the budget is the instrument used.

Cruvinel and Lima (2011) analysed the adoption of competence from the perspective of Brazilian and International Accounting Standards, also confronting the legal aspects from the perspective of the National Treasury, the TCU and the Attorney General's Office of the National Treasury. According to the authors (2011, p. 83):
What one can observe is that in Brazil the Public Sector Accounting has been evolving only in the eminently budgetary records, it does not show all the accounts and "hides" liabilities and expenses due to legal formalities and budgetary interpretations.

Finally, Jesus and Dutra (2012) compared the positive aspects of the changes in public accounting in recent years and stated: i) the elaboration of the MCASP and the Brazilian Accounting Standards Applied to the Public Sector; ii) the incentive to account for depreciation; iii) the accounting of Provisions for Probable Losses; iv) the training programmes for sector accountants; v) accounting harmonisation between powers and spheres of government; vi) the creation of the Cash Flow Statement.

In the light of these considerations, it can be seen that there are still divergences and controversial points on the adoption of the system of full jurisdiction in the public sector. Herbest (2010) and Dutra and Jesus (2012) consider a mixed regime, but regulation brings us full adherence to the competence regime, not discriminating revenue and expenditure.

2.3 ACCOUNTING REGIMES IN THE INTERNATIONAL CONTEXT

In the context of globalisation, the Brazilian public sector adhered to international standards, adopting the IPSAS - International Public Sector Accounting Standards. IPSAS No. 1 deals with Presentations of Financial Statements and guides the adoption of the jurisdiction regime. According to Monteiro and Gomes (2013), this change allowed information users to assess accountability for all resources controlled by the entity, as well as the distribution of those resources, the entity's performance, financial position and cash flow, and also decisions about providing resources.

The accounting theory enshrines the competence regime for the recognition of income and expenses, allowing to show the costs that will be necessary, in a given period, to achieve the expected revenues. In the public sector, even though the accounting theory is the same, there are questions that go back to the need to comply with the legislation of each country and to the difficulty of breaking with the tradition of presenting budgetary information or information obtained through the cash regime. International experience shows that the choice of accounting regime is not trivial and may face difficulties in its implementation (Flynn et al., 2016).

Despite the adoption of competence as a regime used for accounting, IPSAS does not assume that the regime to be used in the "budget" will be that of competence. Specifically, IPSAS 24 - Presentation of Budgetary Information in the Accounting Statements - leaves free the option.
to use the accrual or cash budget. So the process of convergence to international standards underway will not make the competence regime have to be adopted for the budget (Monteiro & Gomes, 2013).

At the same time, the International Monetary Fund (IMF) adopted the Government Finance Statistics (GFS) competence regime as from 2001. Information from tax statistics allows analysis of diverse information such as the size of the public sector, its contribution to aggregate demand, investment and savings, impact of tax policy on resource use, effectiveness of spending for poverty reduction, sustainability of tax policies among others (Flynn et al., 2016).

Governments have traditionally used input-based budget systems and cash-based accounting systems, however, these systems do not provide the information needed for a government to operate efficiently and effectively. Therefore, a large and growing number of countries have moved, or plan to move, to accrual-based accounting. Countries such as New Zealand, Australia, Canada and the United States have already implemented in the 1990s (Hoek, 2005).

Jesus and Dutra (2012) made a comparison of the adoption of the competence regime in developed countries and presented a major division on the adoption of accounting regimes. The Competence Regime is adopted: Australia, Canada, New Zealand, United Kingdom, United States, Sweden, France, Switzerland and Italy. The Cash Scheme is adopted: Ireland, Finland, Norway, Germany, Austria, Belgium, Luxembourg, the Netherlands, Spain, Portugal, Hungary, Poland.

Monteiro and Gomes (2012) examined the international experiences of adopting the competence regime in the public budget. They assessed the need for studies to investigate fiscal results and the evolution of public debt in countries that adopt this regime. The authors highlighted the importance of research that addressed the experiences of implementing the competence regime in the budget, as well as the comparison between the countries that kept the budget on a cash basis after the adoption of the competence regime.

One can see that the adoption of competence is not unanimity among countries and that studies must be made feasible to identify the potential benefits or losses for its adoption.

3 PRESENTATION OF RESULTS

As explained in the methodology, the analysis of the Ministry of Defence Accounting Statements - MD, was carried out in the years 2018 to 2022. The objective was to verify if the organ adopts accounting by competence for the preparation of its accounting statements.
In the Balance Sheet and the Income Statement the information is summarised, while the Explanatory Notes provide more detailed information (CPC 00). In view of this, using the Explanatory Notes - which are presented as an integral part of the accounting statements and indicate as a basis for elaboration to the public accounting standards - it was possible to evaluate the adoption of the MD competence regime.

Thus, MD reported in its explanatory notes that it adhered to the Brazilian Standards of Public Sector Technical Accounting - NBC TSP and the International Public Sector Accounting Standards - IPSAS.

In the methodology of drawing up the accounting statements, he informed about the use of estimates and judgments for its elaboration. It related as main estimates and assumptions the adoption, from the year 2010, of the economic useful life of the assets of the immovable property as regards the depreciation, amortisation and exhaustion of assets, as well as the recognition and measurement of provisions and contingencies, pointing out the main assumptions about the probability and magnitude of resource outflows.

Depreciation is the decline in the potential for generating assets - through physical deterioration, wear and tear and obsolescence - making it necessary to appropriate these assets to the result, taking into account the competency regime (STN, 2021). The use of depreciation, amortisation and exhaustion, as well as the use of provisions, indicates the use of accrual accounting.

In addition, in order to note relevant points highlighted on the adoption of the competence regime, the explanatory notes attached to the financial statements were analysed and the results are highlighted in Table I.

Table 1
Adoption of the Competence Scheme at the Ministry of Defence

<table>
<thead>
<tr>
<th>Period</th>
<th>Explanatory Notes: Direct or indirect mention of the Competence Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>4th quarter</td>
<td>Explanatory Note No. 2 - Other credits and short-term values: The Air Force Command presented a more significant percentage variation in the period under the heading &quot;Application income by competence&quot;. Such variation refers to the recording of appropriation of income from financial application by competence.</td>
</tr>
<tr>
<td>2018</td>
<td>Explanatory Note No. 4 - Fixed Assets: Although it does not mention in an explanatory note the jurisdiction regime, it presents in Table 10 and 2 the value of accumulated depreciation of movable and immovable property.</td>
</tr>
<tr>
<td></td>
<td>Explanatory Note No. 5 - Intangible: Although it does not mention in an explanatory note the jurisdiction regime, Table 15 presents the value of Accumulated Amortisation and Reduction to Recoverable Value of Intangibles.</td>
</tr>
<tr>
<td></td>
<td>Explanatory Note No. 6 - Labour, social security and assistance obligations to pay - CP: It is found that in the fourth quarter of 2018 the balance of the on-screen line increased by 3,145.41% and the greatest impact on staff to pay occurred, due to the appropriation of the payroll by competence in the financial year.</td>
</tr>
<tr>
<td>Period</td>
<td>Explanatory Notes: Direct or indirect mention of the Competence Scheme</td>
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<tr>
<td>4th quarter 2019</td>
<td>Explanatory Note No. 2 - Other credits and short-term values: The Air Force Command presented a more significant percentage variation in the period under the heading &quot;Application income by competence&quot;. Such variation refers to the recording of appropriation of income from financial application by competence.</td>
</tr>
<tr>
<td>4th quarter 2020</td>
<td>Explanatory Note No 24 - Statement of changes in assets: Operational costs are calculated on the basis of information from the VPD (Competence Scheme) which directly contributed to the functioning of the bodies.</td>
</tr>
<tr>
<td>4th quarter 2021</td>
<td>Explanatory Note No 13 - Short- and Long-Term Provisions: This note refers to the recording, with short- and long-term segregation, of the measurement of the military pension liability considering benefits to be granted over the time horizon compatible with the estimated year of extinction of the revenue and expenditure flow.</td>
</tr>
</tbody>
</table>

On the basis of the available data, it can be inferred that the MD has been recording expenditure in adherence to the competence principle, in accordance with the current rules of Public Accounting. It was found that the income from financial application is recorded by competence, initially in the year 2018 and then in the year 2019.

It should be noted that MD is recording and presenting in explanatory notes the depreciation and amortisation of the assets of the immovable and intangible assets (explanatory notes 4 and 5 of the fourth quarter of 2018), besides showing evidence of doing the recoverability test on their assets. It should be noted that the recording of depreciation and amortisation in the public sector was one of the main changes presented by convergence to international standards.

It is clear in the year 2018, in the explanatory note No. 6, which deals with "Obligations Labour, Social Security and Assistance to Pay - CP", the MD mentions a substantial variation of 3,145.41% which increased its obligations with personnel, highlighting the appropriation of the payroll by competence in the exercise. This is highlighted by the clear change in the registration paradigm, which has started with the adoption of accrual accounting for payroll.

In 2020, we highlight the explanatory note No 24 - Statement of changes in assets. This year the MD presents Table 57 with the operational costs with the following mention: "Operational Costs are calculated based on information from the DVP (Competence Scheme)". In previous years there was cost information in DVP without mentioning the competence scheme and with values well below those presented in the year 2020. It can be inferred that there was a conceptual change with the adoption of the cost information.

In the year 2021, the explanatory note No 13 - Short-Term and Long-Term Provisions stands out. That note refers to the provisions relating to military pensions to be granted over the time horizon for retirement or death pension events, combined with the existence of a beneficiary of the military person entitled to receive that right.
The explanatory notes refer to the audit of the TC 034.006/2020-6 dealing with the financial audit report on the 2020 accounting estimates for the actuarial liability of the Union’s own social security scheme for servers. The audit indicates the undervaluation R $ 7.2 billion military pension liability recorded in military pension provision. Such a record, it should be noted, refers to the provisions for competencies of labour liabilities relating to the MD.

It should be noted that the above point was recorded in an explanatory note, however the Theory refers us to the use of the comprehensive Result Demonstration. According to NBC TG #26, which deals with the presentation of accounting statements, actuarial gains and losses on employee benefit pension plans, which will affect profit or loss in later periods, are to be recorded in the Comprehensive Income Statement.

In the 2022 analysis there was no mention of the adoption of the accrual regime for accounting statements.

Based on the analysis of the MD explanatory notes, it is noted that the agency began in the year 2018 the accrual accounting, recording depreciation, amortisation and exhaustion. As of 2018, it has been improving to conform to Brazilian public accounting standards, converging to international standards.

However, it should be noted that the MD does not mention the registration of government revenue by competence in its explanatory notes. A comparative analysis between the Budget Balance Sheet and the Statement of Change in Assets, within the framework of the income collected, was not successful.

The adoption of the mixed scheme can be inferred here: cash for revenue and competence for expenditure. Here we can see the conclusion of Herbest (2010) and Jesus and Dutra (2012), on the theme where they place Brazil as a mixed accounting regime, that is, the revenues are recorded by the cash regime.

In this sense, Cruvinel e de Lima (2011) the Accounting Manual Applied to the Public Sector - MCASP tries to reconcile the budgetary vision with the asset vision. However, the mixed scheme is adopted at the time of recognition of revenue and expenditure in Public Sector Accounting, despite the National Treasury Secretariat - NTS considering that the intention of the legislator was to define financially the treatment of revenue and expenditure from the budgetary point of view and not from the accounting regime.

It is important to note that this analysis was conducted in a purely investigative character, with strictly academic purposes. Any conclusion on the relevance of the reported events is not appropriate in this context, since it was not intended to issue judgments on the nature of the facts discussed.
4 FINAL CONSIDERATIONS

The Theory of Regulation, employed in the accounting context, seeks to analyse and improve the processes of implementing the competency regime in the public sector, seeking to ensure that accounting information is comprehensive, accurate and transparent, as well as adhering to rules, laws and regulations.

The competency regime is effectively employed in the Brazilian public sector, as we can show in the accounting statements at the Ministry of Defence. Such a scheme records transactions in government expenditure at the time the rights and obligations are assumed, disconnecting from the cash flow. This reflects a more accurate approach to accounting for government operations.

However, there are aspects that have not yet been fully addressed in relation to the jurisdiction regime, especially with regard to the application of the cash-for-income regime. While the MD’s accounting statements demonstrate the public sector’s effort in line with international standards for public expenditure, revenues are not yet fully integrated into that regime. They are not explicitly mentioned in the explanatory notes, and the statements do not present reconcilable figures in this sense.

Therefore, it is essential to establish clearer guidelines for the accounting of realised revenues, as well as to implement audit and oversight mechanisms to ensure compliance with appropriate accounting practices. Although the adoption of the competence regime based on empirical data of the Ministry of Defence still presents points to be discussed in the light of the Theory of Regulation, it is a positive advance that some organs are already using this regime.

It is important to note that the Comprehensive Income Statement is still an item to be discussed and evidenced in public sector regulations. In the case of the Ministry of Defence, it is necessary to consider that the actuarial staff data relating to military pensions were presented only in explanatory notes, without full demonstration. This indicates a gap in the disclosure of comprehensive and transparent financial information, which highlights the need for improvements in public sector accounting standards for more complete and comprehensible accountability.

As a suggestion for future research, it is recommended to conduct studies on other government agencies adopting the competency regime in order to assess the challenges and benefits encountered during the transaction and implementation process. Research into the use of the Comprehensive Income Statement in public sector entities is also suggested, to understand how this demonstration is being employed and its contribution to a more
comprehensive and transparent accountability. In addition, conducting discussions about the adoption of the cash or competency regime for Brazilian public revenues, exploring the impacts, advantages and challenges of each approach and how this can influence the financial and accounting management of the public sector.

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