

NCP 26 -Accounting and Budgetary REPORTING Analysis and Application in the Portuguese Public Sector

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ABSTRACT: The management of public resources requires control mechanisms that ensure that each expenditure decision is made within the legally approved limits and duly recorded for accountability purposes. It is within this framework that Public Accounting Standard No. 26, hereinafter referred to as NCP 26, is situated, regulating accounting and budgetary reporting within the scope of the Accounting Standardization System for Public Administrations.

This work covers the main elements of NCP 26 in an accessible way: the context in which it emerged, the concepts it defines, the budgetary cycle it organizes, the statements it requires, and the challenges its implementation poses. The analysis is illustrated with a practical case and concludes with a critical reflection on the current state of its application in Portugal.

KEYWORDS: NCP26; Budgetary Accounting; Forecast Maps; SNC

1. INTRODUCTION

Integrated into the SNC-AP (Accounting Standardization System for Public Administrations, approved in 2015), NCP 26 distinguishes itself from the other standards of the system for a simple reason: it applies to all public entities, without exception, and goes beyond the mere recording of revenues and expenses: it defines how the budget is planned, how each expense is authorized phase by phase, how commitments to suppliers are recorded, and how all of this is accounted for through structured budget statements. It is the mechanism that ensures that no public expenditure proceeds without funding.

2. CONTEXTUALIZATION

The SNC-AP and the Public Accounting Reform

The SNC-AP was approved by Decree-Law No. 192/2015, of September 11, which progressively revoked the previous accounting model based on POCP.

The introduction of the SNC-AP (Accounting Standards for Public Administration) represented one of the most profound reforms of Portuguese public accounting in recent decades, bringing the national system closer to international public accounting standards and strengthening the link between budgetary, financial and management information.

2.1. Financial Accounting and Budgetary Accounting: Two Distinct Subsystems

One of the most relevant aspects of the SNC-AP (Accounting Standards for Public Administration) is the coexistence of two accounting subsystems with distinct logics and objectives: financial accounting and budgetary accounting. Understanding the difference between the two is fundamental to understanding the specific role of NCP 26 (Accounting Standard 26).

Financial accounting records an entity's financial transactions on an accrual basis, meaning that income and expenses are recognized when they occur, regardless of when money is received or paid out. This logic allows for the determination of net income for the period, the recognition of assets and liabilities, and the production of the balance sheet and income statement. It is also the accounting method that most closely resembles that of private companies and the IPSAS standards on which the SNC-AP (Portuguese Accounting Standards for Public Administration) is based.

Budgetary accounting, as regulated by NCP 26, is not limited to recording cash flows; it also tracks commitments and obligations undertaken throughout the budget execution process.

The two subsystems are complementary and interconnected: when an invoice is received, for example, the entry occurs simultaneously in budgetary accounting (obligation phase) and in financial accounting (accounts payable). This coordination, supported by the Multidimensional Chart of Accounts, constitutes one of the main innovations of the SNC-AP compared to the previous system.

2.2. NCP 26 in the International Context

The construction of the SNC-AP (Accounting Standards for Public Administration) drew heavily on the international public accounting standards issued by the IPSASB. Specialized international literature has also highlighted the role of IPSAS in the modernization and harmonization of public accounting, while also emphasizing the technical and institutional challenges associated with its implementation in different administrative contexts.

In terms of budgetary accounting, the model followed also aligns with IMF recommendations and the European System of Accounts, which facilitates both statistical reporting to Eurostat and comparison with other European Union countries, something that the previous system made very difficult.

2.3. From POCP to SNC-AP: Main Differences

The adoption of the SNC-AP (Accounting Standards for Public Administration) represented a structural transformation of Portuguese public accounting, progressively replacing the model based on the Official Public Accounting Plan (POCP), in force since the 1990s. Although the POCP constituted a significant advance in the accounting standardization of the Public Administration, it presented significant limitations in terms of comparability, consolidation, and financial transparency.

The previous model was predominantly based on a logic of legal and budgetary control, with limited integration between asset, financial, and budgetary information. The information produced was highly fragmented across different sectoral plans, hindering the consolidation of public accounts and the determination of the State's overall financial position.

With the SNC-AP, inspired by IPSAS (International Public Sector Accounting Standards), an integrated model was established based on three interconnected subsystems: financial accounting, budgetary accounting, and management accounting. This integration brought Portuguese public accounting closer to international standards and European requirements for statistical and financial reporting.

Another relevant difference relates to the introduction of the Multidimensional Chart of Accounts and Class Zero, which did not exist in the POCP (Portuguese Public Accounting Plan). The SNC-AP (Accounting Standards for Public Administration) now allows for more rigorous monitoring of the various phases of budget execution, specifically regarding appropriations, commitments, obligations, and payments, reinforcing the traceability of public expenditure.

Also at the level of consolidation and recognition of future liabilities, the SNC-AP brought profound changes. The treatment of multi-year contracts, contingent liabilities and multi-year information became significantly more developed than in the previous system, contributing to a more complete view of the financial sustainability of public entities.

Despite these improvements, the transition to SNC-AP involved high costs for technological, organizational, and training adaptation, especially for smaller entities with limited technical capacity.

Table 1: Main differences between POCP and SNC-AP

Appearance	POCP	SNC-AP
Accounting structure	Fragmented by sectors	Integrated model
Appearance	POCP	SNC-AP
Reference	National	Inspired by IPSAS
Budgetary accounting	Less integration	Integration with financial accounting
Class Zero	Non-existent	Exclusive record of budgetary accounting
Multi-year plan	Limited	Reinforced
Consolidation of accounts	Difficult	Simplified
Contingent liabilities	Reduced treatment	Mandatory monitoring
Comparability	Limited	Greater harmonization
Information for management	Less developed	More decision-oriented
International coordination	Reduced	European alignment and IPSAS

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NCP 26 AND ITS SCOPE OF APPLICATION

One of the characteristics that distinguishes NCP 26 from the other SNC-AP standards is its universality. While other standards apply only to entities with certain characteristics, such as those that have financial assets, consolidate accounts, or carry out leases, NCP 26 applies to all without exception: services and bodies of the Central, Regional and Local Administration, the Social Security subsector, and Reclassified Public Entities, regardless of their size or the accounting regime adopted.

This stems from the principle of universality of budgetary control. Budgetary control is not a luxury reserved for large organizations: it is a legal obligation for any entity that spends public money, whether it is a parish council with two employees or a ministry with thousands; the law requires that its revenues and expenses be authorized, recorded, and reported in accordance with uniform rules. The regulation is also clear about who this information is for: citizens, members of parliament, government officials, funders, suppliers, journalists, and workers. Budgetary reporting serves not only the internal management of entities; it is an instrument of transparency before society. In practice, it is most used by oversight bodies, such as the Court of Auditors and the General Inspectorate of Finance, and the Ministry of Finance, which is responsible for the consolidated budgetary statements of the entire public sector.

4. FUNDAMENTAL CONCEPTS

Before delving into the mechanisms of NCP 26, it is worth establishing the key concepts that the standard defines. These concepts create a common language among all public entities in the country. Without this shared vocabulary, two organizations could record the same situation in completely different ways, making any comparison or consolidation impossible.

Table 2: Structure of Class Zero

Concept	What does this mean in practice?
Suitability	The first phase of the expenditure cycle: the entity reserves the necessary funds before making any formal commitment. It functions as an internal check to ensure that budgetary coverage exists.
Commitment	The moment when an entity formally binds itself to a third party, for example by signing a contract or issuing a purchase order. From this point on, a legal obligation exists.
Budgetary obligation	The acknowledgment of a specific debt upon receipt of an invoice or equivalent document. This corresponds to the recording of accounts payable in financial accounting.
Captive	An allocation that becomes temporarily unavailable by decision of the supervisory authority, reducing the spending margin without altering the formally approved budget.
Available budget	The amount that is effectively available at any given time to initiate new expenditure processes, that is, the adjusted appropriation, less any previously earmarked funds and appropriations already made.
Treasury operation	Cash flow movements that do not correspond to budget execution, such as the collection of revenue on behalf of another entity or the management of deposits and guarantees.
Replacement deducted from payments (RAP)	The return of an undue or excessive payment, when collected in the same year the payment occurred. It functions as a correction to the expense record.
Management balance	The cash balance determined at the end of the fiscal year, which includes the results of budgetary operations and treasury operations.

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It is important to distinguish between the two types of budget amendments, as this has relevant practical implications. When an entity needs to spend more than planned on a budget item and finances that expense with additional revenue, it is making a modifying amendment: the total authorized expenditure increases. When it redistributes funds within the same overall amount, it is making a permutative amendment, without altering the total authorized expenditure. The difference matters because modifying amendments generally require external authorization, while permutative amendments have more leeway to be approved internally.

5. THE BUDGET CYCLE OF REVENUE AND EXPENDITURE

5.1. The Revenue Cycle

The revenue cycle is organized into three sequential phases, to which corrective actions can be added throughout the process.

Table 3: The three phases of the revenue budget cycle

Phase	Key moment	What happens and what control exists?
1. Forecast	Budget approval	The entity includes in its budget the amount it estimates it will collect. This value serves as a benchmark for evaluating performance throughout the year. The charge cannot be levied without a written provision.
2. Liquidation	Issuance of invoice or settlement note.	The entity formally acknowledges a right to receive payment, establishing a credit against a debtor. This is the moment when the revenue legally exists, even if the money has not yet been received. It can be annulled if issued in error.
3. Receipt	Cash inflow	The cash inflow that extinguishes the right established in the previous phase. If, at the end of the financial year, there are outstanding settlements to be collected, they are recorded as settlements to be carried forward and resumed in the following year.

Between settlement and receipt, corrections may still occur: refunds or restitutions when the entity acknowledges having charged undue or excessive amounts. All these transactions are recorded separately, allowing you to know at any time which settlements have been issued, which have already been collected, and which are awaiting payment.

5.2. The Expenditure Cycle

If the revenue cycle has three phases, the expenditure cycle has five, and rightly so. Spending public money requires more caution than collecting it. NCP 26 imposes a mandatory sequence of controls that ensures no expenditure reaches the payment stage without having passed through all previous verifications.

Table 4: The five phases of the expenditure budget cycle

Phase	Key moment	What happens and what control exists?
1. Allocation	Budget approval	The initial allocation is entered. From this point, there is a maximum limit for each expense category.
Phase	Key moment	What happens and what control exists?
		Subsequent budget changes may increase or decrease this ceiling.

2. Suitability	Before the commitment	The entity internally reserves the necessary funds for the expenditure process it is initiating. The allocation cannot exceed the available budget. It does not create obligations for third parties.
3. Commitment	Signing the contract or order form.	The entity formally binds itself to a supplier or partner. From this point on, a legal responsibility exists. The commitment cannot exceed what is reasonable.
4. Obligation	Reception of invoice	After the goods are delivered or the services are rendered, the invoice is processed and the accounts payable is recorded in parallel in the financial accounting. The obligation cannot exceed the commitment.
5. Payment	Bank transfer or other means	The cash outflow that extinguishes the obligation. It is recorded simultaneously in the financial accounting. The payment cannot exceed the obligation.

This sequence ensures progressive control over the execution of public spending: each phase acts as a filter. Appropriate funding prevents commitments from being made without budgetary coverage. Commitments make obligations visible to third parties before any invoice is issued. Obligations separate the moment the debt arises from the moment it is paid. And closing the fiscal year with commitments to be carried forward ensures that liabilities assumed in one year do not disappear in the transition to the next.

5.3. Captives and Uncaptives: A Budget Management Tool

In addition to the five phases, the regulation governs an instrument that any public manager knows well: earmarked funds. An earmarked fund is the decision to temporarily block an approved allocation: the allocation is foreseen in the budget, but its use is temporarily blocked. The Government frequently resorts to this mechanism to ensure compliance with budgetary targets throughout the year, especially when revenue execution falls short of expectations.

Unfreezing a budget allocation occurs when the situation improves or when the need becomes urgent. The distinction from a budget cancellation is important: a frozen allocation can be reversed; a cancellation is definitive.

5.4. Multi-Year Contracts

One of the most common situations in public administration is entering into contracts that extend beyond the fiscal year: a three-year security contract, a five-year service concession, a public works project to be paid for over several fiscal years. NCP 26 resolves this situation through specific accounts for commitments and obligations of future periods, allowing for the recording of all financial liabilities assumed from the outset, and not just the portion for the current year.

At the start of each new fiscal year, these future entries are automatically converted into current expenditure processes. Anyone consulting the budget statements of an entity with multi-year contracts can immediately see the actual budget margin for the following years, information that would otherwise remain invisible.

6. CLASS ZERO

6.1. What is Class Zero?

According to the Multidimensional Chart of Accounts approved by Decree No. 189/2016, Class Zero is intended exclusively for recording budgetary accounting.

All budgetary accounting foreseen in NCP 26 is processed exclusively in Class Zero of the Multidimensional Chart of Accounts. This is a class of accounts created specifically for this purpose, separate from classes 1 to 8 that support financial accounting, but integrated into the same coding structure. It is here that all budget records reside: from the initial allocation of appropriations to the closing of the fiscal year, encompassing each phase of revenue and expenditure.

The name may seem counterintuitive, but the mechanism's objective is to ensure sequential control of expenditure: Class Zero functions as a mirror of the budget. While financial accounting records what the entity has and owes (assets and liabilities), Class Zero records what has been authorized, committed, and executed in budgetary terms. The two subsystems communicate with each other at certain times, such as when an invoice is processed or when a payment is made, but they maintain parallel and autonomous records.

6.2. Structure and Organization of Accounts

Class Zero is organized into large groups of accounts, each with a specific function in the budget cycle. The following table presents the main structure:

Table 5: Structure of Class Zero in SNC-AP

Account	Designation	What is it for?
01	Revenue for the current period	It records all phases of the revenue cycle for the current fiscal year: forecasts, settlements, receipts, cancellations, and revenue to be carried forward.
02	Current period expenditure	It records all phases of the expenditure cycle for the current fiscal year: appropriations, budget allocations, commitments, obligations, and payments.
03	Revenue from future periods	Records settlements and receipts that affect future fiscal years (N+1, N+2, N+3 and subsequent years).
04	Expenses for future periods	It records appropriations, commitments, and obligations that affect future fiscal years. Essential for monitoring multi-year contracts.
07	Treasury operations	It records cash flow movements that do not constitute budget execution, such as collections.
Account	Designation	What is it for?
		on behalf of other entities or the management of deposits and guarantees.
08	Closing	It supports the budget year-end closing process: balance of forecast accounts, appropriations, receipts and payments, and determination of budget performance.
09	Contingent liabilities	It records potential liabilities that are not yet definite obligations: ongoing legal proceedings, guarantees provided, expropriations, onerous contracts. Mandatory monthly monitoring.

6.3. Closing Accounts and Contingent Liabilities

Two blocks of Class Zero deserve special attention. The first is account 08, which supports the year-end closing process: this is where forecast and appropriation accounts are settled, commitments and obligations to be carried forward are recorded, and the budgetary performance for the period is determined. The balance of the budgetary performance account indicates the result of the fiscal year: if positive, there is a surplus; if zero, there is a balance.

The treatment of contingent liabilities is framed within the reporting requirements set out in the SNC-AP (Accounting Standards for Public Administration) and IPSAS (Independent Public Accounting Standards) relating to provisions and potential liabilities.

The second is account 09, dedicated to contingent liabilities. This account records potential liabilities that have not yet become certain obligations, but which may become so: legal proceedings in which the entity is a party, guarantees given to third parties, pending expropriations, or contracts that have become economically disadvantageous. The standard requires that these records be updated monthly, which obliges entities to maintain systematic monitoring of their potential liabilities. In practice, this is one of the most demanding and least fulfilled requirements of NCP 26, precisely because it implies the integration between the legal and financial services of each entity.

7. THE BUDGET STATEMENTS

7.1. An Overview

According to NCP 26, budget statements include forecast statements and reporting statements, and must ensure comparability between forecast and budget execution.

NCP 26 organizes budget statements into two groups with opposing but complementary logics: forecast statements look to the future, what is planned to be collected and spent, and reporting statements look to the past, what actually happened. Without forecasting, there is no reference to evaluate execution; without reporting, the forecast is an intention without consequences.

The projected financial statements include the budget, framed within a multi-year budget plan that covers the current period and the following four years. This multi-year perspective requires entities to think beyond the current year, identifying future pressures in advance and communicating them transparently. The second projected statement is the Multi-Year Investment Plan, which details each project with its financial schedule, funding sources, and execution phase. Each project has a unique number that accompanies it from start to finish, allowing its execution to be tracked over the years.

There are four reporting demonstrations, each with a specific purpose and complementary to the others.

The budget execution statement for revenue presents, item by item, the corrected forecasts, the settlements issued, the actual receipts, the reimbursements and refunds, and the revenues that remain uncollected. From these elements, the execution levels are automatically calculated, allowing for a comparison of the planned with the actual figures and identifying where collection is below expectations. It is also in this statement that the settlements to be carried over to the following fiscal year become evident.

The statement of budget execution has a parallel structure: it presents the corrected appropriations, the budget allocations, the commitments made, the processed obligations, the payments made, and the expenses to be paid. It is the statement that most thoroughly tracks the expenditure cycle, making visible the stage each item is at. The execution levels calculated here allow, for example, the identification of under-executed appropriations that may be subject to withholding or cancellation.

The statement of budgetary performance is the most concise and easily readable for non-specialized users. It aggregates the total receipts and payments for the period, from both budgetary and treasury operations, and calculates four fundamental balances: the overall balance, which measures the difference between actual revenue and expenditure; the current balance, relating to operating operations; the capital balance, relating to investment operations; and the primary balance, which excludes interest charges. This statement answers most immediately the central question of any budgetary analysis: did the entity spend more or less than it received?

The annual PPI execution report accompanies each investment project, with information on funding sources, execution phase, and forecasts for future years. It allows one to understand, for each project, the percentage completed, how much has been spent to date, and how much remains to be done.

A common element across all these statements is the breakdown by funding source: own revenues, transfers from the State Budget, European funds, and loans. This separation is very informative: it allows one to immediately understand the real financial autonomy of an entity and the extent to which it depends on external resources to operate. In addition to the four main statements, the standard also requires a set of annexes with supplementary information, specifically on budgetary changes, treasury operations, awards by type of procedure, transfers and subsidies received and granted, and identified contingent liabilities.

8. ILLUSTRATIVE CASE STUDY

8.1. Statement

The Porto City Council (CMP) approves its annual budget in January of year N. An allocation of €10,000 is earmarked for the maintenance of green spaces. A projected revenue of €5,000 is allocated for municipal fees for the use of public space.

In February, the Directorate-General for the Budget informed the CMP (Porto Municipal Council) that, given the lower-than-expected budget execution across all Portuguese municipalities, it would have to freeze €3,000 from the allocation for the maintenance of green spaces. In March, after reviewing the situation, the supervisory authority authorized the full release of the €3,000, allowing the CMP to proceed with the planned expenditure processes.

Also in March, the CMP awarded the company VerdeCity, Lda. a contract for the maintenance of green spaces for the amount of 10,000 euros. In June, after the completion of the work, VerdeCity issued an invoice for the total amount, which the CMP paid immediately.

In September, the CMP (Municipal Council of Porto) issued a settlement note for 5,000 euros relating to the municipal fee for the use of public space owed by an event promoter. In October, the promoter paid the fee in full.

Based on this statement, record all transactions that occurred throughout year N in accounting terms, in accordance with NCP 26.

8.2. Resolution

The accounting records presented in the case study are illustrative and educational in nature, aiming to demonstrate the sequential logic of budget execution as foreseen in NCP 26.

January — Allocation and Revenue Forecast

With the budget approved, the CMP (Municipal Council of Porto) registers the available expenditure allocation to initiate processes throughout the year, and records the revenue forecast that will serve as a reference for evaluating the budgetary execution of revenue.

Table 6 Budget approval — January of year N

Operation	Account Debit	Credit Account	Value (€)
Registration of the initial expenditure allocation.	021 — Appropriation initial	024 — Available Appropriations	10,000
Registration of the initial revenue forecast	014 — Forecasts to be settled	011 — Forecast initial	5,000

February — Captive

The DGO (Directorate-General for the Budget) has determined the freezing of 3,000 euros, justified by the need to guarantee compliance with the budgetary balance target of the local subsector in the face of lower-than-expected revenue execution. The freeze does not alter the approved budget—the adjusted allocation remains at 10,000 euros—but reduces the available allocation to 7,000 euros, preventing the CMP (Municipal Council of Porto) from initiating new expenditure processes under this heading until the freeze is lifted.

Table 7: Captive — February of year N

Operation	Account Debit	Credit Account	Value (€)
Captive: temporary freeze on funds	024 — Available Appropriations	0243 — Captives	3,000

March — Discarded, Applicability and Commitment

In March, the supervisory body reviewed the situation and authorized the release of funds. The upward revision of tax revenues from the local subsector allowed the conclusion that the restriction imposed in February was no longer justified, so the €3,000 was reinstated in the available budget. The available budget returned to the initial €10,000, allowing the CMP (Porto Municipal Council) to proceed with awarding the service to VerdeCity.

Table 8: Discard, suitability and commitment — March of year N

Operation	Account Debit	Credit Account	Value (€)
Decativo: liberation from endowment	0243 — Captives	024 — Available Appropriations	3,000
Appropriateness: allocation of funds for the service.	024 — Available Appropriations	0251 — Registered budgets	10,000
Commitment: awarding the service to VerdeCity	0252 — Commitments with commitment	0261 — Commitments undertaken	10,000

June — Obligation and Payment

Once the work is completed, VerdeCity issues an invoice for 10,000 euros. The CMP verifies the conformity of the service, records the budgetary obligation, and makes the payment in the same month, completing the expense cycle.

Table 9: Obligation and payment — June of year N

Operation	Account Debit	Credit Account	Value (€)
Responsibility: receiving and processing the invoice.	0262 — Commitments with obligations	0271 — Obligations processed	10,000
Payment: transfer to VerdeCity	0272 — Obligations paid	0281 — Payments for the period	10,000

July — Amendment to the Budget

In July, following damage caused by extreme weather conditions in several municipal gardens, the CMP (Porto Municipal Council) concluded that the initially planned budget for the maintenance of green spaces would be insufficient. The municipality then approved a budget amendment, financed by using the surplus from the previous fiscal year, increasing the allocation by €4,000.

Table 10: Revenue cycle — September and October of year N

Operation	Account Debit	Credit Account	Value (€)
Increase in allocation modifying amendment.	021 — Corrected allocation	024 — Available Appropriations	4,000

September and October — Revenue Cycle

In September, the CMP (Municipal Council of Porto) issues a settlement note for 5,000 euros to the event promoter for the use of public space. With this act, the right to receive payment formally arises: the outstanding amount becomes an issued settlement, and the promoter becomes an identified debtor. In October, the promoter makes the payment and the CMP registers the receipt, extinguishing the debt and completing the revenue cycle.

Table 9: Revenue cycle — September and October of year N

Operation	Account Debit	Credit Account	Value (€)
Settlement: Issuance of the settlement note (September)	014 — Forecasts to be settled	0152 — Settlements issued	5,000
Receipt: Payment by the promoter (October)	0153 — Settlements charged	0152 — Settlements issued	5,000

November — Multi-Year Contract

In November, CMP will sign a multi-year contract for the maintenance of green spaces for the following three years, with a total value of 30,000 euros, spread over three years.

Under NCP 26, future liabilities assumed must be recorded in the future periods' commitments account, allowing the financial impact of the contract to be shown in subsequent financial years.

December — Revenue in Debt

At the end of the financial year, it was found that a payment of 1,500 euros relating to the occupation of public space had not yet been collected.

The revenue remains recorded as an outstanding payment due, carried over to the following fiscal year.

The case presented demonstrates, in practice, the main mechanisms of NCP 26, including the expenditure cycle, the revenue cycle, earmarked funds, modifying budget amendments, and the treatment of multi-year liabilities. It also demonstrates that not all operations are completed within the same fiscal year, and that future commitments and uncollected revenues may remain and are carried over to subsequent fiscal years.

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This case thus highlights the importance of budgetary accounting as an instrument for controlling financial execution and monitoring the responsibilities assumed by public entities.

9. CRITICAL REFLECTION

9.1. The Challenges of Implementation

NCP 26 is technically well-constructed. But there is a considerable distance between a well-written standard and a well-implemented standard, and Portugal is still traversing it.

The main initial challenge was related to information systems. Most of the platforms that public entities used before the SNC-AP (Accounting Standards for Public Administration) were not prepared for the logic of double-entry bookkeeping in budgetary accounting. Migrating to compatible systems proved, in many cases, to be a long, expensive, and technically demanding process. International studies by the OECD demonstrate that transition processes to accounting models based on accrual accounting tend to involve high costs for technological adaptation, administrative reorganization, and specialized training, particularly in smaller public entities.

These difficulties were also identified by the Court of Auditors in several audit reports on the implementation of the SNC-AP (Accounting Standards for Public Administration), which mentioned problems related to the heterogeneity of information systems, insufficient technical training, and difficulties in consolidating financial and budgetary information between public entities.

The Court of Auditors has also warned of significant asymmetries between public entities in terms of the maturity of their accounting systems and their capacity to implement the SNC-AP (Accounting Standards for Public Administration), particularly in smaller organizations and some local authorities.

Training was another serious problem. NCP 26 is more complex than what it replaced: it requires technicians to master Class Zero, understand the five phases of expenditure, know how to handle multi-year contracts, and close the fiscal year correctly. There was not always time and resources to prepare people before the standard came into effect.

There is also a third challenge, less discussed but equally serious: the registration of contingent liabilities. Ongoing legal proceedings, guarantees provided, contracts that have become onerous. The regulation requires that they be identified and monitored monthly. In practice, many entities do not have sufficiently integrated legal and financial systems to do this rigorously, which means that the State's real exposure tends to be underestimated.

9.1.1. Strengthening Controls and the Risk of Excessive Bureaucratization

One of the most debated aspects of NCP 26 is the tension between strengthening financial control and the operational efficiency of public entities. The model introduced by SNC-AP significantly increased the mechanisms for validating and tracing public spending, requiring the formal registration of each phase of the budgetary process.

While this reinforcement helps reduce the risk of expenditure without budgetary coverage and improves accountability, it also introduces additional levels of administrative complexity. In many entities, especially smaller local authorities, the multiplication of procedures, validations, and records translates into increased execution times and greater dependence on specialized technical resources.

In practice, the requirement to simultaneously comply with budgetary, asset, and reporting rules has led many entities to prioritize formal compliance over operational efficiency. The risk is that public accounting will come to be perceived merely as a bureaucratic control instrument, moving away from its function of supporting decision-making and public management.

9.1.2. The Captives and the Distortion of the Approved Budget

Although earmarked funds are presented as instruments of budgetary prudence, their recurring use raises relevant questions from the point of view of transparency and management autonomy of public entities.

In practice, earmarked funds allow for limiting expenditure execution without the need to formally amend the budget approved by the relevant authorities. This means that the initially approved budget may not correspond to the actual execution capacity available throughout the fiscal year.

This mechanism has been particularly used during periods of budgetary restraint to ensure compliance with public deficit targets. However, the systematic use of frozen funds can reduce the predictability of financial management and hinder the operational planning of entities, especially when the release of funds occurs late or only partially.

From this point of view, the captives constitute simultaneously an instrument of budgetary discipline and a potential factor for distorting the execution of the democratically approved budget.

9.2. What the Standard Brings That Is Genuinely New

Nevertheless, it is possible to identify relevant positive contributions that NCP 26 has brought. The budgetary information available today is substantially more detailed and reliable than it was ten years ago. The Assembly of the Republic, the Court of Auditors, and citizens have access to statements that show not only what has been paid, but also what has been committed, what remains to be paid, and what the plans are for the following years.

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The breakdown by funding sources, the mandatory use of the PPI (Public Investment Plan), and the linking of budgetary and financial accounting are real contributions to more transparent and accountable public management. For those who study or oversee public finances, the information made possible by the standard provides a much more solid foundation than what existed before – and this represents a significant improvement over the previously existing system.

The ability to integrate budgetary, financial, and multi-year information into an integrated accounting model is one of the most significant changes introduced by the SNC-AP compared to the previous system.

10. CONCLUSION

NCP 26 is, first and foremost, a control standard. Its central purpose is to ensure that no public euro is spent without authorization, registration, and accountability. By defining the mandatory phases of the budget cycle, the concepts shared by all entities, the statements to be produced, and the consolidation procedures, it creates the conditions for more rigorous and transparent public management.

What this work sought to show is that the standard goes further than that. It obliges entities to plan with a multi-year horizon, to register commitments as soon as they are made, to make potential liabilities visible, and to communicate all this in a structured way to very different users, from the average citizen to the auditor of the Court of Auditors. It is a considerable ambition, and largely justified by the history of opacity that has marked Portuguese public accounting for decades.

The implementation challenges remain significant, particularly regarding the adaptation of information systems, specialized technical training, and the integration between different accounting subsystems. Even so, the SNC-AP (Accounting Standards for Public Administration) represented a relevant step forward in the modernization of Portuguese public accounting, strengthening the mechanisms of control, transparency, and accounting harmonization in the public sector.

Despite the progress introduced by the SNC-AP (Accounting Standards for Public Administration), significant limitations remain regarding the technical capacity of public entities, the uniformity of information systems, and the effective use of accounting information as a management tool. The current challenge is no longer just formally complying with the standard, but ensuring that the information produced effectively contributes to more efficient, transparent, and sustainable public decisions.

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