

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA95**

*Italy*

**December 2013**

## Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States.

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**Annex I – list general government units**

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

## **A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data**

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into EDP B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

### **1. General Government**

This section describes the coverage of the General Government sector and the sub-sectors for [Italy](#).

The general government sector is composed by three sub-sectors: S.1311, S.1313 and S.1314. It includes:

#### **1.1. Central government subsector (S.1311)**

The *Central budgetary organisations* are State (Ministries, Prime Minister's Office), Fiscal agencies, Constitutional Bodies and Other Bodies of constitutional status. For these units more detailed information is provided in part. 3.2.1.

*Other Central organisations* (as published in the General Government List on **30 September 2013** on the Official Journal of the Italian Republic n. 229) are:

- Research Bodies (25)
- Economic activities regulatory bodies (10)
- Economic services producers (11)
- Independent administrative authorities (9)
- Associative type bodies (9)
- Institutions providing cultural assistance services (21).

There are no new organisations under “other Central organisations”.

#### **1.2. State government subsector (S.1312)**

In Italy there are no State budgetary organisations.

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### **1.3. Local government subsector (S.1313)**

Local government subsector includes the following units:

- *Local budgetary organisations are:*
  - Regions and Autonomous Provinces (22)
  - Provinces (107)
  - Municipalities'Unions (395)
  - Municipalities (8.092)
  - Mountains Development Bodies (250)
  - Chambers of Commerce (124)
  
- *Other Local organisations are:*
  - Tourism bodies (52)
  - Port Authorities (24)
  - Regional Health Agencies (10)
  - Regional Development bodies (10)
  - Employments Services Agencies (8)
  - Producers of Health services at local level (Local Health Agencies, Hospital Agencies, Public Research Hospital, University Hospitals) (257)
  - Institutions Providing Education, Cultural Services and Assistance at local level (Universities, University studies aiding bodies, Concert institutions and similar bodies, Consortia for university research, Natural park bodies, Regional bodies for research and environment) (573)
  - Other bodies at local level (Water Services Regulatory Authorities, Other bodies)(213)

### **1.4. Social security funds subsector (S.1314)**

In 2012, the Social Security institutions included into the updated S.13 list (released on October 15<sup>th</sup> 2013) were 22 units; compared to the 2011 list two of them, Inpdap (National insurance institute for employees of the public administration) and Enpals (National welfare and assistance office for workers in the entertainment business), have been merged with Inps (National institute of social insurance).

All the institutions included in the subsector S.1314 are classified as “Other Social Security institutions”.

Further details relating to practical aspects of sector classification for individual units into general government sector could be found in Chapter B, section 1.



## 2. Institutional arrangements

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA95 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

### Legal basis for the compilation of GFS and EDP data

The national law referring to the collection and the compilation of fiscal data is the law 31 December 2009 n. 196. It is applied to all bodies belonging to S.13 sector and defines the rules for public accounting registration. The law is presently testing and will be regularly applied by all bodies by 2015. There is no specific legal basis for the compilation of EDP data.

### 2.1. Institutional responsibilities for the compilation of general government deficit and debt data

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for general government are transmitted to Eurostat<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup> :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector including the list of taxes and social contributions according to national classification (annual data)

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

<sup>1</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search\\_database](http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database)

<sup>2</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/legislation](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/legislation)

<sup>3</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/excessive\\_deficit/edp\\_notification\\_tables](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/excessive_deficit/edp_notification_tables)

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**Table 1. - Institutional responsibilities for the compilation of General Government national accounts and EDP tables**

Institutional responsibilities <i>(the appropriate cells are crossed)</i>		NSI	MOF	NCB	Other	
<b>Compilation of national accounts for General Government:</b>						
Nonfinancial accounts	annual	X				
	quarterly	X				
Financial accounts	annual			X		
	quarterly			X		
Maastricht debt	quarterly			X		
<b>Compilation of EDP Tables:</b>						
EDP table 1	actual data	deficit/surplus	X			
		debt			X	
		other variables	X		-	
	planned data	deficit/surplus		X		
		debt		X		
		other variables		X		
EDP table 2 (actual data)	2A central government		X	X		
	2B state government		M	M		
	2C local government		X	X		
	2D social security funds		X	X		
EDP table 3 (actual data)	3A general government		X	X	X	
	3B central government		X	X	X	
	3C state government		M	M	M	
	3D local government		X		X	
	3E social security funds		X		X	
EDP table 4		X	X			

*NSI - National statistical institute including units subordinated to the NSI (the latter is to be specified in comments)*

*MOF – Ministry of Finance/Economy including units subordinated to the MOF (to be specified in comments)*

*NCB – National Central Bank*

*Other – other national body, to be specified in comments*

The institutions involved in the compilation of General Government national accounts and EDP tables are:

Istituto Nazionale di Statistica – Italian National Statistical Institute.

Ministero dell’Economia e delle Finanze – Ministry of Economy and Finance.

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Banca d'Italia – Bank of Italy.

- Istat is responsible for the compilation of actual General Government non financial accounts, defined according to Esa95. It is also responsible for the List of institutional units to be included in the Esa95 General Government sector.
- Ministero dell'Economia e delle Finanze (MEF) is responsible for State sector and public sector working balance and for all forecasts.
- Banca d'Italia provides data on Maastricht debt (outturns; levels, change and composition) and General Government financial accounts.

According to this arrangement, EDP tables are compiled on the basis of the scheme described above. In particular in tables 2, *working balance* and the section of *financial transactions* are compiled by MEF and all the other sections are compiled by Istat; in tables 3, the sections of *net acquisition of financial assets* and *the change in consolidated gross debt* are compiled by Banca d'Italia, the section of adjustment is compiled by Istat except the data on *issuances above or below nominal value, redemption of debt, appreciation or depreciation of foreign currency debt* of table 3B compiled by MEF and the same ones of table 3D compiled by Banca d'Italia.

The institutions involved in the compilation of EDP tables are the three institutions mentioned above. The final approval of EDP data to be transmitted to Eurostat is given by the Italian National Statistical Institute.

EDP tables are officially transmitted to Eurostat by Istat in electronic form via email and by mail. The tables are accompanied by an official letter signed by the Director of National Account Directorate.

Starting from September 2012 the EDP tables are transmitted also through eDAMIS.

### 2.1.1 Existence of an EDP unit/department

#### Istat organigramme

Presidenza	President's Office	PRES
Segreteria per il coordinamento tecnico-scientifico e le relazioni istituzionali e internazionali	Secretariat for Technical-scientific Coordination and Institutional and International Relations	PRS
<b>Scuola superiore di statistica e analisi sociali ed economiche</b>	<b>Advanced School for statistics and socio-economic analyses</b>	<b>SAES</b>
<b>Direzione Generale</b>	<b>Directorate General</b>	<b>DGEN</b>
Servizio Ragioneria	Accounting Division	RAG
Servizio pianificazione e controllo di gestione	Planning and Management Control Division	PEC
<b>Direzione centrale del personale</b>	<b>Human Resources Directorate</b>	<b>DCPE</b>
Servizio assunzioni, trattamento giuridico e contenzioso del lavoro	Recruitment, Employment Terms and Conditions, Labour Disputes Division	ATG
Servizio trattamento economico, previdenziale e norme di lavoro	Pay, Pensions and Work Rules Division	EPL
<b>Direzione centrale per l'attività amministrativa e gestione del patrimonio</b>	<b>Administrative Affairs and Asset Management Directorate</b>	<b>DCAP</b>
Servizio acquisizione beni, servizi e lavori	Goods, Services and Works Procurement Division	ABS
Servizio gestione logistica e tecnica dei lavori pubblici e procedimenti sanzionatori	Logistics, Public Works and Sanction Proceedings Division	LTA
<b>Direzione centrale per gli affari istituzionali, giuridici e legali</b>	<b>Institutional, Judicial and Legal Affairs Directorate</b>	<b>DCIG</b>
Servizio affari legali e contenzioso organizzativo e statistico	Legal Affairs, Organizational and Statistical Disputes Division	ALC
Servizio affari giuridici-organizzativi e regolamentazione	Judicial-Organizational Affairs and Regulation Division	AGO

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

<b>Dipartimento per i conti nazionali e le statistiche economiche</b>	<b>National Accounts and Economic Statistics Department</b>	<b>DICS</b>
<b>Direzione centrale della contabilità nazionale</b>	<b>National Accounts Directorate</b>	<b>DCCN</b>
<i>Servizio domanda finale di beni e servizi, impiego dei fattori produttivi, misure di produttività</i>	<i>Final Demand for Goods and Services, Input Use, Productivity Measures Division</i>	<i>DDR</i>
<i>Servizio offerta di beni e servizi e conti nazionali per settore istituzionale</i>	<i>Supply of Goods and Services and Institutional Sectors Accounts Division</i>	<i>OBS</i>
<i>Servizio statistiche della finanza pubblica</i>	<i>Public Finance Statistics Division</i>	<i>FIP</i>
<i>Servizio conti ambientali e sistema dei conti satellite</i>	<i>Environmental and Satellite Accounts System Division</i>	<i>CSA</i>
<b>Direzione centrale delle statistiche economiche strutturali sulle imprese e le istituzioni, del commercio con l'estero e dei prezzi al consumo</b>	<b>Structural Economic Statistics on Enterprises and Institutions, International Trade and Consumer Prices Directorate</b>	<b>DCSP</b>
<i>Servizio commercio con l'estero e attività internazionali delle imprese</i>	<i>Foreign Trade and International Business Activities Statistics Division</i>	<i>COE</i>
<i>Servizio prezzi al consumo</i>	<i>Consumer Prices Statistics Division</i>	<i>PRE</i>
<i>Servizio statistiche sull'agricoltura</i>	<i>Agricultural Statistics Division</i>	<i>SAG</i>
<i>Servizio statistiche strutturali sulle imprese e sulle istituzioni</i>	<i>Structural Business and Institution Statistics Division</i>	<i>SSI</i>
<b>Direzione centrale delle statistiche economiche congiunturali</b>	<b>Short-term Economic Statistics Directorate</b>	<b>DCSC</b>
<i>Servizio statistiche congiunturali sull'attività dell'industria</i>	<i>Short-term Industrial Sector Statistics Division</i>	<i>SCI</i>
<i>Servizio statistiche sull'attività dei servizi</i>	<i>Service Sector Statistics Division</i>	<i>SER</i>
<i>Servizio statistiche congiunturali sull'occupazione e sui redditi</i>	<i>Short-term Employment and Income Statistics Division</i>	<i>OCC</i>

<b>Dipartimento per le statistiche sociali e ambientali</b>	<b>Social and Environmental Statistics Department</b>	<b>DISA</b>
<b>Direzione centrale delle statistiche socio-demografiche e ambientali</b>	<b>Socio-demographic and Environmental Statistics Directorate</b>	<b>DCSA</b>
<i>Servizio struttura e dinamica demografica</i>	<i>Population Structure and Dynamics Division</i>	<i>DEM</i>
<i>Servizio sanità, salute ed assistenza</i>	<i>Population Health, Healthcare and Social Assistance Division</i>	<i>SAN</i>
<i>Servizio stato dell'ambiente</i>	<i>Environmental Conditions Division</i>	<i>AMB</i>
<i>Servizio struttura e dinamica sociale</i>	<i>Social Structure and Dynamics Division</i>	<i>SDS</i>
<b>Direzione centrale statistiche socio-economiche</b>	<b>Socio-economic Statistics Directorate</b>	<b>DCSE</b>
<i>Servizio condizioni economiche delle famiglie</i>	<i>Household Economic Conditions Division</i>	<i>CEF</i>
<i>Servizio istruzione, formazione e lavoro</i>	<i>Education, Training and Labour Division</i>	<i>IFL</i>

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

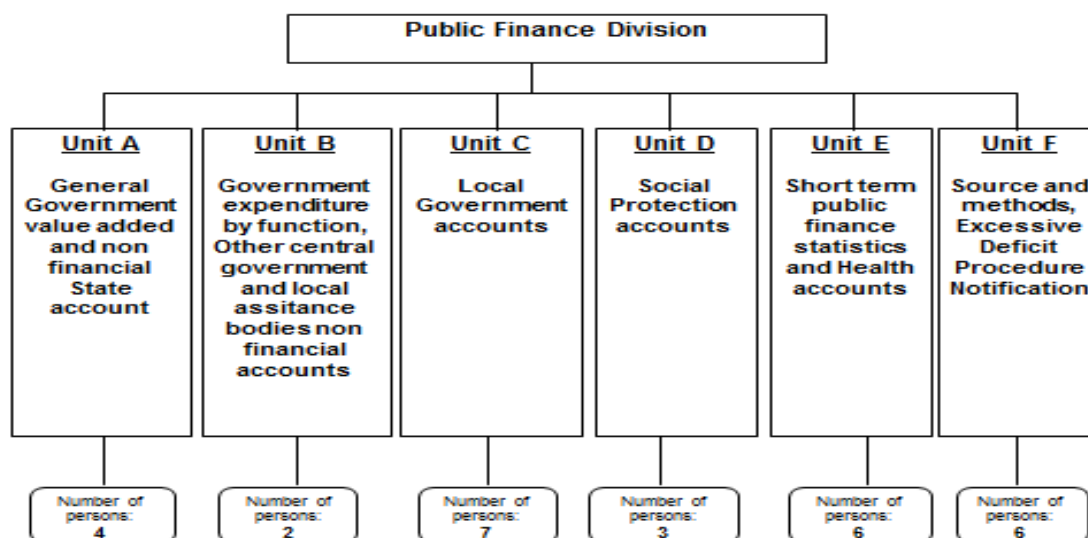
<b>Dipartimento per i censimenti e gli archivi amministrativi e statistici</b>	<b>Census, Administrative and Statistical Registers Department</b>	<b>DICA</b>
<i>Servizio delle metodologie, tecniche di integrazione e organizzazione per archivi, registri e censimenti</i>	<i>Methodologies, Integration and Organization Techniques for Archives, Registers and Census Division</i>	MTO
<i>Servizio per il coordinamento e il supporto informatico per archivi, registri e censimenti economici</i>	<i>Coordination and IT Support for Archives, Registers and Economic Census Division</i>	IAC
<i>Direzione centrale delle rilevazioni censuarie e dei registri statistici</i>	<i>Census and Statistical Registers Directorate</i>	DCCR
<i>Servizio di acquisizione e integrazione dei dati amministrativi</i>	<i>Administrative Data Acquisition and Integration Division</i>	ADA
<i>Servizio rilevazione per i censimenti economici</i>	<i>Surveys for Economic Census Division</i>	SCE
<i>Servizio dei registri delle unità economiche</i>	<i>Registers for Economic Units Division</i>	REG
<i>Servizio rilevazione per il censimento della popolazione e delle abitazioni</i>	<i>Surveys for Population and Housing Census Division</i>	SCD
<b>Dipartimento per l'integrazione, la qualità e lo sviluppo delle reti di produzione e di ricerca</b>	<b>Integration, Quality, Research and Production Networks Development Department</b>	<b>DIQR</b>
<i>Servizio metodi, strumenti e supporto metodologico per i processi di produzione</i>	<i>Methods, Tools and Methodological Support for Production Processes Division</i>	MSS
<i>Servizio studi econometrici e previsioni economiche</i>	<i>Econometric Studies and Economic Forecasting Division</i>	SEP
<b>Direzione centrale per le tecnologie dell'informazione e della comunicazione</b>	<b>Information and Communication Technology Directorate</b>	<b>DCIT</b>
<i>Servizio regolazione e sviluppo delle tecnologie ICT</i>	<i>ICT Regulation and Development Division</i>	RST
<i>Servizio esercizio delle tecnologie ICT e supporto agli utenti</i>	<i>ICT Operation and User Support Division</i>	ETS
<b>Direzione centrale per lo sviluppo dei sistemi informativi e dei prodotti integrati, la gestione del patrimonio informativo e la valutazione della qualità</b>	<b>Development of Information Systems and Corporate Products, Information Management and Quality Assessment Directorate</b>	<b>DCIQ</b>
<i>Servizio informazioni territoriali e sistema informativo geografico</i>	<i>Territorial information and Geographic Information System Division</i>	INT
<i>Servizio patrimonio informativo e sviluppo di prodotti e servizi integrati</i>	<i>Data Management and Development of Integrated Products and Services Division</i>	PSS
<i>Servizio sviluppo di sistemi dei metadati, della qualità statistica e coordinamento dei progetti europei di R&amp;S</i>	<i>Metadata and Quality Systems Development, European R&amp;D Projects Coordination Division</i>	SQC

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

<b>Direzione centrale per la diffusione e la comunicazione dell'informazione statistica</b>	Dissemination and Communication of Statistical Information Directorate	DCDC
<i>Servizio sviluppo e gestione dei servizi all'utenza</i>	<i>User Service Development and Management Division</i>	SGS
<b>Direzione centrale per lo sviluppo ed il coordinamento della rete territoriale e del Sistan</b>	<b>Development and Coordination of Territorial Network and National Statistical System Directorate</b>	<b>DCSR</b>
<i>Servizio per il coordinamento e lo sviluppo del Sistan</i>	<i>National Statistical System Coordination and Development Division</i>	SIS
<i>13 sedi territoriali</i>	<i>13 Territorial Offices</i>	
<i>Piemonte e Valle D'Aosta</i>	<i>Piemonte and Valle D'Aosta</i>	PVA
<i>Lombardia</i>	<i>Lombardia</i>	LOM
<i>Liguria</i>	<i>Liguria</i>	LIG
<i>Veneto e Friuli-Venezia Giulia</i>	<i>Veneto and Friuli-Venezia Giulia</i>	VEF
<i>Emilia-Romagna e Marche</i>	<i>Emilia-Romagna and Marche</i>	ERM
<i>Toscana e Umbria</i>	<i>Toscana and Umbria</i>	TEU
<i>Campania</i>	<i>Campania</i>	CAM
<i>Puglia</i>	<i>Puglia</i>	PUG
<i>Sicilia</i>	<i>Sicilia</i>	SIC
<i>Sardegna</i>	<i>Sardegna</i>	SAR
<i>Calabria</i>	<i>Calabria</i>	CAL
<i>Basilicata</i>	<i>Basilicata</i>	BAS
<i>Abruzzo e Molise</i>	<i>Abruzzo e Molise</i>	AEM
<b>Organismo indipendente di valutazione</b>	<b>Independent Performance Assessment Body</b>	<b>OIV</b>

In the Istat National Accounts Directorate - Public Finance division - a specific unit responsible for EDP Notification is called "Sources and Methods, EDP Notification tables".

### Public Finance Statistics Division organigramme:



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The staff of the EDP unit is involved in activities for the compilation of the EDP tables and the related questionnaire and reports to the head of Public Finance Division collecting information from MEF and Banca d'Italia, it elaborates the reconciliation between working balance and net borrowing and between net borrowing and change in General Government consolidated gross debt to ensure consistency across reported data.

The unit is involved in the analysis of the annual financial accounts for the General Government sector and in the estimation of annual other accounts payable and receivable. Some of the unit staff are involved in Eurostat working groups dealing with the correct application of national accounts standards.

The unit also processes the estimated annual gross capital formation and the depreciation of General Government by industry and product, at current and constant prices, according to economic, functional classification and by regions.

Moreover the unit is responsible for coordinating the design of the balance sheets of General Government.

### **2.1.2 Availability of resources for the compilation of GFS data**

The Public Finance Division in the National Accounts Directorate is composed by six units. Their task includes: producing and publishing the General Government aggregates; compiling EDP Tables and the questionnaire annexed and producing the estimates of General Government value added.

#### - General Government value added and non financial State accounts Unit:

Estimates the annual non financial accounts of the State starting from the acquisition of the State Budget Reporting at the maximum level of detail; it performs the analysis of consistency of data and reclassifications for the compilation of the non-financial accounts based on administrative sources. The estimates are produced on a cash and accrual basis, according to the economic and functional classification.

Estimates the State's value added, production and final consumption by branch of economic activity and by product at current prices, as well as by Regions.

The unit also coordinates the estimates of added value, production and final consumption for the all government units by industry and by product at current prices and the estimates of the compensation of employees by branch of economic activity.

The unit is in charge for the development of IT procedures and systems of control and validation of statistics compiled by the division.

#### - Government expenditure by function, other Central Government and Local assistance bodies non financial accounts Unit:

Compiles the annual non financial accounts of the Economic services producers, Research bodies and other Central bodies; estimates are produced on a cash and accrual basis according to the economic and functional classification

Estimates the other Central Government and Local assistance bodies value added, production and final consumption by branch of economic activity and by product, at current prices, and by Regions.

The unit coordinates the elaborations of the General Government expenditure by function according to COFOG classification.

The unit is responsible of the monitoring of the acquisition of sources concerning minor entities to ensure the completeness of the coverage of General Government accounts.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The unit looks after the national dissemination of all set of data on “National accounts of General Government” and the transmission of the table 0200, the table 0900 and the table 1100 included in the ESA Transmission Programme.

The unit is involved in developing methodologies for the evaluation of higher education by volume and expenditure on Research and Development.

- Local Government accounts Unit:

Compiles the annual non financial accounts for Local Government, on a cash and accrual basis by economic and functional classification.

Estimates the Local Government value added, production and final consumption by branch of economic activity and by product at current prices, and by regions.

Starting from the acquisition of Local Government budgets, the unit performs data quality controls and reclassifications necessary to compile the non-financial accounts according to ESA95 rules. The unit is involved in the integration of Local Government micro data for the integration of different sources.

The unit analyses the process of administrative decentralization linked to fiscal federalism and participates to the working groups coordinated by MEF for the harmonization of the budgets of Local bodies and for the definition of an integrated plan of accounts.

Elaborates the value added and the final consumption of the General Government at previous year prices and develops the underlying methodologies.

The unit coordinates the elaboration of General Government value added estimates by Regions.

- Social protection accounts Unit:

Compiles the annual non financial accounts for the National Social securities bodies and the National assistance bodies. The estimations are produced on a cash and accrual basis and are elaborated according to the economic and functional classification

Estimates the Social Security Funds value added, production and final consumption by branch of economic activity and by product at current prices, and by Regions.

The unit produces the annual consolidated accounts of social protection and social protection benefits by function according to the functional classification.

The unit produces data on social protection and social benefits by schemes according to ESSPROS Regulation (EC) n. 458/2007.

The unit is also involved in the development of the methodologies to calculate the pension entitlements as defined by Esa2010, in collaboration with MEF and Banca d’Italia.

- Short term public finance statistics and Health accounts Unit:

Produces the preliminary estimates at 45 days and the final estimates at 70 days of the General Government quarterly aggregates to contribute to GDP estimates.

It compiles the estimates at 90 days for the quarterly non-financial account of General Government, carrying out the collection of basic data, the updating of the archives and the analysis of the time series of indicators. Moreover it is involved in the studies on the application of methods of temporal breakdown of annual data and seasonal adjustments methods for the quarterly time-series.

The unit also produces the annual estimates on non financial accounts for Local Health Units. The estimations are produced on accrual and cash basis according to the economic and functional classification

Estimates the Local Health accounts value added, production and final consumption by branch of economic activity and by product at current prices, and by Regions.



Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The unit is responsible for the development of the methodology and the compilation of tables on public and private health expenditure by function and service provider (Oecd-Eurostat-System of Health Accounts (SHA));

- Source and Methods, Excessive Deficit Procedure Notification Unit:

Coordinates activities for the compilation of the EDP tables and the related questionnaire in collaboration with other institutions (MEF and Banca d'Italia).

It elaborates the data for the linking between working balance and net borrowing/net lending and between net borrowing and debt for the General Government and its sub-sectors.

It analyses the annual financial accounts and estimates the other accounts payable and receivable on the annual and quarterly basis. It helps to update the Manual on Government deficit and debt, participating in Eurostat working groups ensuring the correct application of ESA95 standards in the national accounts.

The unit provides estimates of the annual gross fixed capital formation and its depreciation for General Government by branch of economic activity at current and constant prices.

The unit is also responsible to coordinate the design of the balance sheets of General Government.

The GFS staff is engaged in checks and analysis of data sources, in processing of GG non-financial accounts, in compiling EDP tables, in managing quality of EDP and GFS data, in producing the General Government value added by branches and products to contribute to GDP estimates: participates to Eurostat working groups and task force activity to ensure the correct application of guidelines and standards in the national accounts.

The same staff is involved in providing data requested by:

- the International Monetary Fund;
- the Court of Auditors;
- the Ministry of Economy and Finance (MEF);
- Banca d'Italia;
- the OECD.

## **2.2. Institutional arrangements relating to public accounts**

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

### **2.2.1 Legal / institutional framework**

The general legal basis regulating the compilation of public accounts and the accounting rules is the Law 31 December 2009, no. 196.

On the basis of this law, the bookkeeping system used by government units and public corporations differs according to different groups of units. A standardized system of codification for revenues and expenditures, both on a cash and commitment (legal accrual) basis is under implementation on the basis of the requirements set by the law.

## Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The references to the inventory sections are:

- for the State the reference is to section 3.2.1 of the inventory;
- for other entities/other Central Government, section 3.2.2 of the inventory;
- for Local Government main units, section 3.4.1 of the inventory;
- for Local Government bodies/non profit institutions, producers of Health services, section 3.4.2 of the inventory;
- for Social Securities institutions, section 3.5 of the inventory.

Accounting records and evidence of all public units are being regulated by a number of Legislative Decrees as foreseen by law 196/2009.

Regarding the **law 196/2009** the Legislative Decrees are:

- *D.Lgs. 31 maggio 2011, n. 91* "Disposizioni recanti attuazione dell'articolo 2 della legge 31 dicembre 2009, n. 196, in materia di adeguamento ed armonizzazione dei sistemi contabili";
- *D.Lgs. 29 maggio 2011, n. 228* "Attuazione dell'articolo 30, comma 9, lettere a), b), c) e d) della legge 31 dicembre 2009, n. 196, in materia di valutazione degli investimenti relativi ad opere pubbliche";
- *D.Lgs. 29 maggio 2011, n. 229* "Attuazione dell'articolo 30, comma 9, lettere e), f) e g), della legge 31 dicembre 2009, n. 196, in materia di procedure di monitoraggio sullo stato di attuazione delle opere pubbliche, di verifica dell'utilizzo dei finanziamenti nei tempi previsti e costituzione del Fondo opere e del Fondo progetti";
- *D.Lgs. 30 giugno 2011, n. 123* "Riforma dei controlli di regolarità amministrativa e contabile e potenziamento dell'attività di analisi e valutazione della spesa, a norma dell'articolo 49 della legge 31 dicembre 2009, n. 196".

Regarding the **law 42/2009** on the fiscal federalism the Legislative Decrees are:

- *D.Lgs. 23 giugno 2011, n. 118* "Disposizioni in materia di armonizzazione dei sistemi contabili e degli schemi di bilancio delle Regioni, degli enti locali e dei loro organismi, a norma degli articoli 1 e 2 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 6 maggio 2011, n. 68* "Disposizioni in materia di autonomia di entrata delle regioni a statuto ordinario e delle province, nonché di determinazione dei costi e dei fabbisogni standard nel settore sanitario";
- *D.Lgs. 26 novembre 2010, n. 216* "Disposizioni in materia di determinazione dei costi e dei fabbisogni standard di Comuni, Città metropolitane e Province";
- *D.Lgs. 14 marzo 2011, n. 23* "Disposizioni in materia di federalismo Fiscale Municipale";
- *D.Lgs. 31 maggio 2011, n. 88* "Disposizioni in materia di risorse aggiuntive ed interventi speciali per la rimozione di squilibri economici e sociali, a norma dell'articolo 16 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 6 settembre 2011, n. 149* "Meccanismi sanzionatori e premiali relativi a regioni, province e comuni, a norma degli articoli 2, 17 e 26 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 28 maggio 2010, n. 85* "Attribuzione a comuni, province, città metropolitane e regioni di un proprio patrimonio, in attuazione dell'articolo 19 della legge 5 maggio 2009, n. 42";
- *D.Lgs. 17 settembre 2010, n. 156* "Disposizioni recanti attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento transitorio di Roma Capitale";
- *D.Lgs. 18 aprile 2012, n. 61* "Ulteriori disposizioni recanti attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento di Roma Capitale";
- *D.Lgs. 26 aprile 2013, n. 51* "Modifiche ed integrazioni al decreto legislativo 18 aprile 2012, n. 61, concernente ulteriori disposizioni di attuazione dell'articolo 24 della legge 5 maggio 2009, n. 42, in materia di ordinamento di Roma Capitale";

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- *D.Lgs. 6 settembre 2011, n. 149 "Meccanismi sanzionatori e premiali relativi a regioni, province e comuni, a norma degli articoli 2, 17 e 26 della legge 5 maggio 2009, n. 42".*

The institution responsible for bookkeeping standards used by public units is the Ministry of Economy and Finance. Representatives of Istat cooperate with MEF in order to guarantee the consistency and appropriateness of information recorded in each budget with the EDP purposes.

The Ministry of Economy and Finance is responsible for designing of financial statements. Various Ministries are responsible for the collection of the financial statement of specific groups of units (Ministry of health for Local Health Unit, Ministry of Internal Affairs for Provinces and Municipalities). Nevertheless each single unit is in charge for internal quality, consistency checks and validation

The Italian National Institute of Statistics is responsible for data collection from the upstream providers and processing of the data according to ESA rules.

Under the Law 31 December 2009, no. 196, starting from 2010, cash flows of most General Government bodies derive from SIOPE system and they are implemented in working balance calculation.

## **2.2.2 Auditing of public accounts**

### **2.2.2.1 General government units**

The institutional units which form the "General Government" (S.13) sector (over 11.000 subjects) are audited both at external and internal level.

As for the external audits the Court of Auditors carries out forms of mandatory auditing on more than 95% of S.13 units; those units account for a similar share of total public expenditure.

For 95% of the institutional units included in the sector S.13 (10.246 total units in 2012) the Court of Auditors's audits are carried out on the final budgets and they are compulsory for the majority of units with a frequency to be determined by rules or program control of the Court. They concern a financial-accounting audit.

With regard the residual institutional units, it should be noted that some of them are not subjected to the audit of the Court of Auditors under a specific provision of law (the Constitutional bodies and the Constitutional relevance bodies).

For other institutions, the control is activated by the Court of Auditors under similar conditions to those used for the units subjected to mandatory control but it is optional.

In general, it concerns minor entities of Central and Local Government. They are substantially the Chambers of Commerce, Labour agencies and Regional bodies, Regional Agencies for the labour relations.

It should be noted that non-direct control with regular periodicity by the Court of Auditors does not exclude indirect checks through the examination and the audit of the Government units that control them.

The Court of Auditors audits State, Local administrations (Regions, Provinces and Municipalities), Health authorities and Social security sector; audits guarantee the total coverage of public expenditure in those sectors.

The procedures for State and Regions accounts are designed to provide accurate audits on the regularity of the budget flows (the so called "Parifica").

There are also some kinds of financial and accounting compliance audit in each institutional unit of the sector comprising Provinces, Municipalities and National Health authorities (about 8.500 units).

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

The Court of Auditors (Central Audit Chamber for public bodies) carries out financial audit on the accounts of the Bodies subsidized by the State; this set currently includes 236 units, 152 belonging to the General Government sector and 84 partially to public corporation and partially to common law sectors.

It has to be underlined that some kinds of optional audit, of the same nature of mandatory audit, carried out by the Court of Auditors, can include even the totality of the units belonging to the General Government sector.

There are several forms of audit on public subjects and acts, with the following aims:

- a) Assessment of the matching (“Parifica”) – of the general State accounts and of general Regions accounts; it is aimed at checking the compliance of budget accounting items with accounting documents in Court of Auditors’s hands;
- b) A priori regularity audit on the main acts of the State (including audits on the financial coverage of the expenditure regulations);
- c) Financial and accounting compliance audits on the accounts of Regions, Local bodies and National Health authorities, extended also to the results of the bodies subsidized by those entities. Such audits encompass: 1) compliance audits on the management of the budget. The respect of domestic stability pact and the sustainability of debt; 2) assessment of the management of the Public Administrations’ internal audits;
- d) Performance audit of the financial management of State subsidized public bodies and of State controlled companies aiming at assessing the regularity of the management;
- e) Performance audits, with reference to the sound financial management of all Public Administrations, on the basis of the selection carried out during the annual planning of the audit activity

The audit timetable is as follows:

- Assessment of “Parifica” of the general State and Regions accounts; June of year T-1;
- Audits on consolidated accounts of local bodies and health authorities: within December of year T-1;
- Audits on national public bodies: within June of year T-1.

As for the State, the upstream data available to GFS compilers are submitted to the audit of the Court in October Notification for year T-1 and the results are automatically included in national accounts.

For the other entities the upstream data available to GFS compilers are submitted to the audit of the Court in April Notification for year T-2

The outcomes of the audit are released on the Court of Auditors institutional web site ([www.corteconti.it](http://www.corteconti.it)), in the audit databank, and sent to the Parliament and to the other elective assemblies at the same time.

The audit includes also the risk analysis and detailed audits.

The Italian regulations provide for external audits entrusted to the Court of Auditors which is organized into local chambers in each Region.

#### **2.2.2.2 Public units, not part of general government**

The Court of Auditors carries out its audits directly on 23 national public corporations and indirectly on local public corporations, as regards the effects on budgetary equilibrium of the controlling local body.

The features of the auditing are the same described in section 2.2.2.1.

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

## 2.3. Communication

### 2.3.1 Communication between actors involved in EDP

#### 2.3.1.1 *Agreement on co-operation*

The cooperation between institutions involved in EDP process (ISTAT, MEF, BI) is oriented to provide consistent and reliable data and is organised through cooperation agreements, under Istat coordination.

A Cooperation agreement renewed in December 2012, between Istat and MEF – State General Accounting Department, is aimed at managing the data exchange system aimed at compiling the General Government accounts and at providing to the MEF the statistical information required to the analysis of public finance evolution.

The agreement stipulates the content and the deadlines of the data exchange as regards:

- a. annual cash data for all aggregates of the General Government accounts (deadline indicated in the agreement is February 15 for data related to T-1);
- b. quarterly cash data, for most aggregates of the General Government accounts (deadline indicated in the agreement is 75 days after the end of the quarter);
- c. commitment and cash data for State Government expenditures and revenue (deadline indicated in the agreement is February 15 for data related to T-1);
- d. quarterly information on EU flows (deadline indicated in the agreement is February 15 for data related to T-1).

The agreement is signed by the President of Istat and the Head of the State General Accounting Department and can be reviewed and updated every 3 years.

There is also a Protocol of agreement signed in March 2011 between Istat and Banca d'Italia managing the exchange of statistical information, also regarding the EDP data.

A permanent working group was established by Istat in 2005, to examine all the issues related to the EDP notification process. The group is chaired by Istat and participated by Banca d'Italia and MEF (State General Accounting Department, Treasury Department, Finance Department).

Before every round of EDP notification a meeting of the working group is called in order to investigate the most relevant issues. Before each meeting an agenda is circulated among participants.

Istat is consulted for what concerns the timeliness data collection, and when changes in public accounting law are introduced in order to guarantee the continuity and the adequacy of the information for the compiling of accounts according to ESA rules.

#### 2.3.1.2 *Access to data sources based on public accounts*

The public accounts data for individual units/groups of units are delivered to Istat in various ways: the transmission is in general via excel files containing the main aggregates. In some cases pdf files with detailed information or qualitative information are transmitted as well. In terms of balancing items and main aggregate they are consistent in the different documents,

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The source data used for EDP data compilation is usually not certified by a signature of the responsible Government institutions.

Istat accesses to the database SIOPE (Sistema Informativo delle Operazioni degli Enti Pubblici). SIOPE is the standardized system of codification of each single cash transactions for Government units.

The coverage of units in the database compared to the S.13 list is almost complete for Local Government, while Social Security Funds and State are not included

Since SIOPE system only records cash flows, no information about stocks is available.

The data can be downloaded at any time in mdb format via a dedicated web area.

## **2.3.2 Publication of deficit and debt statistics**

### **2.3.2.1 Publication of EDP data**

The EDP figures are published at national level on 22<sup>nd</sup> of April and 22<sup>nd</sup> of October on the Istat website, after the Eurostat validation (<http://www.Istat.it/it/archivio/73036>).

The publication on Istat website is in the series *Informative Note for the press*, and includes a short presentation text and a statistical Annex with a set of three tables: EDP Table 1, Table 2 aggregated for General Government and EDP Table 3A.

The text is organised in two parts, the first gives general information on data notified, as the presence or not of the reservation on Italian national accounts, the responsibilities of each institutions involved in the compilation of data notified, the evolution of the main public finance aggregates shown in EDP table 1, the relevant revisions with respect to the previous release of data. The second part is a methodological note, providing specific guidelines for a correct interpretation and understanding of the content of the tables annexed.

Istat provides to users the reference to two experts (belonging to the Public Finance Statistics Division) that can be contacted for information and clarifications on data published; they have to be present in the office for the entire day of publication.

Data on Maastricht debt are published on a monthly basis by Banca d'Italia via the Supplement to the Statistical Bulletin: "The Public Finances, borrowing requirement and debt" available at <http://www.bancaditalia.it/statistiche/finpub/pimefp>. In case of revisions, data are accompanied by a Notice to readers which provide information on the magnitude and reason for changes in previously published statistics. The first release of data on Maastricht debt at the end of December of the previous year is published in mid-February.

As regards Maastricht debt, long time series are updated on monthly basis by Banca d'Italia (on the occasion of the release of the Supplement to the Statistical Bulletin: "The Public Finances, borrowing requirement and debt"). Time series can be retrieved via the public database <http://bip.bancaditalia.it/4972unix/homebipentry.htm?dadove=corr&lang=eng>.

### **2.3.2.2 Publication of underlying government ESA95 accounts**

Istat publishes the following releases:

- on March 1st of year T, the General Government net lending/net borrowing of year T-1, and the main aggregates of General Government accounts;

Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data

- in June and in November of year (T) the detailed General Government non financial accounts by sub-sector and groups of units, from the year 1990 to (T-1);
- in May and in November of year (T) the satellite accounts of Social Protection by areas of intervention (Social security, Health and Social assistance) period 1990 – (T-1);
- in December of year T the General Government expenditures by COFOG at second level by sub-sector for the period 2000 - (T-1).

All the data are coherent with the EDP notification data transmitted to Eurostat twice a year (by the end of March and the end of September).

For each release Istat publishes the related methodological note.

For the detailed national accounts the link is: <http://www.Istat.it/it/archivio/63156>;

For the satellite accounts of Social Protection the link is:

<http://www.istat.it/it/archivio/89665>; the section of the website presents the set of tables updated to May 2013, a methodological guide to the data and a glossary of the terms used. Since November 2013, the data are available only into the Istat data warehouse “I.Stat” in the website [www.istat.it](http://www.istat.it), theme: National Accounts/Environmental and other satellite accounts/Social protection accounts.

For the General Government expenditures by COFOG the link is:

<http://www.Istat.it/it/archivio/51721>. The section of the website presents the set of tables of public expense by COFOG, a data base to download, a methodological guide to the data and a glossary of the terms used.

### **3. EDP tables and data sources**

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA95

based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>4</sup>: net borrowing(-)/net lending(+)(EDP B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (ESA95 D.41 and EDP D.41)<sup>5</sup>.

This section focuses on Maastricht debt only. A detailed description of EDP B.9 calculation and data sources for individual subsectors is covered under section 3.2.

#### 3.1.1 Compilation of Maastricht debt

##### 3.1.1.1 *Specification of debt instruments*

Maastricht debt instruments are:

#### **AF.2 – Currency and Deposits**

This item refers to the following liabilities of Central Government (S.1311):

- a) Coins issued by the Treasury - valuation is at face value.
- b) Post office deposits (current accounts) - valuation is at face value.
- c) Post Office deposits (others) - valuation is at face value.

Two types of deposits are included in this item: “libretti” and “buoni postali”. Following the transformation and reclassification of Cassa Depositi e Prestiti (CDP) outside General Government (effective since December 2003) only “buoni postali” that had been transferred to the Ministry for the Economy and Finance at the time of the transformation and have therefore to be reimbursed by the Treasury, are included among General Government liabilities (new issuances are instead classified as CDP liabilities).

- d) Other deposits (with the Treasury) - valuation is at face value.

This item includes deposits that are held with the Treasury by institutional units classified in the private sector.

#### **AF.331 – Short-term securities**

This item includes mainly Central Government liabilities, such as “Buoni Ordinari del Tesoro” (BOT) and Commercial papers (CP). CP may be issued in euros or in foreign currencies but, in the latter case, they are, as a rule, immediately swapped in euros. At present the use of short term securities issued by Local Government units is negligible. Valuation is at face value.

#### **AF.332 – Medium and long term securities**

This item includes securities issued by both Central Government and Local Government units. It also includes securities issued by private bodies (e.g the Railways company - Ferrovie dello Stato SpA, Infrastrutture Spa) for which the State has agreed to pay back both interest and

<sup>4</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/documents/council\\_reg\\_479-2009](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/council_reg_479-2009)

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2001:344:0001:0004:EN:PDF>



principal. The valuation criterion is face value, included capital uplift. Data are consolidated between and within General Government. The corresponding value in euros of foreign currency denominated bonds is determined by applying the relevant exchange rate as observed at the end of the reference period. In case a swap has taken place, reference is made to the currency in which the bond was swapped.

*Central Government bonds*

a) BTP (“Buoni del Tesoro Poliennali”):

- interest rate: fixed (nominal);
- maturity: between 3 and 30 years;
- issuance: below, at or above par;
- currency: euros.

b) BTP€i (“Buoni del Tesoro Poliennali indicizzati all’inflazione dell’area euro”):

- interest rate: index-linked bonds with fixed nominal interest rate and uplift in the value of principal calculated on the basis of HICP-euro-zone;
- maturity: between 5 and 30 years;
- issuance: below, at or above par;
- currency: euros.

c) BTP-Italia (“Buoni del Tesoro Poliennali indicizzati all’inflazione italiana”):

- interest rate: index-linked bonds with fixed nominal interest rate and uplift in the value of principal calculated on the basis of Italian FOI inflation index (“Prezzi al consumo per le famiglie di operai e impiegati”), with the exclusion of tobacco products. Principal revaluation paid with semiannual-coupon; final bonus for investors - physical persons who hold the securities until the final maturity;
- maturity: 4 years;
- issuance: at par;
- currency: euros;

d) CCT (“Certificati di Credito del Tesoro”):

- interest rate: indexed to 6-month Treasury Bills (BOT) with a six-month lag;
- maturity: usually 7 years;
- issuance: below, at or above par;
- currency: euros.

e) CCT-EU (“Certificati di Credito del Tesoro indicizzati all’Euribor”):

- interest rate: indexed to 6-month Euribor with a six-month lag;
- maturity: usually 7 years;
- issuance: below, at or above par;
- currency: euros.

f) CTZ (“Certificati del Tesoro zero-coupon”):

- interest rate: fixed;
- maturity: 24 months;
- issuance: below par;
- currency: euros.

g) Prestiti della Repubblica (Global Bond and Medium Term notes):

- interest rate: both fixed and floating;
- maturity: usually above 5 years;
- currency: euros or foreign currencies;
- issuance: below, at or above par (on foreign markets, both within and outside the euro-area);

h) Bonds issued by Infrastrutture spa (Ispa) (following Eurostat decision issued on May 23rd , 2005)

Bonds issued for the financing of the high speed railways and former Ferrovie Spa Bonds. The valuation criterion is face value, included capital uplift.

*Local Government bonds*

- a) BOR (“Buoni Ordinari Regionali”)
  - interest rate: both fixed and floating;
  - maturity: usually above 5 years;
  - currency: euros or foreign currencies;
  - issuance: at par.
- b) BOP (“Buoni Ordinari Provinciali”)
  - interest rate: both fixed and floating;
  - maturity: usually above 5 years;
  - currency: euros or foreign currencies;
  - issuance: at par.
- c) BOC (“Buoni Ordinari Comunali”)
  - interest rate: both fixed and floating;
  - maturity: usually above 5 years;
  - currency: euros or foreign currencies;
  - issuance: at par.

**AF.41 – Short-term loans**

This item includes:

- a) loans from financial intermediaries to General Government units with maturity shorter than 1 year
  - b) loans related to the acquisition by financial intermediaries of Government trade debts (without recourse) - Eurostat's decision issued on July 31, 2012.
- The valuation is at face value.

**AF.42 – Medium and long-term loans**

This item includes:

- a) loans from financial intermediaries to General Government units with maturity longer than 1 year;
- b) loans from European Investment Bank (EIB) and Council of Europe Development Bank (COE) to Italian Government units;
- c) loans from financial intermediaries to Infrastrutture spa (Ispa) for the financing of the high speed railways (Eurostat decision issued on May 23, 2005).
- d) loans granted by the EFSF to euro-area countries (in the context of the financial support schemes agreed at European level- Eurostat decision issued on January 27, 2011). Data are taken from the official communication received from Eurostat on a monthly basis;
- e) financial leasing operations;
- f) securitisation operations undertaken by General Government units (Eurostat decision issued on July 3, 2002 and Eurostat Advice issued on September 4, 2006);
- g) loans that refer to private-public partnership operations are included under this item consistently with the Istat classification of this transactions. The valuation is at face value.

**3.1.1.2**                      *Data sources used for the compilation of Maastricht debt*

Data sources used for the compilation of Maastricht debt are:

- Security by security database

- Monetary Financial Institutions (MFIs), Other Financial Intermediaries (OFIs) and Post Office (PO) supervisory reports
- Reports on European Financial Stability Facility (EFSF) transactions and loans
- European Investment Bank (EIB) reports
- Public-Private Partnership (PPP) report
- Treasury report (“Conto riassuntivo del Tesoro”)
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records)

Data referred to Local Government units are also cross-checked directly with these units via a survey carried out in cooperation with Banca d’Italia regional branches.

*The institutional responsibilities for individual data sources are:*

- Security by security database: the database is managed by Banca d’Italia. The completeness and accuracy of the database is ensured by the role played by Banca d’Italia (Statistics Collection and Processing Department) as National Numbering Agency for ISIN codes. Furthermore, Banca d’Italia (Central Bank Operations Department) assists the Ministry of the Economy and Finance (MEF) in the management of the public debt and, on behalf of the MEF, organises and carries out placements/buy backs of Government securities and debt service. Cross-checks are performed by comparing the data with those received from Montetitoli (Italian Central Securities Depository) or published by Borsa Italiana (Italian Stock Exchange) and MEF.
- MFIs, OFIs and PO supervisory reports: Banca d’Italia is responsible for collection and management of data transmitted by supervised intermediaries. Data quality is ensured by the data validation process (before delivery to “end users”) performed at predefined deadlines and by supervisory activity on intermediaries (on-site and off-site supervision).
- Reports on EFSF transactions and loans: Eurostat transmits monthly to Banca d’Italia data on loans granted by the EFSF to euro area countries in the context of the financial support schemes agreed at European level (Eurostat decision issued on January 27, 2011).
- EIB reports: the EIB transmits monthly to Banca d’Italia data on loans granted to General Government units.
- PPP report: every year, before April EDP notification, Istat (NSI) transmits to Banca d’Italia a report summarizing the PPP operations (and their treatment in national accounts - on/off General Government balance) which have been analysed in year T-1 and updating those analysed in the previous years.
- Treasury report (“Conto riassuntivo del Tesoro”): monthly published by MEF and showing, inter alia, data on face value of coins issued by the Treasury.
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records): produced by Banca d’Italia offices in charge of managing the Treasury accounts.

*The timeline for each data source is:*

- Security by security database: monthly - two days after end of reference period.
- MFIs, OFIs and PO supervisory reports: monthly - within 40 days after end of reference period.

- Reports on EFSF transactions and loans: monthly - within 30 days after end of reference period.
- EIB reports: monthly - within 30 days after end of reference period.
- Public-Private Partnership report: yearly - within 30 days before April EDP notification.
- Treasury report (“Conto riassuntivo del Tesoro”): monthly - 80/90 days after end of reference period.
- Statements from the management of Treasury accounts held at Banca d’Italia (internal records): data on balances of the Treasury accounts are available one day after the end of the reference period.

The sources described above are used for the compilation of data, starting from the April notification. As a consequence, all the computations derive from source data and no estimation is made.

Data sources are regularly updated by data providers (for example MFIs might correct supervisory reports if a mistake is identified through checks regularly performed by offices in charge) which may result in a revision of the data referred to previous years released at the end of May and in mid-October. Typically revisions in source data are of limited magnitude; if data sources display significant changes, then the reasons determining the change are investigated.

#### *3.1.1.3 Amendments to basic data sources*

Data are directly available from data sources at face value. No correction is needed to align information to the Maastricht debt valuation criterion. The only exception is related to index linked bonds for which it is necessary to compute the revaluation.

For the details of sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument see answer to point 1 above.

Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume) depend on the specific case. For example in case of unit reclassification balance sheet data are considered together with evidence from public accounts.

Data are computed mainly on the basis of information not provided by direct sources (such as securities database and supervisory reports from financial intermediaries) and cross checked with information provided by Government units (for example ‘Conto riassuntivo’ published by the Treasury and a survey which is conducted directly with Local Government units conducted in cooperation with Banca d’Italia regional branches).

Source data (supervisory reports and security by security database) take into account change in the debtor (for example when guarantees are called or a debt assumption occurs). Generally no direct use of balance sheet data of General Government units is made. Sources for financial accounts and Maastricht debt are shared to ensure consistency.

#### *3.1.1.4 Consolidation of Maastricht debt*

Generally consolidated items refer to acquisition of Central (and to a lesser extent Local) Government securities by Social Security Funds and loans from Central Government to Local Government.

Data are derived from:

- MFIs, OFIs supervisory reports on securities holdings;
- CDP reports for loans to Local Government assigned to the Treasury at moment of the transformation of the CDP (December 2003; these loans are managed by CDP on behalf of the Treasury);
- State budget for Central Government loans to Local Government related to the plan aimed at reducing regional health deficits. The valuation criterion is face value.

Direct sources for loan consolidation are used for the accounts of both debtors and creditors, in Maastricht debt as well as in Financial Accounts. Therefore, no inconsistencies may arise. For securities, see point 5 below.

There are not relevant problems with inconsistencies in data on consolidation (see point 3 and 5 below)

Counterpart, supervisory information for securities holding (AF.3) is directly used to determine both assets and liabilities of Government subsectors. The same information is used for Maastricht debt consolidation, for the net acquisition of financial assets and for the liability side of Financial Accounts. It impacts on Maastricht debt as well as on B.9f. Therefore no amendment is needed.

### **3.2. Central Government sub-sector, EDP table 2A and 3B**

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA95.

#### **3.2.1 Data sources for main Central Government unit : “The State”**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The main Central Government unit, the State, as reported in the working balance of EDP T2A, refers to:

- Ministries and Prime Minister’s Office;
- Constitutional Bodies (the Chamber of Deputies, the Senate, the Presidency of the Republic, the Constitutional Court, the National Council for Economics and Labour — CNEL and the Supreme Council of Magistracy – CSM);
- Other Bodies of constitutional status: the Court of Auditors, the Prime Minister's Office, the Regional administrative Courts and Council of State;
- Fiscal agencies: Income Revenue Authority (Entrate), Regional Agency (Territorio), Customs Office (Dogane), State Property Agency (Demanio)

Table 2A includes all units belonging to State and other Central bodies listed in this section.

**Table 2 . - Availability and use of basic source data for the **main** Central Government unit**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+month</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
C/A1(*)	A	T+45	T+7	(3) Current and capital revenue and expenditure and financial transactions	x	x	x
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/A1	A	T+335	T+11	(8) Statistical surveys including Constitutional Bodies		x	
C/A1	A	T+40	T+7	• Budget reporting by economic category for Fiscal Agencies and others included in State definition		x	
C	A	T+45	T+9	(9) Other: State sector consolidated cash account		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

(\*) A1= Assessment/Commitment, in Italian public accounts they do not correspond to accrual basis defined by ESA, but they are rather "legal accruals"

Periodicity (column 2): M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period. Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively. Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

The basic data sources available for the compilation of non financial State accounts are the administrative documents (pre-final and final reporting) both for State and for other entities included in the State definition.

In particular, the State Budget Reporting is compiled by the State General Accounting Department (Ragioneria Generale dello Stato) of the Ministry of Economy and Finance (MEF). It includes all Ministries revenue and expenditure, but excludes Constitutional Bodies, Bodies with a constitutional status (Court of Auditors, Prime Minister Office, Regional Administrative Court; State Council), for which direct sources are used.

The State Budget Reporting is submitted to the Parliament and it is approved each year by the end of June; it includes revenue and expenditure recorded both on an assessment/commitments basis and on a cash basis<sup>6</sup>.

Assessment/commitments items have a legal nature, i.e. each recording is made on the basis of legal obligations defined by the institutional framework. On the other hand, the cash recordings refer to the quantification of total cash revenues/payments, irrespective of the accounting period in which they were assessed.

For the year T-1, in April notification of year T, the final State Budget Reporting is not available yet; so MEF provides to Istat half-finalized data, detailed by type of revenues and expenditures on an assessment/commitment and a cash basis.

For **Fiscal Agencies** included in the State definition, the basic data sources available for the compilation of non-financial accounts are represented by their budgets. Data are on cash and legal accrual (assessments/commitments) basis.

For **Constitutional bodies**, and other bodies of constitutional status data are based on a statistical survey carried out by Istat on the S.13 units not covered by other sources, using standard questionnaires. The survey, described more in detail in section 3.2.1.2,

In the April notification of year T for year T-1, as the results of the survey are not yet available, the MEF provides the reporting of cash accounts for other bodies included in State definition at T+40.

For **financial accounts**, liabilities are based on the same sources used for debt calculation (notably, direct information on issuance of securities and supervisory reports). The asset side is based on direct information provided by the Ministry of Economy, as far as possible. The main exception refers to bank deposits, for reason of consistency with monetary aggregates. Other Accounts receivable and payable (F.7), as well as adjustments for capital injections, super-dividends and other, are provided by ISTAT. The resulting B9f, as well as each single ESA95 financial instrument reported in Table 3, is the same as in the financial account.

### 3.2.1.1 *Details of the basic data sources*

#### ***Data sources used for compilation of national accounts***

A wide system of sources is used in compiling non financial State accounts. Only the items related to capital expenditure and capital revenue are calculated by using State WB.

The available data sources are the following:

- the State Budget Reporting transmitted by MEF to Istat after the approval by the Parliament, in July of year T referring to year T-1 data. It contains revenue and expenditure transactions detailed in “chapters”. The chapters are classified by economic category and, for the expenditures, by function (according to COFOG classification). Data are presented on legal accrual (commitments/assessments) and cash basis.

For the April EDP notification the expenditure of year T-1 based on half finalized data (pre-consuntivo) are provided by MEF on assessment/commitment and cash basis, aggregated in the Simplified account of State expenditures report; the transmission

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<sup>6</sup>The phases or stages are: assessment, collection and in-payment on the revenue side, and commitment, validation, authorisation and out-payment on the expenditure side.

takes place in January/February of year T (with an update in July). This report refers to the State budget expenditure, aggregated in order to provide the expenditure categories according to the ESA95 definition. In addition to this transmission, a set of detailed information concerning categories of transfers to other institutional sectors and to the General Government sectors as well, is transmitted; namely information refer to Subsidies, Capital grants, Other capital transfers, Current transfers. The transmission concerns both cash and commitment data.

- Detailed tax revenue transmitted in January/February of year T (updated in June/July) refers to T-1; the report contains data detailed by type of tax and by the way of collection (the ordinary method and the tax roll). Data are presented on legal accrual (commitments/assessments) and cash basis.
- the Consolidated State sector cash account that aggregates all cash revenue, (excluding lending operations), and all cash expenditure (excluding loan repayments), concerning State budget and Treasury operations, for the elaboration of the working balance. The Treasury operations report shows the balances of the State Treasury's current accounts managed by Banca d'Italia which are used for payments and receipts relating to Government transactions.
- The budgets of Constitutional bodies, Prime Minister's Office, Fiscal Agencies that are elaborated at the level of chapter and are transmitted by economic categories; data are on a cash and commitment basis, with the level of detail necessary to elaborate ESA95 categories.

The fields of observation of net borrowing and working balance are substantially coincident.

Non/financial versus financial flows are distinguished according to a detailed codification of transactions into State budget.

The structure of inflows and outflows is appropriate to identify different ESA95 categories. Detailed information are required by Istat and provided by MEF (through an ongoing process of analysis of the data) when specific treatments of single transaction have to be managed as broadly described in paragraph 3.2.1.3. Moreover, further clarifications about transactions might be asked whenever it is necessary, in general through an exchange of written note.

In the State Budget Reporting the flows which have to be consolidated between GG units/subsectors are identified by the codification of the transfers. The consolidation process is carried out by Istat through the available information from counterpart sources which are compared in order to guarantee the consistency of the consolidation.

Government data are fully appropriate on the (largely predominant) liability side, where stocks, flows and reconciliation are fully identified and broken down by financial instrument. On the asset hand, direct sources are generally aimed at capturing flows; stocks are therefore derived from flows. This also applies to assets and liabilities in AF.7. Exceptions include deposits, where stocks can be directly measured.

There are no complementary codifications. The present codification of the State budget was introduced by the State budget Reform Act (Law no 94/97). The recording of transactions in the State budget reporting is close to economic criteria set in ESA95 and classification by counterpart sector has been introduced. The coding allows to consolidate revenue and expenditure between the State and other public entities such as local bodies, and to identify the transaction toward other institutional sectors.

A new codification system has been adopted in SIOPE: a standardized system of codification for revenue and expenditure enforced by the 2003 Financial Law.



It collects information on receipts and payments of public bodies on a daily basis via the Italian Interbank Network (RNI) connecting the banking system and Banca d'Italia. At the end of each business day the bodies' treasurer banks send four data flows to the Banca d'Italia, containing information about transactions made in that same day (receipts and payments) and any variations made on previous days' receipts and payments. The data flows are checked for compliance with the Information Exchange Protocol drawn up by Banca d'Italia and the Italian Bankers Association (concerning format, completeness of information, etc.). The acquired data are therefore sent to the State General Accounting Department. The special codes adopted are denominated management codifications (codici gestionali) and allow identifying the beneficiary and the type of transaction. Under the Law 31 December 2009, no. 196, starting from 2010, SIOPE system has been used for working balance calculation.

### ***Working balance (WB)***

The working balance is used in the compilation of non-financial accounts only if the transactions are recorded on cash basis, namely for capital expenditure and capital revenue where commitment data do not meet the ESA time of recording rules. The information is available by unit, and by category of transaction.

When the working balance is used as basic source, the structure of inflows and outflows is sufficient even if less detailed than the information derived by State Budget Reporting

The units reported in the working balance are almost all the units of the S.13 list.

However, the full coverage is to be ensured starting since the 1st of January 2014 due to the complete entry into force of the Public Accounting Reform Law (Law 196/2009 as amended by Law 39/2010). In particular, a newly issued State Regulation (R. 16/11/2012) requires all Central administration included in the S.13 list the monthly transmission of cash data.

The base data for cash contains all the information to correctly classify financial and non-financial flows and there is a detailed classification of inflows and outflows.

MEF has full details in codification for the purpose of consolidation but no case of consolidated data sources.

There is no complementary codification at data source other than S.13.

#### ***3.2.1.2 Statistical surveys used as a basic data source***

An Istat survey (see table 2 above) is used as basic source for non-financial accounts compilation of Constitutional Bodies, Presidency of the Republic and the Court of Auditors.

The survey is coded in the National Statistical Plan ([PSN IST-02445 Bilanci consuntivi delle istituzioni pubbliche e private](#)). The main variables reported in the survey are: Compensation of employees, Intermediate consumption, Gross capital formation, Other taxes on production, Interests, Transfers on cash and commitment basis.

The survey is exhaustive and the response rate is generally 100%. In case of incomplete coverage the data of the missing units are estimated on the basis of the previous year data and according to the trend of similar bodies.

For the April EDP notification, results of the statistical survey are not available. Cash flows are provided by MEF concerning year T-1 and they are used to apply the trend of cash data to accrual data.

#### ***3.2.1.3 Supplementary data sources and analytical information***

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Supplementary data used for the compilation of non-financial accounts are based on administrative sources and they are detailed in the following paragraph

#### 3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

These are:

- State expenditure concerning military equipment under long term contracts transmitted by the Ministry of Defence in February year T and referred to year T-1, detailed by type of deliveries on cash and accrual basis that are used to estimate the deliveries on military equipment for the State;
- Detailed EU flows transmitted by a) MEF - Inspectorate General for Financial Relations with the European Union in February year T and referring to year T-1, with information on claims submitted, reimbursements and advanced payments. All of these flows are presented by beneficiaries (Regions, Other Public Bodies and Private Sector), by kind of fund and by different planning period (2000/2006 and 2007/2013); b) MEF – Inspectorate of Public Accounting and Finance, in February and July of year T and referring to the amounts on annual basis of the flows from EU Commission to Treasury accounts, and the amounts of flows from the Treasury accounts to cash manager for the year T-1. They are used to estimate the amounts included in the working balance of EDP table 2A and the adjustments among other accounts receivable/payable;
- Specific information on revenue and expenditure for the State related to Tax credit, reimbursements, dividends, privatisation receipts, lotteries, etc. are also provided by MEF-Inspectorate of Public Accounting and Finance, and used to correctly compile non financial State accounts according to ESA95 definitions.  
These data are available on annual basis and are updated according to the release of current data.

#### 3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

With the exception of F.7 and F.34, the liability side of financial accounts is based on the same NCB source used for Maastricht Debt. The latter mainly relate to cash-based time of recording. The accrual basis is obtained through direct quarterly reports (MEF- Treasury Department) which provide adjustment for discount and differences between interest accrued and paid for liabilities in bills, bonds and deposits.

On the asset side, the main source is direct (MEF's "Quarterly Report on Cash Borrowing Requirement") with specific breakdowns reported by MEF to the NCB. Accrual adjustments for loans, as well as corrections for capital injections and super-dividends are provided by the NSI. Those supplementary data include transactions with other Government subsectors. They are used at each quarterly production round. Corrections and accrual adjustments impact on transactions in F.2, F.31 and F.4, therefore affecting B.9f.

#### 3.2.1.4 *Extra-budgetary accounts (EBA)*

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called “extra-budgetary accounts” - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

In Italy, as a rule, all flows of financial and non-financial nature are recorded in the budgetary accounts.

*Non-financial flows recorded in EBA*

*Financial flows recorded in EBA*

**3.2.2 Data sources for other Central Government units**

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

The other Central bodies are:

- ANAS Spa
- Equitalia Spa (tax rolls collection);
- Italia Lavoro Spa;
- Other Economic Services Producers;
- Research bodies;
- Institutions Providing Cultural Services and Assistance at central level;
- Economic activities regulatory bodies;
- Independent administrative authorities;
- Associative type bodies.

**Table 3.a - Availability and use of basic source data for other Central Government units: Anas, Equitalia and Italia Lavoro**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
A	A	T+150	T+7	(5) Profit and loss accounts		x	
A	A	T+150	T+7	(6) Balance sheets		x	
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C	Daily	T+55	T+7	Reports on cash flows based on SIOPE system	x	x	x

See notes to table 2, on the used abbreviations.

For the main institutional units belonging to other Central Government units (Anas, Equitalia, Italia Lavoro) the basic sources are the profit and loss accounts, the balance sheets and the notes to the financial statements (where details of the main operations are described). They are compiled on accrual basis according to the business accounting rules and are available after the approval by the Board of Directors (120 days after the end of the financial year). Therefore, for the April EDP notification of year (T-1) the sources are not yet available and the first calculation of non-financial accounts is based on the cash data mentioned in Table 3.a, as “Reports on cash flows based on SIOPE system”, transmitted by MEF at T+55 and adjusted to meet the time of recording rules.

**Table 3.b - Availability and use of basic source data for other Central Government units: Other Economic Services Producers, Research bodies, Institutions Providing Cultural Services and Assistance at Central level**

Available source data			Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1		WB	B.9 (NFA)	B.9f (FA)

EDP tables and data sources - Central Government sub-sector, EDP table 2A and 3B

		<b>First results</b>	<b>Final data</b>				
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
		<i>T + days</i>	<i>T+month</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/A1/A	A	T+335	T+11	Istat Survey		x	
C	Daily	T+55	T+7	Reports on cash flows based on SIOPE system	x	x	x

See notes to table 2, on the used abbreviations

For the April EDP notification of year (T-1) the Istat surveys are not yet available and the first calculation of non financial accounts is based on the cash data mentioned in Table 3.b, as “Reports on cash flows based on SIOPE system”, transmitted by MEF at T+55 and adjusted to meet the time of recording rules.

### 3.2.2.1 Details of the basic data sources

The structure of the basic sources is appropriately distinguishing ESA95 categories and it is possible to identify flows consolidated between GG units/subsectors; the consolidation is in line with ESA95 rules.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.7 (NSI). There are no complementary codification at data source by counterpart sector insofar information on transactions by counterpart are included in the standards questionnaires.

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in table 3B, without any exceptions for Other Central Government units.

### 3.2.2.2 Statistical surveys used as a basic data source

For the Economic services producers (40 units), the Institutions providing cultural services and assistance at the central level (64 units) and the Research bodies (40 units) non-financial

accounts compilation, for the year T-2, is based on the survey carried out by Istat ([PSN IST-02445 - Bilanci consuntivi delle istituzioni pubbliche e private](#)). The survey is a census and covers a range of units belonging to both Central Government and Local Government, (the number of units indicated in brackets relate to the whole domain of the survey); the coverage is more than 80 %; the main variables are: Compensation of employees, payable, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers.

After checking the coverage, for missing large units, data are captured through direct contacts, while for smaller bodies data are estimated on the basis of alternative available sources or are imputed according to a standard procedure. In particular, for the imputation of total or partial missing value other sources are used in the following sequence: data collected in the previous year survey, data coming from SIOPE System (cash flows), budgets collected by Ministry of Economy regarding bodies obliged by law (art. 15 - 196/2009) to transmit their budgets electronically.

For year T-1 estimates the Istat surveys are not yet available and the first calculation of non financial accounts is based on the cash data listed in Table 3, as “Reports on cash flows based on SIOPE system”, transmitted by MEF at T+55 and adjusted to meet the time of recording rules.

### *3.2.2.3 Supplementary data sources and analytical information*

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

#### **3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts**

No supplementary sources are used to compile non financial accounts.

#### **3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts**

In financial accounts the liability side of “Other Central Government units” is based on banks reports on F.4. Liability also includes F.7 provided by the NSI. The asset side is based on the direct MEF’s “Quarterly Report on Cash Borrowing Requirement” with adjustments provided by the NSI. The information is available to financial accounts compilers on a regular basis, with the same timeliness of other General Government units. The only adjustment to those entries refers to the asset side: data reported in the Quarterly Report on Cash Borrowing Requirement is corrected according to description in 3.6.5.

### **3.2.3 EDP table 2A**

This section provides detailed information on individual lines reported in EDP T2A.

#### *3.2.3.1 Working balance - use for the compilation of national accounts*

The aggregates notified in the EDP table 2A – net borrowing and working balance - are calculated autonomously by Istat and MEF on different data sources and are reconciled except for a statistical discrepancy. WB is based on SIOPE System; NFA are calculated on the basis

of the State and the other central unit budgets. Therefore data sources used for the compilation of WB and NFA are different.

SIOPE represents the main source of data for the compilation of the “General Government Units’ Quarterly Cash Report”, presented to the Parliament according to the article 14 of the recent Accounting Reform Law (n. 196/2009) and reporting, on a quarterly base, public sector consolidated cash accounts, articulated by sub-sectors (State, social Security Institution, regions and autonomous provinces, Provinces and municipalities, Health Care, Other public sector bodies at Central and Local level).

According to the Italian 2003 Financial Bill (Law 289, December 2002, Art. 28 (commas 3, 4 and 5)), in order to comply with article 104 of the EU institutive Treaty, each General Government unit had to adopt a standardized codification system for recording revenues and expenditure, both on a cash and on an accrual basis.

SIOPE database acquires daily information on individual receipts and payments made by the General Government institutions through their treasurers and cashiers. The data are sent by cashier banks or postal offices to Banca d’Italia, through the national interbank network (NIN).

Banca d’Italia manages the SIOPE insofar cashier banks are connected with the NIN and Banca d’Italia is the State Treasury’s accounts manager<sup>7</sup>.

Moreover cashier banks send also a monthly summary report of the total flows of collections and payments, of the balances of the treasury’s accounts and of any other deposit entitled to each public institutions.

The collection of data flows in SIOPE follows a given path:

- 1) Each public administration attributes a code to single revenues and expenditures (encoding);
- 2) At the end of every working day the treasurer/cashier institutes forward to Banca d’Italia collected information relating to encoded receipts and payments made on behalf of each institution;
- 3) Treasurer/cashier Institutes communicate daily to SIOPE not only the information relating to encoded receipts and payments, but also those relating to: a). the receipts and payments made for which there is no possibility to assign a code because of the absence of a title (the so-called “carte contabili”); b).the subsequent regularization of all operations; c). any possible transfers of receipts and payments already reported.

Based on these information flows SIOPE daily updates the database, also with reference to the data transmitted in previous days. SIOPE data flows are homogeneously encoded according to the economic nature of the operations. In order to ensure proper implementation of the coding for each transaction, the decrees issued by the Minister of Economy and Finance provided also the "Glossary of management codes" (available on the website: [www.siope.tesoro.it](http://www.siope.tesoro.it)).

The Decrees set the rules to which institutions must comply in coding income and expenditure operations. The introduction of homogeneous codification system criteria however do not fully solve the problem of harmonization of accounting regulations as the codes are assigned according to the different budgetary accounting rules.

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<sup>7</sup> In Italy the State Treasury intermediates the majority of cash flows involving units of General Government.

In the near future a full homogenization of SIOPE chart of accounts is foreseen as a result of the implementation of the new Chart of accounts according to the principles laid down in the Public Budget Accounting Reform Law of 2009. The full adoption of the new Chart of Accounts (see Ministry Decrees 91 e 118/2011), is foreseen by 2014 and will result also in the harmonization of codes of SIOPE.

SIOPE database also monitor the amount of the "accounting records" (the above mentioned "carte contabili"), that is the operations not correctly coded and that have to be regularized. Until all the "accounting records" for a specific reference period are not regularized SIOPE data cannot be considered definitive. During the year, especially in the preparation of the final account or the financial statements, when institution finds errors in registrations, data flows are subject to adjustment. SIOPE is able to track any subsequent changes made by institutions to their accounts.

A special feature of SIOPE system is that each unit that contributes to feed it, has the opportunity to compare itself with the average position of the subset of Government units it belongs to. Therefore each municipality can compare its position with the average municipalities' position and the like.

#### *3.2.3.2 Legal basis of the working balance*

The Public accounting Reform Law gives the legal basis of the WB (Reform Budget Law 196/2009 -art. 10, art. 14 c. 4).

It is presented to the Parliament but it is not voted.

It is not audited as such but the major part of it (90%) is audited by the Court of Auditor (the State budget).

The State budget outturn is audited by June every year and it is publicly available.

The State budget may change as a result of audit and revision of B.9 are usually done if there is a change in the State budget.

#### *3.2.3.3 Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA95 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

##### **3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB**

Units reported in the working balance are almost coincident with the Government sector as defined by ESA95, a part from some few exceptions without impact on deficit.

##### **3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB**

See paragraph 3.2.3.3.1

#### *3.2.3.4 Accounting basis of the working balance*

The accounting basis of the WB is cash.



Pure cash is used for all transactions with only few, well identified deviations, due to "imputed" expenditure (i.e. except the case of mortgages granted to units outside the sector for which the burden of interest and principal is on the Government - Punctual adjustments are made to cash data). In this case the expenditure does not result from cash flows insofar it is paid by banks directly to beneficiaries).

There are no cases in the past four years when a "non-validated" expenditure by an auditing institution is not included in the working balance.

There are no cases in the past four years when expenditure related to previous period not validated in the past is included in the working balance.

There are no cases in the past four years when revenue or expenditure not recorded in the past due to different reasons were included in the current WB.

There are no cases in the past four years when planned (budgeted) expenditure not actually spent in the current year is recorded in the WB as an "actually" expenditure.

#### 3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

The accounting basis used for recording of interest expenditure and revenue in the WB is cash. The whole interest expenditure including the discounts and premium of the main entity are recorded in the WB and it is possible to identify the related amounts.

In EDP T2A the line Difference between interest paid and accrued concerns the interest expenditure (including discounts and premium) and the interest revenue related to loans granted by Central Government to Local Government. The adjustments to accrual interest for the main entities are reported also under the line Other accounts payable and they concern the interest expenditure due to delayed payment of tax refunds and wages.

Other adjustments to interest revenue are reported in EDP T2 under the line Other accounts receivable.

#### 3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2

The non-financial transactions amended on an accrual basis via receivables F.7 are Taxes, Social contributions, Payments for incidental sales, EU flows, Transfers and Subsidies, Dividends, Other capital transfers, Interest revenue.

The non-financial transactions - amended on an accrual basis via payables F.7 – includes: Taxes, Social benefits other than social transfers in kind, EU flows, Military equipment, Subsidies, Intermediate consumption, Compensation of employees, Capital Transfers, Gross capital formation, Current transfers, Interest expenditure due to delayed payment of tax refunds and wages.

Accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

#### 3.2.3.4.3 Other accrual adjustments in EDP T2

No other accrual adjustment is reported in EDP T2.

#### 3.2.3.5 *Completeness of non-financial flows covered in the working balance*

There are no adjustments for "Non-financial transactions not included in the working balance".

There are no non-financial flows put aside in the WB.

### 3.2.3.6 *Financial transactions included in the working balance*

The transactions in financial assets recorded in the WB according to the national legislation are Loans, shares and other equities and deposits. No transactions in financial liabilities are recorded in the WB.

Financial transactions recorded above the line are only transactions in asset.

MEF has detailed data directly transmitted by the government units.

The WB records all inflows and outflows due to granting/repayment of loans, purchase/sale of shares other equities and change in the deposits of the concerned unit.

### 3.2.3.7 *Other adjustments reported in EDP T2*

In the line "Other adjustments" there are several kinds of methodological adjustments:

- the item *Building securitisations and other building sales (Real Estate Fund) classified in table 2D* (negative sign) aims at neutralising the impact of securitisation of building on the Central Government working balance as these securitisations are deemed to impact the net lending of the Social Security Funds;
- the item *Cancellations of foreign debts* (negative sign) corresponds to the forgiveness of developing country debt, claims directly held by the Treasury. In the national accounts they correspond to capital transfer to the Rest of the World;
- the item *Additional cancellations Paris Club (rerouted via Government)* (negative sign) includes the capital transfers resulting from other debt cancellation benefiting foreign Governments;
- the item *Reclassification of revenue classified in dormant accounts* (negative sign) corresponds to the deposits of money and other financial assets deriving from the contractual relationships between private units and financial intermediaries or insurance not reclaimed for a period of ten years, starting from the date of availability of related amounts. These amounts not reclaimed are an entry of the WB to be cancelled as they are recorded as other change in volume (K.8) without any impact on the net borrowing; the item *Reclassification of revenue of uncompensated seizures* (negative sign) represents a revenue for the State in the WB that comes into possession of assets of other institutional units not corresponding to any payments of taxes, fines and similar levies. They are recorded as an other change in volume (K.8) without any impact on the net borrowing and they have to be eliminated from the WB;
- the item *Transfer of Local units deposits from banks to their accounts in the Central Treasury System* represents a consequence of an obligation imposed by law to the Local bodies in 2012 that moved their bank accounts in the Central Treasury. The reclassification (negative sign) aims at neutralising the positive impact on the working balance of Central Government (no impact on net lending of the Central Government) as these amounts are deemed to impact the Local Government (impact on net lending of Local Government);
- the item *Guarantees called* (negative sign) represents the payment for Government after a cash called guarantee. In national accounts it is recorded as a capital transfer from Government to the corporation and is classified as a financial transaction in the WB;

- the item *Reclassification of trade credits* (F.71) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4) represents the amounts related to factoring operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.71 to F.4 (Decision Eurostat 31st July 2012) without any impact on the WB;
- the item *Net Impact of EFSF* represents the impact of the recording in national accounts of the activity of the European Financial Stability Facility (EFSF). It is an imputation in national accounts without any impact on the WB;
- the item *Cash revenue from sales of non financial non produced asset recorded as repayments of loans in the working balance* represents the cash revenue from sales of non produced non financial asset (sales use rights frequencies) that the WB non correctly includes in loans reduction.

### 3.2.3.8 *Net lending/net borrowing of central government*

The aggregates notified in the EDP tables – net borrowing and working balance - are calculated autonomously by Istat and MEF based on different data sources. They are reconciled following the standard methodology. The statistical discrepancy therefore is a residual item resulting after the calculation of all the reconciliation items. It measures therefore the possible mismatching for some transactions deriving from the diversity of data sources used for the two aggregates.

For the WB calculation the main data source is Reports on cash accounts based on SIOPE system; for the calculation of Central Government net borrowing the main available sources are the State budget reporting, the Simplified account of State expenditures, the State Sector Cash Account, as described in the section of State and other Central Government units

For other Central Government units, the legal status of data source is cash, assessment/commitment or accrual basis depending on the legal status of the bodies (see tables 2, 3a and 3b above).

The national Court of Auditors audit the final revenue and expenditure account (Rendiconto Generale dello Stato) and the general assets and liabilities account (conto generale del patrimonio) of the State and of the other public units included in the Central Government sector.

The State Budget Reporting is yearly approved by the Parliament after a formal decision. This procedure is actually performed as a legal proceeding and it ends with an assessment (“Decisione sul Rendiconto Generale dello Stato”) that can be of total approval or can contain some remarks on specific issues.

All Central Government units are covered by the sources.

Adjustments are necessary to meet Esa95 requirements because the sources in most cases are based on cash/commitment data. depending on the kind of transaction involved.

All transactions in F.7, as reported in EDP T3 and in financial accounts, are fully consistent with the accrual recording of transactions impacting B.9, as reported in the last line of EDP T2.

All non-financial flows are covered in the source data for national accounts and B.9 compilation.

Since audited data are normally used by Istat, the results of audit are included automatically in the national accounts. Exchange of views regularly occurs between the Court of Auditors and Istat in order to examine the Court finding, that are available in the autumn, and can have an impact on the National accounts estimations.

### 3.2.4 EDP table 3B

#### 3.2.4.1 Transactions in financial assets and liabilities

The same database is used for compilation of financial accounts and B.9f as well as for EDP table 3. Each single ESA95 financial instrument reported in Table 3, as well as the resulting B.9f, is the same in the published ESA95 financial accounts as well as in EDP Table 3.

**Table 4. - Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets						Liabilities						
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7	
<b>Calculation of transactions</b>													
Transaction data ( integrated in public accounts)	x	x	x	x		x	x	x	x	Not existing	Not existing	x	
Other transaction data					x								
Stock data													
<b>Calculation of stocks</b>													
Transaction data		x	x	x	x	x						x	
Stock data	x						x	x	x				

#### Currency and deposits (F.2)

For deposits (asset side) with the Central Bank, first information is derived directly from Banca d'Italia accounting service; final data are from Banca d'Italia's financial statement. For deposits (asset side) with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments.

Deposits on the liability side of Government are provided by the direct source. Individual data are available.

For Treasury Accounts with the NCB stocks and transactions are simultaneously covered. For deposits with commercial banks, stocks and other change in volume are reported.

Deposits on the liability side are integrated in public accounts. On the asset side, the supervisory reports, as well as the Central Bank financial statement are an independent source. The results from basic data sources are not compared with counterpart data and other information for this subsector.

No amendment is made using counterpart information. Government assets correspond exactly to data in the Central bank financial statement and to the Supervisory Reports. Government liability in deposits is not covered by supplementary sources.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Liability in deposits is reported on an accrual basis in the balance sheets. The corresponding unpaid interest is reported as flow into the parent instrument (F.2) and impacts B.9f accordingly. Deposits on the asset side are reported on a cash basis.

The time of recording is accrual basis for liabilities. The asset side is cash based, but components of unpaid interest appear to be negligible.

#### Securities other than shares (F.3)

Central Government's holdings of securities have been essentially those made by Cassa Depositi e Prestiti, mainly Government bonds. Such data have been included up to December 11 2003, on the basis of a direct source (monthly financial statistics by Cassa Depositi e Prestiti). This is significant for backdata only. Data on the liability side are the same described for the Debt database, exhaustive with individual data. Accrual adjustments are provided by a direct source (MEF). No other sources are used. Stocks and transactions are simultaneously covered. Only the component for accrued interest is fully integrated in public accounts. Other sources are not available for this item. No amendment is made using counterpart information or MBS, or other supplementary data.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument, whereas at General Government level, consolidation is the same as for Government Debt.

Financial transactions are recorded on an accrual basis. The time of recording is on accrual basis.

#### Loans (F.4)

Information on loans granted by the Central Government is taken by the Quarterly Report on Cash Borrowing Requirement. As of September 2005 notification, loans included in a residual item of the Quarterly Report on Cash Borrowing Requirement (i.e. "Altre partite finanziarie") are directly provided by MEF (Ragioneria Generale dello Stato) on a regular basis. Those data do not include debt cancellation versus developing countries, since they involve transactions not impacting on borrowing requirement (concluded without the intermediation of an Italian bank and therefore not covered by the indirect sources). The corresponding figures, entering both the Balance of payments and the financial accounts-EDP data, are collected via direct reports to Istat. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are available. The direct source data on asset refers to transactions. Data used in public accounts are fully integrated. No other sources are available for this item.

No amendment is made using counterpart information.

Regular amendments to data sources due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources.

The time of recording is on accrual basis.

#### Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) held by Central Government are computed starting from information reported in the Quarterly Report on Cash Borrowing Requirement, integrated by direct information on "Altre partite finanziarie". The second step to compile ESA95 net transactions is to compute data on privatization receipts: information on such receipts is provided by Banca d'Italia's accounting

service, on the basis of payments to Treasury accounts held with Banca d'Italia. Data are exhaustive and individually available. No liability available. No other sources are used. The original information is directly available in form of transaction.

In public accounts data are integrated.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS, or other supplementary data.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and they are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on an accrual basis.

The time of recording is on accrual basis.

#### Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn from the Insurance corporations' annual balance sheet; the split between holding sectors (including Government) is estimated on the basis of weights in the premium payments, resulting from previous years national account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. There is no Government liability in F.6. Supplementary data sources used are Reports by Insurance Companies. Direct data sources on transactions are used.

In public accounts data are not integrated.

No comparison among the results from basic data sources with counterpart data and other information are available.

No amendment is made using counterpart information or MBS and other supplementary data.

No regular amendment to data sources, due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on an accrual basis.

The time of recording is on accrual basis.

#### Other financial assets (F.7)

The component of Other financial assets in Other accounts receivable and payable (F.7) is provided by Istat (see par. 3.2.3.4.2) for a full description.

In the previous list of financial instruments, counterpart information, from Money and Banking Statistics, is directly used only for assets in deposits. This therefore impact on B.9f. Other supplementary sources, notably Balance of Payments and International Investment Position (IIP) statistics, are used for cross checks or for better identification of counterpart split, but they do not impact on total assets, nor on B.9f. Currently, consolidation is not relevant on the asset side of Central Government. Transactions are evaluated at market value, since estimates are based on actual flows of payments. Consistency in time of recording with the non- financial accounts is then taken into account via the AF.7 and other regular adjustments described above, provided by Istat. In the most relevant case, i.e. financial assets in loans, the accrual adjustment provided by Istat is included into the parent instrument (i.e. F.4 and not F.7). It should be stressed that those amendments, as well as F.7, are calculated by Istat on an individual transaction basis, and never on a residual basis.

### 3.2.4.2 *Other stock-flow adjustments*

- The item *Issuance above/below nominal value* reports the net amount of issued premium (issuance above nominal value) and issued discount (issuance below nominal value).

In case of nominal bond:

$(100 - \text{issue price}) * \text{amount of the issued tranche}$ .

In case of indexed bond the uplift accrued at the issue date is considered:

$(100 - \text{issue price}) * \text{index coefficient at issue date} * \text{amount of the issued tranche}$ .

Four kinds of liabilities are taken in consideration: BOT; CTZ; BTP; CCT. The first two are zero coupon bonds (less or 1 year and 2 year of tenor respectively) BTPs are fixed rate notes issued in 3, 5, 10, 15 and 30 years; index linked BTPs can have 5, 10 and 30 year tenor. CCTs are 5 or 7 year floating rate notes. All these securities are issued by the public debt management division, which is one of the divisions of the Department of Treasury, Ministry of Finance. Hence, all information comes from that division which is also regularly reporting on the public debt website ([www.publicdebt.it](http://www.publicdebt.it)).

In detail, in the Area "National Government Securities Issuances" announcements and auction results can be found. In the Quarterly Bulletin, published with one month lag, the issuance summary of the previous 3 months is provided.

- the item *Difference between interest accrued and paid* reports for Government securities, the difference between interest paid, entered with positive sign, and interest accrued, entered with negative sign.

For zero coupon bonds, there is only the accrual component given that interests paid are already included in the nominal debt variation.

For the State it also includes the interest expenditure on postal current accounts and current accounts of CDP (Cassa Depositi e Prestiti) in the Treasury (F.2), the interests on loans granted by CDP.

A small amount of interests concerns for other units of General Government like ANAS, Research bodies.

- the item *Interest flow attributable to swaps and FRAs* includes the net cash flow attributable to swaps. In table 3 EDP swaps' flows are treated as ordinary interest flows but the cash amount is subtracted to the difference between interest accrued and paid related to swaps and included in the item above. So the final flow impacting on the line Difference between interests accrued and paid is the accrued amount of interest swaps (with negative sign). This amount exactly balances what is included in EDP B.9 first row of table 3.

- the item *Redemptions of debt above/below nominal value* reports the difference between the repurchase price and the nominal value.

In case of nominal bond:

$(\text{repurchase price} - 100) * \text{repurchased amount}$

In case of indexed bond the uplift accrued at the settlement date is considered:

$(\text{repurchase price} - 100) * \text{index coefficient at settlement date} * \text{repurchased amount}$

Data are from the Department of Treasury which is in charge for buy back and exchange transactions.

- the item *Appreciation/depreciation of foreign currency debt* includes the valuation changes due to exchange rate fluctuations for foreign currency denominated debt not hedged through a cross currency swap.

The adjustment is made for both realized and unrealized amounts, including those incurred and those repaid during the year.

The Department of Treasury is the data source for this item which is compiled according to MGDD rules.

- No case reported in the item "*Changes in sector classifications*" occurred in the last four years

- No case reported in the item "*Other volume changes in financial liabilities*" occurred in the last four years.

#### 3.2.4.3 *Balancing of non-financial and financial accounts, transactions in F.7*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

##### *Allocation of discrepancy B.9 vs B.9f*

Financial and non-financial accounts are shown as they result, without any re-allocation of discrepancies. Therefore, there is no impact either on B.9 or on B.9f.

##### *Changes to intermediate data*

Counterpart information is used for bank loans, with impact on B.9f.  
Discrepancies are shown without re-allocation.

##### *Complementary elements on stocks/*

The discrepancy between B.9 and B.9f are not re-allocated.  
As a consequence, data on stocks of assets or liabilities of any financial instrument are not changed.

##### *Accruals*

The discrepancies observed are mainly due to different data sources used for the compilation of NFA and FA. In some cases, regarding the flows of transfers between sub-sectors, discrepancies can be partially due to the different time of recording for the two sources involved.

They are mainly observed in S.1311 and S.1313.

When discrepancies tend to increase the permanent working group with three institutions involved (Istat, Banca d'Italia and MEF) is called to discuss these values, to examine and validate the transactions included in the EDP tables.

There is not any specific threshold.

### **3.3. State government sub-sector, EDP table 2B and 3C**

This section is not applicable (M).



### **3.4. Local government sub-sector, EDP table 2C and 3D**

Information provided in this section refers to data sources available for Local Government sub-sector (S.1313), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1313, and explains the adjustments made in order to comply with ESA95.

In order to give a clear picture of the framework of sources used to compile Local Government accounts, Table 5 has been split in two: the first table provides the information on sources used for estimates of year T-1, the second, the sources used for years from T-2 to T-4. The combined reading of the two tables makes easier to describe the timing in the process of updating and using of the sources and their characteristics.

#### **3.4.1 Data sources for Local Government main units: [Regions, Provinces and Municipalities](#)**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Local Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

For April EDP notification calculation of B.9 is based on data derived by SIOPE System (see par. 3.2.1.1) Data from SIOPE are directly and continuously available to Istat through a dedicated web area. They are used by Istat to estimate the accrual data for year T-1 by applying the cash variation between years T-2 and T-1 to the accrual data of year T-2. The cash data are then used to reconcile B.9 and working balance (which is based on SIOPE data).

SIOPE is updated in real time (on a daily basis) by the units that contribute to the system. They record every day the new transactions and revise the recordings of the previous period (they are allowed to reclassify transactions one year backward). Therefore the reliability of the data in the system improves progressively over time. Nevertheless, at T+45 days (when Istat downloads the data for year T-1) the data are sufficiently stabilised and only minor adjustments are introduced in the following months.

**Table 5.a - Availability and use of basic source data for main Local Government units: Regions (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	O (daily)	T+45	T+9	Report on cash accounts based on SIOPE system	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

**Table 5.b - Availability and use of basic source data for main Local Government units: Regions (T-2)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				<b>Budget Reporting</b>			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/O(Assessment/Commitment)	A	T+30	T+2	(8) Statistical surveys		x	
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

The survey conducted by Istat, aim at collecting directly by **Regions** the budget reports containing all revenue and expenditure items of each Region, codified for each category of transaction according to the economic and functional (for expenditures) classification scheme (SIR) agreed among Regions and detailed for legal accrual (assessments/commitments) and cash data. The data of the accounts referred to year T-2 are transmitted since June of year T-1 till January of year T.

The collection of Regions data through the survey mentioned above is exhaustive.

**Table 5.c - Availability and use of basic source data for main Local Government units: Municipalities and Provinces (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T + days	T+months		cross appropriate cells		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	O (daily)	T+45	T+9	Report on cash accounts based on SIOPE system	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

For April EDP notification, the compilation of B.9 is based on data derived from SIOPE System (see par. 3.2.1.1). Data from SIOPE are directly available to Istat any time through a dedicated web area. They are used by Istat to estimate the accrual and cash data for T-1 year by applying the cash variation between years T-2 and T-1 to the accrual data of T-2 year. SIOPE is continually updated (on a daily basis) by the units that contribute to the system. They record every day the new transactions and revise the recording of the previous period (they are allowed to reclassify transactions until a year backward). Therefore the reliability of the data in the system constantly improve along the year. Nevertheless, at T+45 days

(when Istat downloads the data for year T-1) the data are sufficiently stabilised and only minor adjustments are introduced in the following months.

**Table 5.d - Availability and use of basic source data for main Local Government units: **Municipalities and Provinces (T-2)****

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/O(Assessment/Commitment)	A	T+45	T+10	(8) Survey on current and capital revenue and expenditure and financial transactions		x	
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

The final account certificates are collected by the Ministry of Internal Affairs and then transmitted to Istat. The certificates refer to Provinces, Municipalities and Unions of

Municipalities and contain all revenue and expenditure items of each unit, codified for each category of transaction according to the economic and functional (for expenditures) classification on legal accrual (assessments/commitments) and cash data.

Data referring to year T-2 are available to Istat as provisional, in January of year T; the *final version* of data of T-2 is available to usually in October/November of the year T.

As for the first transmission of T-2 data by the Ministry of Internal Affairs (January of year t), the coverage is not full, although in the recent years the coverage is becoming more satisfactory (exceeding 85%). Thus, it is necessary to treat non responses appropriately. As a first step, there is a follow-up targeted to bigger institutions in order to collect the certificates directly at the units; then missing responses of the residual set of units are estimated using population data.

For financial accounts, the same database is used for B.9f compilation as well as for each financial instrument in table 3, without any exception.

#### 3.4.1.1 *Details of the basic data sources*

##### ***Data sources used for compilation of national accounts***

No unit has to be excluded from the calculation of B.9 for Regions, Municipalities and Provinces. The details of available basic sources allow distinguishing non/financial versus financial flows.

An additional detail of financial transaction, for the purpose of better distinguishing of non/financial versus financial flows is also provided by MEF.

The structure of inflows and outflows is in general appropriate. Nevertheless difficulties may arise because of the level of aggregation or the absence of information about counterparts of transactions. In these cases it is necessary to contact directly the units for collecting ad hoc information and clarifications.

In the SIOPE system database (used for T-1 estimations) some information are more aggregated than the ESA95 classification and it is not easy to distinguish the single item (e.g. the single outflow can be the sum of expenditures related to different goods).

Flows which have to be consolidated among the units belonging to the subsector can be identified. Data available from basic data sources are not consolidated but they contain the details about the flows (expenditures and revenues) among the units included in GG sector and its sub-sectors and with the other institutional sectors. For Municipalities and Provinces counterpart information are available from the economic classification; transfers are classified according to the counterpart sector corporations, other institutional sector (households and NPISH) and other Government bodies. Relevant details for a better classification of transfers by counterpart sector come from the SIOPE system of classification of cash payments and receipts.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct sources (MEF) are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.7 (NSI).

### ***Working balance (WB)***

#### **3.4.1.2 *Statistical surveys used as a basic data source***

No statistical surveys are used for the compilation of non-financial accounts.

#### **3.4.1.3 *Supplementary data sources and analytical information***

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

##### **3.4.1.3.1 *Supplementary data sources used for the compilation of non-financial accounts***

No supplementary data sources are used for the compilation of non-financial accounts.

##### **3.4.1.3.2 *Supplementary data sources used for the compilation of financial accounts***

With the exception of F.7 and F.34, the liability side of financial accounts for Local Government is based on the same NCB source used for Maastricht Debt. Those latter mainly relate to cash-based time of recording. On the asset side, the main source is direct (MEF's "Quarterly Report on Cash Borrowing Requirement") with specific breakdowns reported by MEF the NCB. Accrual adjustments for loans are provided by the NSI, as well as corrections for capital injections and super-dividends. Those supplementary data include transactions with other Government sub-sectors. They are used at each quarterly compilation round. Corrections and accrual adjustments impact on transactions, therefore affecting B.9f.

#### **3.4.1.4 *Extra-budgetary accounts***

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

There are no extra-budgetary accounts in Italy.

### **3.4.2 *Data sources for other Local Government units***

This section describes data sources available and used for compilation of national accounts and EDP tables for other Local Government units.

Other Local Government Units are:

- Chambers of Commerce;
- Mountain Development Bodies;
- Tourism bodies;
- Port Authorities;

- Regional Health Agencies;
- Regional Development bodies;
- Employments Services Agencies;
- Local Health units: (Local Health Agencies (ASLs), Hospital Agencies (AOs), Public Research Hospital (IRCCSs), University Hospitals (AOUs).
- Institutions Providing Education, Cultural Services and Assistance at local level (Universities, University studies aiding bodies, Concert institutions and similar bodies, Consortia for university research, Natural park bodies, Regional bodies for research and environment);
- Other bodies at local level (Water Services Regulatory Authorities, Other bodies).

**Table 6.a - Availability and use of basic source data for Local Government units other than LHUs (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	O	T+45	T+6	Cash report based on SIOPE system	x	x	x

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.



EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period. Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

For April EDP notification compilation of B.9 is based on data derived by SIOPE System (see par. 3.2.1.1) Data from SIOPE are directly available to Istat any time through a dedicated web area. They are used by Istat to estimate the accrual and cash data for T-1 year by applying the cash variation between years T-2 and T-1 to the accrual data of T-2 year.

SIOPE is continually updated (on a daily basis) by the units that contribute to the system. They record every day the new transactions and revise the recording of the previous period (they are allowed to reclassify transactions until a year backward). Therefore the reliability of the data in the system constantly improve along the year. Nevertheless, at T+45 days (when Istat downloads the data for year T-1) the data are sufficiently stabilised and only minor adjustments are introduced in the following months.

**Table 6.b - Availability and use of basic source data for Local Government units other than LHUs (T-2)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		T+ days	T+months		cross appropriate cells		
				<b>Budget Reporting</b>			
C/A	A	T+15	T+1	(3) Current and capital revenue and expenditure and financial transactions		x	
				<b>Financial Statements</b>			
A	A	T+15	T+1	(5) Profit and loss accounts		x	
A	A	T+15	T+1	(6) Balance sheets		x	
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.  
Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### Local Health Units

In case of Local Health Units the same source is used for T-1 and T-2 estimations. Hence, the table 6.c has not been split.

**Table 6.c - Availability and use of basic source data for other Local Government unit:  
Local Health Units (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+months</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
				(2) Current and capital revenue and expenditure			
				(3) Current and capital revenue and expenditure and financial transactions			
				<b>Financial Statements</b>			
A	Q/A	T+55	(T+13)	(5) Profit and loss accounts		x	
A	Q/A	(T+395)	(T+25)	(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### 3.4.2.1 Details of the basic data sources

#### *Data sources used for compilation of national accounts*

Other Local Government units include a wide range of bodies with different accounting systems (public accounting or business accounting systems). Hence, according to the type of body both budget reporting and financial statements are used as sources, collected through a dedicated Istat surveys, referred to year T-2 through a standard form. The data are on legal accrual/ cash basis, or profit and loss accounts and balance sheets. Data are detailed by units and by category of transaction, according to economic and (for expenditures) functional classification.

For Other Local Government units - Universities (70), ADISU (39), Other Institutions providing education, cultural services, and assistance at local level (464) the surveys used are:

- “PSN MUR-00019 - Omogenea redazione dei conti delle Università Statali e non” (Decreto interministeriale 1 marzo 2007) for Universities, with the following variables: Compensation of employees, payable, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers;
- “PSN IST-00235 Rilevazione dei bilanci consuntivi degli enti per il diritto allo studio universitario” for ADISU, with the following variables: Compensation of employees, payable, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers.
- “PSN IST-02445 Bilanci consuntivi delle istituzioni pubbliche e private” for the others units, with the following variables: Compensation of employees, payable, Intermediate consumption, Gross capital formation, Other taxes on production, payable, Interests, Transfers.

In the first two cases the surveys are census survey.

In the last case the survey has a low coverage (about 15%.) and for the non-respondent entities other sources are used:

- a) Ministry of Economy and Finance – State General Accounting Department for data of public entities audited by MEF: the data are acquired in January of the year T for T-2 and are on legal accrual/cash basis or profit and loss accounts basis according to the type of unit;
- b) SIOPE (Information system of cash flows of Government) containing cash data of a large part of S.13 units, where data are acquired in mdb format every quarter via a dedicated web area.
- c) Finally, for imputing data of units not captured by the sources mentioned above the fiscal data from the model 770 are used. Not significant amounts of expenditures are recorded for these missing units.

The details of available basic sources allow to exclude units not belonging to S.13 from calculation and to distinguish non/financial versus financial flows.

Relevant details for a better classification of transfers by counterpart sector come from the SIOPE system of classification of cash payments and receipt.

For Local Health Units, the Ministry of Health collects LHUs’ profit and loss accounts by the Ministerial Decree introduced for the first time in 2001 and subsequently improved in 2007, with a more detailed breakdown and better specified guidelines, aimed at

standardizing the collection of economic information about LHUs, to monitor and manage the health expenditure.

The law, in order to assure data homogeneity and to allow comparisons, defines:

- the subjects involved in the survey - Local Health Units: Local Health Agencies (ASLs) Hospital Units (AOs), Scientific Institutes for Research, Hospitalization and Health Care (IRCCSs) and University Polyclinics (POLs);
- the standard classification of data according to accounting rules and the description of their content;
- the timetable of transmission.

These data, consolidated at regional level, are transmitted by every LHU to the NSIS System (Nuovo Sistema Informativo Sanitario) of the Ministry of Health, at quarterly and annual frequency and then to Istat, as defined in the institutional agreement between Istat and the Ministry of Health.

Every regional authority sums the annual income and expenditure statements of the individual ASLs, AOs, IRCCSs and AOU's consolidating all items corresponding to buying and selling services between these bodies, also known as "internal mobility transactions", so that costs and receipts are not artificially inflated.

The data made available to Istat in January and February of year (t) refer to the following accounting years:

- year T-1 provisional data (quarterly data)
- year T-2 half finalized data
- year T-3 finalized data.

The profit and loss account may be updated by LHUs until the approval and validation by the institutions involved in the State-Regions Conference through the so called "Tavolo degli adempimenti" and the data are then finalized; the process can take up to 3 years.

The LHUs data from profit and loss accounts are reclassified according to SEC95 for expenditure and revenue category. These re-classified data are checked using statistical procedures before being used in the National accounts. The process could imply a check of the micro data even at the level of the single LHU.

No unit has to be excluded from the calculation of B.9 for LHU's

In LHUs' profit and loss accounts, financial transactions are not included. The details of financial transaction are provided by MEF.

The structure of the data sources is in general appropriate, even if in some cases minor problems of homogeneity in classification by single units may arise.

The balance sheet is an available source, but it is not yet fully implemented in the accounts. Checks on the consistency of the data have been carrying out by Istat. His implementation in the accounts is expected to be completed as soon as the analysis will be concluded.

The regional consolidated profit and loss accounts provide details on current and capital transfers separately to enterprises and households for the purpose of identification of counterpart sector.

The internal consolidation process of items corresponding to buying and selling between ASLs, AOs, IRCCSs and AOU's, have to be carefully checked in order to verify whether the same rules are applied by all units.

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.7 (NSI)

Since October 2012 notification, stocks of F.7 are calculated by Istat on the basis of balance sheets of the LHU's.

3.4.2.2 *Statistical surveys used as a basic data source*

3.4.2.3 *Supplementary data sources and analytical information*

3.4.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

3.4.2.3.2 Supplementary data sources used for the compilation of financial accounts

With the exception of F.7 and F.34, the liability side of financial accounts for Local Government is based on the same NCB source used for Maastricht Debt. Those latter mainly relate to cash-based time of recording. On the asset side, the main source is direct (MEF's "Quarterly Report on Cash Borrowing Requirement") with specific breakdowns reported by MEF the NCB. Accrual adjustments for loans are provided by the NSI, as well as corrections for capital injections and super-dividends. Those supplementary data include transactions with other Government subsectors. They are used at each quarterly production round. Corrections and accrual adjustments impact on transactions, therefore affecting B.9f.

**3.4.3 EDP table 2C**

3.4.3.1 *Working balance - use for the compilation of national accounts*

The aggregates notified in the EDP tables – net borrowing and working balance - are calculated autonomously by Istat and MEF on different data sources. They are reconciled except for a statistical discrepancy.

3.4.3.2 *Legal basis of the working balance*

The legal basis of the WB is the Reform Budget Law 196/2009 as amended by 39/2010 (art. 10, art. 14 c. 4)

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3.4.3.3 *Coverage of units in the working balance*

The legal basis of the WB is the Law 196 of 31 December 2009, the new Accounting law that reformed the system by introducing harmonised budgeting and accounting rules. This Law introduced accounting principles with regard to all bodies of General Government. It foresaw that the Economic and Financial Planning documents to be presented each year to the Parliament (together with the SGP presented to the EU Commission), contain a detailed analysis of the cash accounts (and WB) of all main local bodies (Regions, Municipalities and Provinces, Local Health Units, other minor bodies at local level)(See Art. 10 Law 196/2009). At the art. 14 c. 4 the same law foresees that local administrations' cash accounts (and WBs) be published quarterly by the Ministry of Finance.

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

There are no units reported in the WB that should be classified outside the subsector.

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

At the moment, there are no units not reported in the WB that should be classified inside the subsector. However some research work is on-going in order to ascertain the full coverage of the sector according to the updates of the S.13 list.

#### 3.4.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is cash.

##### 3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

The accounting basis used for recording of interest expenditure and revenue in the WB is cash.

The whole interest expenditure of the main entity are recorded in the WB.

According to the sources available, it is not possible to know the detailed amounts of discounts included in the WB.

In EDP T2C, under this line, Istat records the difference between interest accrued and paid on the expenditures side. The difference on interest revenue is recorded in the line “other account receivable.

##### 3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C

The non-financial transactions amended on an accrual basis via receivable F.7 are Taxes, EU flows, Payments for incidental sales, Interests, Rents, Dividends.

The non-financial transactions amended on an accrual basis via payable F.7 are Social benefits other than social transfers in kind, EU flows, Intermediate consumption, Compensation of employees, Subsidies, Social benefits in kind.

Accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

##### 3.4.3.4.3 Other accrual adjustments in EDP T2C

In EDP T2C there are no other accrual adjustments.

#### 3.4.3.5 *Completeness of non-financial flows covered in the working balance*

There is full coverage of non-financial flows.

#### 3.4.3.6 *Financial transactions included in the working balance*

Financial transactions included in the working balance are: Loans, shares and other equities and deposits.

#### 3.4.3.7 *Other adjustments reported in EDP T2C*

In the line “Other adjustments” the following adjustments are shown:

- the item *Capital injections in public corporations by local administration (negative sign)* captures the reclassification of shares and other equities (in public accounts) into capital transfers impacting the deficit;

- the item *Imputation of gross capital formation made under PPP contracts and leasing (negative sign)* concerns the expenses related to PPP classified “on balance” with an impact on Local Government net borrowing but not included in Local working balance, and the difference between the total amounts of leasing operations impacting on B.9 and payments of rents recorded in the working balance;

- the item *Super-dividends to local administrations by public corporations* (negative sign) aims at neutralising the impact on the B.9 of large amounts of capital income reclassified in national accounts as financial transaction (with a reduction of Shares and other equity F.5)
- the item *Reclassification of trade credits (F.71) related to factoring without recourse with OFIs and MFIs into public debt instruments (F.4)* represents the amounts related to factoring\_\_operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.71 to F.4 (Decision Eurostat 31<sup>st</sup> July 2012) without any impact on the WB;
- the item *Transfer from Rome Municipality to Atac Spa of the Atac Patrimonio ownership without compensation* (recorded as a Capital transfer in B9 with no impact on the working balance);
- the item *Assumption by Rome Municipality of a Atac loan (Debt assumption)* a loan previously contracted by ATAC Patrimonio has been assumed by the Municipality of Rome and has been recorded as other capital transfer (D.99) with no impact on the working balance;
- the item *Transfer of local units deposits from banks to their accounts in the Central Treasury System* (see the explanation under par. 3.2.3.7).

#### 3.4.3.8 *Net lending/net borrowing of local government*

The B.9 calculation for Local Government for the year T-2 is derived from information directly collected by Istat. The basic data are reported as commitments (legal accrual) and payments on the expenditure side and as assessments (legal accrual) and receipts on the revenue side. For the LHU units the data sources are on accrual basis for all the years presented in the notification tables.

The complete coverage of Local Government units is guaranteed, provided that the sources are collected at level of each single unit belonging to the sub-sector.

Only a residual part, concerning few minor bodies, is estimated.

For Regions, Provinces, Municipalities, Unions of Municipalities, Mountain development bodies and Other Economic bodies, when necessary, (i.e. for units with relevant size) data are integrated collecting directly information from the units, mainly for big units. Other available sources, mentioned above, are used for the main entities and the relevant local bodies.

The estimates are based on both legal accrual (for LHU's accrual) and cash accounting basis according to different items (assessment/commitment for current revenue and expenditures, cash for capital revenues and expenditure)

No adjustment is made to meet ESA95 rules in terms of time of recording since the basic data exactly refers to the accrued year.

The working balance accounts used for T-1 are cash based, therefore differences exist in time of recording compared to assessment/commitment data. Nevertheless the WB data is used not in level, but only to calculate a variation rate applied to data on accrual basis.

Only capital revenues and expenditures recording is based on cash data and no adjustments are made.

Only for the year T-1 early in year T, the estimates are based on cash data, by applying the cash variation between years T-2 and T-1 derived by the WB data to the accrual data of T-2 year.

All transactions in F.7, as reported in EDP T3 and in financial accounts are fully consistent with accrual recording of transactions impacting B.9, as reported in the last line of EDP T2.

EDP tables and data sources - Local government sub-sector, EDP table 2C and 3D

For national accounts and B.9 compilation all non-financial flows are covered in the available data sources.



### 3.4.4 EDP table 3D

#### 3.4.4.1 Transactions in financial assets and liabilities

The same database is used for compilation of financial accounts and B9f as well as for EDP table 3. Each single ESA95 financial instrument reported in Table 3, as well as the resulting B.9f, is the same in the published ESA95 financial accounts as well as in EDP Table 3.

**Table 7. - Data used for compilation of transactions and of stocks of financial assets and liabilities**

Source Data	Assets						Liabilities					
	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data ( integrated in public accounts)	x	x	x	x		x	x	x	x	Currently not existing	Currently not existing	x
Other transaction data					x							
Stock data												
<b>Calculation of stocks</b>												
Transaction data		x	x	x	x	x						x
Stock data	x						x	x	x			

#### Currency and deposits (F.2)

For deposits with the Central Bank, first information is derived directly from Banca d'Italia accounting service; final data are from Banca d'Italia's financial statement. There are no deposits on the liability side of Local Government. Data are exhaustive and available on an individual basis.

For deposits with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments. Data are available at the level of individual reporting agents. For accounts with the NCB stocks and transactions are simultaneously covered. For deposits with commercial banks, stocks and OCV are reported. Deposits on the liability side are integrated in public accounts. On the asset side, the supervisory reports, as well as the Central Bank financial statement are an independent source. Deposits are compared with those reported in the Quarterly Report on Borrowing Requirement.

No amendment is made using counterpart information.

Other sources are only used for cross-check purposes.

Regular amendments to data sources, due to specific transactions reflected in financial accounts are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.  
Assets in deposits are reported on a cash basis.  
The time of recording is on a cash basis; components of unpaid interest appear to be negligible.

#### Securities other than shares (F.3)

Data are based on direct sources (Quarterly Report on Cash Borrowing Requirements as well as annual balance sheets). On the liability side sources are the same described for the Debt database, exhaustive with individual data.

Other sources, i.e. custodian statistics, are used for consolidation and for cross checking.  
The direct source provides transactions. Data included in the direct source are integrated in public accounts.

Other sources, i.e. custodian reports, are used for cross checks.

No amendment is made using counterpart information. The secondary source, i.e. custodian information provided by banks, is only used for consolidation on securities issued by Central Government.

All adjustments are made according to 3.6.5 below.

The secondary source, i.e. custodian information provided by banks, is used for consolidation on securities issued by Central Government. This does not impact on this subsector's B.9f, but may impact on General Government's B.9f. Consolidation is the same as for Government Debt. No adjustment relating non-financial accounts.

Financial transactions are recorded on accrual basis. The time of recording is on accrual basis.

#### Loans (F.4)

Information on loans granted by Local Government is taken by the Quarterly Report on Cash Borrowing Requirement. As of September 2005 notification, loans included in a residual item of the Quarterly Report on Cash Borrowing Requirement (i.e. "Altre partite finanziarie") are directly provided by MEF (Ragioneria Generale dello Stato) on a regular basis. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are available. The direct source data on asset refers to transactions.

Data are fully integrated in public accounts.

No other sources are available.

No amendment is made using counterpart information or MBS, or other supplementary data.

All adjustments, notably on capital injections and super-dividends, are provided by ISTAT and made according to Section 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources.

The time of recording is on accrual basis.

#### Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) are provided in the Quarterly Report on Cash Borrowing Requirement, integrated by direct information on "Altre partite finanziarie". Data are individually available. No liability available. No other sources are used.

The original information is directly available in form of transaction.

Data are integrated in public accounts.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS or other supplementary sources.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on a cash basis. The time of recording is on cash basis.

#### Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn from the Insurance corporations' annual balance sheet; the split between holding sectors (including Government) is estimated on the basis of weights in the premium payments, resulting from previous years national account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. There is no Government liability in F.6.

Supplementary data sources used are Reports by Insurance Companies.

Direct data sources on transactions are used. Data used in public accounts are not integrated.

No comparisons among the results from basic data sources with counterpart data and other information are available.

No amendment is made using counterpart information or MBS or other supplementary data.

No amendment to data sources, due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on accrual basis. The time of recording is on accrual basis.

#### Other financial assets (F.7)

The component of Other financial assets in Other accounts receivable and payable (F.7) is provided by Istat. See par. 3.4.3.4.2 for a full description.

#### **3.4.4.2 Other stock-flow adjustments**

- the item *Difference between interest accrued and paid* reports the difference of interest expenditure on a cash and accrual basis for Local Government;

- the item *Interest flow attributable to swaps and FRAs* includes the net cash flow attributable to swaps. In table 3 EDP swaps' flows are treated as ordinary interest flows but the cash amount is subtracted to the difference between interest accrued and paid related to swaps and included in the item above. So the final flow impacting on the line Difference between interests accrued and paid is the accrued amount of interest swaps (with negative sign). This amount exactly balances what is included in EDP B.9 first row of table 3.

No cases reported in the item *Changes in sector classification (K.12.1)* occurred in the last four years;

No cases reported in the item *Other volume changes in financial liabilities (K.7, K.8, K.10)* occurred in the last four years.

For the following items, data for Local Government are provided by Banca d'Italia:

- no cases reported in the item *Issuance above/below nominal value* occurred in the last four years;

- the item *Appreciation/depreciation of foreign currency debt* includes the valuation changes due to exchange rate fluctuations for foreign currency denominated debt not hedged through a cross currency swap;

- No cases reported in the item *Redemptions of debt above(+)/below(-) nominal value* occurred in the last four years;

### 3.5. Social security sub-sector, EDP table 2D

Information provided in this section refers to data sources available for Social security funds sub-sector (S.1314), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1314, and explains the adjustments made in order to comply with ESA95.

In 2011, the Social security funds sub-sector comprises twenty four institutional units. Both in financial terms and in terms of the population protected, the largest body is the Inps (National institute of social insurance) which provides pensions (old age, disability and survivors) to a large share of private-sector employees and self-employed workers, and other social benefits against sickness and unemployment. In terms of the population protected, the second large institution is Inail (National institute for insurance against accidents at work), which insures the large majority of employees and self-employed workers against occupational accidents and diseases, and the third institution is the Inpdap (National insurance institute for employees of the public administration) for public employees. Inpdap, since January 2012 was suppressed and it has been merged with Inps. There are also various bodies for the liberal professions (one for each professional register) or particular vocational categories such as journalists (Inpgi – National welfare institution for Italian journalists).

Some of the units have public legal status and some have a private status.

Legal status is not the factor which determines whether a fund belongs to the General Government sector; what is important is its main activity: the delivery of social protection benefits. This is done by operating social protection schemes in which certain groups of the population are obliged by law or by regulation to participate or to pay contributions; moreover, General Government manages the Social Security institution via the settlement or approval of the contributions and benefits, independently from its role as supervisory body or employer. It is thus a matter of operating social security systems, irrespective of the legal nature of the body operating them.

#### 3.5.1 Data sources for Social Security Funds main unit: **INPS**

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Social security funds unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA95 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

Inps (National institute of social insurance) provides pensions (old age, disability and survivors) to a large part of private-sector employees and self-employed workers, and manages other social benefits against sickness and unemployment.

In order to give a clear picture of the framework of sources used to compile Social Security Funds accounts, Table 8 has been split in two parts: the first table provides the information on sources used for estimates of year T-1; the second table provides the sources used for years from T-2 to T-4. The combined reading of the two tables makes easier to describe the timing in the process of updating and using of the sources and their characteristics.

**Table 8.a - Availability and use of basic source data for main Social Security Fund: INPS (T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+month</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
C/A	A	T-150	T+7	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T+7	(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	A	T+50	T+12	Annual report on cash flows of SSF included in WB		x	
A	A	T+15	T+10	Outcome of the monitoring and forecasting activities on “Social benefits other than social transfers in kind of GG”		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

**Table 8.b - Availability and use of basic source data for **main** Social Security Fund: **INPS (T-2)****

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-2			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+mont.</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
C/A	A	T-150	T-5	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T-5	(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/A	A	T+20	T+1	(8) Statistical surveys		x	
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Referring to data sources (2) and (4) of the table 8.a the time of availability of annual results for T-1 indicated in “first results” column (T-150) means that about 150 days before January of year T the Inps half-finalized budget of T-1 is available while the final budget is available no earlier than July of year T, about 7 months later (T+7).

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in EDP table 3, without any exceptions.

### 3.5.1.1 *Details of the basic data sources*

#### ***Data sources used for compilation of national accounts***

The fields of observation of net borrowing and working balance for Social Security Funds are coincident.

As indicated in table 8.a the annual report on cash flows of SSF included in WB is used only for T-1 estimates. The cash flows are provided for each SSF belonging to S.1314, in February of the year T. Data are detailed by unit and by category of transaction partially aggregated.

The estimates for the year T-1 (here 2011) are made by multiplying the T-2 (2010) figure for each economic heading and for each institution, by the annual rates of change (2011/2010) of the corresponding figures based on cash flows. If the cash operations include components typical of the cash basis only (e.g. payments/receipts in arrears and/or in advance) accruals are estimated by making a suitable adjustment in the annual cash rates of change.

Moreover, only for year T-1, the outcome of the monitoring and forecasting procedures on Social benefits other than social transfers in kind elaborated by MEF - State General Accounting Department, is used as cross check source for estimating D.62. Data refer to the whole General Government sector and are used also to verify the distribution of different social benefits by typology.

Data are made available at about mid January of the year T.

Data concerning Inps are detailed (also by type of benefits), while other institutions provide only aggregated data.

For T-2 estimates, the basic data source used is the statistical survey, carried out by Istat, on final budgets of Social Security Funds. The Inps data are verified in depth through a specific check based on the comparison between the aggregation of the information extracted directly by Inps final budget and the corresponding aggregations captured by the Istat survey on final budget. The latter is used to calculate the accounts of all the units included in Social Security Funds sub-sector, Inps included.

Data for year T-2 are usually available in January of year T and are detailed by unit and by category of transaction.

The codification of transactions allows distinguishing financial transactions versus non financial transactions. Further details of financial transaction are provided by MEF. Nevertheless, for B.9 calculation purposes, the financial flows are not used.

The structure of inflows and outflows of the available basic sources is in general appropriate in distinguishing different ESA95 categories for the year T-2. For T-1 estimations, data are more aggregated than the ESA95 classification and it is not always easy to distinguish the single item (e.g. the single outflow can be the sum of revenues and expenditures related to different goods).

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.7 (NSI).

Data include the transactions between different subsectors. Only for the year T-2, the sources available include the transactions between different units belonging to the SSF subsector. The data for each single unit show separately the inflows and the outflows with the other units.

GG sector cash accounts recording information by counterpart sector is used to calculate the transfers between State and Social Security Funds.

***Working balance (WB)***

For year T-1 data from the annual report on cash flows of SSF included in WB are used to estimate the T-1 figures (see also the first part of this paragraph).

For year T-2 the source (the statistical survey described in par. 3.5.1.2 is available by single unit and by category of transaction.

**3.5.1.2**                    *Statistical surveys used as a basic data source*

For non-financial accounts, Istat carries out a statistical survey on final budgets of Social security funds named “*Rilevazione dei bilanci consuntivi degli enti previdenziali*”, codified as IST-00233 in the PSN (National Statistics Programme).

Funds with public legal status are required to compile a financial-style statement typical of public accounting. Only Inps produces an economic statement too, linked with the financial statement, quantifying transition headings by means of accruals and deferrals and elimination of collection and payment arrears on both the revenue and expenditure side. This is exceptional for a public body. However, the economic part of the statements is not as detailed as the financial part.

The bodies with private legal status, which include those serving the liberal professions, are required to compile an income and expenditure statement and a balance sheet according to the accounting principles laid down in the Civil Code, which are characteristic of private-sector businesses.

The survey has produced two survey forms to accommodate the two typologies of accounting: ISTAT-SIP.EP1 for the final statements of social security institutions with a public legal status, reflects the financial approach on legal accrual basis (assessments and commitments) and a cash basis (receipts and payments); ISTAT-SIP.EP1Bis for the final statements of the social security institutions with a private legal status is a Financial Statements type (Profit and loss accounts and Balance sheets).

Variables collected in the questionnaire are financial and non financial items included into the final budgets of the units, i.e. current and capital revenue and expenditure by type (including financial transaction). Social contributions and social benefits are very detailed: the questionnaire distinguishes actual social contributions between employers’, employees’ and self and non-employed persons as well as social benefits that are distinguished in many sub-items used also for Esspros purpose.

The survey is a census survey covering the whole field of observation considered (S.1314). The field of observation is modified as the S.1314 list is modified. At the moment, the Social security institutions included into the updated S.13 list (referring to 2011) are 24.

For the April EDP notification, the results of the statistical survey are available only for year T-2. For year T-1, estimations are made by Istat using annual cash flows recorded in working balance accounts and, as cross check, the outcome of the monitoring and forecasting activities on Social benefits other than social transfers in kind.

As far as Inps is concerned, also the half-finalized budget is used in order to obtain a greater degree of detail for year T-1 estimates. By working directly on the original statements, it is possible to make an in depth analysis of the evolution of specific headings, capturing the effect on expenditure and revenue of legislative changes in contribution rates and benefits.



### 3.5.1.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

#### 3.5.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Data on securitisations of social contributions credits and on depreciation of social contribution credits are provided by Inps, once a year, before February. Data are available since 1995 (see par. 6.1.2).

#### 3.5.1.3.2 Supplementary data sources used for the compilation of financial accounts

In financial accounts the liability side of Social Security sub-sector is based on banks reports on F.4. Liability also includes F.7 provided by Istat. The asset side is based on the direct report (MEF's "Quarterly Report on Cash Borrowing Requirement") with adjustments provided by the NSI. The information is available to financial accounts compilers on a regular basis, with the same timeliness of other General Government units.

#### 3.5.1.4 *Extra-budgetary accounts*

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

### ***Non-financial flows recorded in EBA***

### ***Financial flows recorded in EBA***

### 3.5.2 Data sources for other Social Security units

This section describes data sources available and used for compilation of national accounts and EDP tables for Social security funds other than Inps.

In 2012, the Social security institutions included into the updated S.13 list (released on October 15<sup>th</sup> 2013) were 22 units because since January 1<sup>st</sup> 2012 two of them: Inpdap (National insurance institute for employees of the public administration) and Enpals (National welfare and assistance office for workers in the entertainment business), have been merged with Inps (National institute of social insurance).

Here is the exhaustive list of units included in the sub-sector S.1314 in 2012:

1. Cassa di previdenza e assistenza per gli ingegneri ed architetti liberi professionisti – INARCASSA
2. Cassa italiana di previdenza e assistenza dei geometri liberi professionisti
3. Cassa nazionale del notariato
4. Cassa nazionale di previdenza e assistenza dei dottori commercialisti – CNPADC
5. Cassa nazionale di previdenza e assistenza dei ragionieri e periti commerciali – CNPR
6. Cassa nazionale di previdenza e assistenza forense
7. Ente di previdenza dei periti industriali e dei periti industriali laureati – EPPI
8. Ente di previdenza e assistenza pluricategoriale – EPAP
9. Ente nazionale di previdenza e assistenza a favore dei biologi – ENPAB
10. Ente nazionale di previdenza e assistenza degli psicologi – ENPAP
11. Ente nazionale di previdenza e assistenza dei farmacisti – ENPAF
12. Ente nazionale di previdenza e assistenza dei veterinari – ENPAV
13. Ente nazionale di previdenza e assistenza della professione infermieristica – ENPAPI
14. Ente nazionale di previdenza e assistenza per i consulenti del lavoro – ENPAFL
15. Ente nazionale di previdenza per gli addetti e gli impiegati in agricoltura – ENPAIA
16. Ente nazionale previdenza e assistenza dei medici e degli odontoiatri – ENPAM
17. Fondazione ENASARCO
18. Fondo Agenti Spedizionieri e Corrieri – FASC
19. Istituto nazionale di previdenza dei giornalisti italiani G. Amendola – INPGI
20. Istituto nazionale infortuni sul lavoro – INAIL
21. Istituto nazionale previdenza sociale – INPS
22. Opera nazionale per l'assistenza agli orfani dei sanitari italiani – ONAOSI

**Table 9.a - Availability and use of basic source data for **other Social Security units:**  
(T-1)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for T-1			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+month</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
C/A	A	T-150	T+7	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T+7	(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
				(8) Statistical surveys			
				(9) Other:			
C	A	T+50	T+12	Annual report on cash flows of SSF included in WB		x	
A	A	T+15	T+10	Outcome of the monitoring and forecasting activities on "Social benefits other than social transfers in kind of GG"		x	

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

**Table 9.b - Availability and use of basic source data for **other Social Security units:**  
(T-2)**

Available source data				Source Data Accounting	Source data used for compilation of		
Accounting basis (C/A/M)	Periodicity (M/Q/A/O)	Time of availability of annual results for <b>T-2</b>			WB	B.9 (NFA)	B.9f (FA)
		First results	Final data				
1	2	3	4	5	6	7	8
		<i>T + days</i>	<i>T+month</i>		<i>cross appropriate cells</i>		
				<b>Budget Reporting</b>			
				(1) Current revenue and expenditure			
C/A	A	T-150	T-5	(2) Current and capital revenue and expenditure		x	
				(3) Current and capital revenue and expenditure and financial transactions			
C/A	A	T-150	T-5	(4) Balance sheets			
				<b>Financial Statements</b>			
				(5) Profit and loss accounts			
				(6) Balance sheets			
				(7) Cash flow statement			
				<b>Other Reporting</b>			
C/A	A	T+20	T+1	(8) Statistical surveys		x	
				(9) Other:			

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6,7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

Referring to data sources (2) “Current and capital revenue and expenditure” of the table 9.b, the half-finalized budgets of T-1 are used for cross check of the main units other than Inps, i.e. Inail and Inpdap (until Inpdap was an independent unit)..

For financial accounts, the same data base is used for B.9f compilation as well as for each financial instrument in EDP table 3, without any exceptions.

3.5.2.1 *Details of the basic data sources*

***Data sources used for compilation of national accounts***

For Social Security Funds the field of observation of net borrowing and working balance is coincident.

As indicated in table 9.a the annual report on cash flows of SSF included in WB is used only for T-1 estimates. The cash flows are provided for each SSF belonging to S.1314, in February of the year T. Data are detailed by unit and by category of transaction partially aggregated.

The estimates for the year T-1 (here 2011) are made by multiplying the T-2 (2010) figure for each economic heading and for each institution, by the annual rates of change (2011/2010) of the corresponding figures based on cash flows. If the cash operations include components typical of the cash basis only (e.g. payments/receipts in arrears and/or in advance) accruals are estimated by making a suitable adjustment in the annual cash rates of change.

Moreover, only for year T-1, the outcome of the monitoring and forecasting activities on Social benefits other than social transfers in kind elaborated by MEF (State General Accounting Department), is used as cross check source for estimation of amount of D.62. Data refer to the whole General Government sector and are used also to verify the distribution of the different social benefits by type.

Data are made available at about mid January of the year T.

Data are detailed for Inps, while are aggregated for the other institutions; data are also detailed by type of benefits.

The basic data source used to calculate T-2 data is the statistical survey carried out by Istat on final budgets of Social Security Funds.

Data are usually available in January of year T and are detailed by unit and by category of transaction.

The codification of transactions allows distinguishing financial transactions from non financial ones. Further details of financial transaction are provided by MEF. Nevertheless, for the B.9 calculation purposes, financial flows are not used.

The structure of inflows and outflows of the available basic sources is in general appropriate in distinguishing different ESA95 categories for the year T-2. For T-1 estimations, data are more aggregated than the ESA95 classification and it is not always easy to distinguish the single item (e.g. the single outflow can be the sum of revenues and expenditures related to different goods).

Reconciliation of stocks with flows is direct for any liability in debt instruments and for assets in deposits. For assets other than deposits, the direct (MEF) sources are generally aimed at capturing flows, and stocks are therefore derived from flows, as well as stocks of AF.7 (NSI).

Data include the transactions between different subsectors. Only for the year T-2, the basic sources available include the transactions between different units belonging to the SSF subsector. The data for each single unit show separately the inflows and the outflows with the other units.

GG sector cash accounts recording information by counterpart sector is used to calculate the transfers between State and Social Security Funds.

### ***Working balance (WB)***

For year T-1 data from the annual report on cash flows of SSF included in WB are used to estimate the T-1 figures (see also the first part of this paragraph).

For year T-2 the source (statistical survey mentioned below) is available by single unit and by category of transaction.

#### ***3.5.2.2 Statistical surveys used as a basic data source***

Please, see par. 3.5.1.2.

#### ***3.5.2.3 Supplementary data sources and analytical information***

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA95 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

#### ***3.5.2.4 Extra-budgetary accounts***

This section provides information on the so called "extra-budgetary accounts" of the main local government entities, i.e. about flows, which are not recorded in budgetary accounts which enter the WB, as reported in the first line of EDP table 2.

### ***Non-financial flows recorded in EBA***

### ***Financial flows recorded in EBA***

## **3.5.3 EDP table 2D**

### ***3.5.3.1 Working balance - use for national accounts compilation***

The aggregates notified in the EDP tables – net borrowing, working balance – are calculated autonomously by Istat and MEF on different data sources. They are reconciled except for a statistical discrepancy.

### ***3.5.3.2 Legal basis of the working balance***

The legal basis of the WB is the Reform Budget Law 196/2009 as amended by 39/2010 (art. 10, art. 14 c. 4).

### ***3.5.3.3 Coverage of units in the working balance***

There is full coverage for this subsector.

#### ***3.5.3.3.1 Units to be classified outside the subsector, but reported in the WB***

There are no units classified outside the subsector reported in the WB

3.5.3.3.2 .Units to be classified inside the subsector, but not reported in the WB

There are no units classified inside the subsector not reported in the WB.

#### 3.5.3.4 *Accounting basis of the working balance*

The accounting basis of the working balance is cash.

3.5.3.4.1 Accrual adjustments relating to interest D.41, as reported in EP T2D

All interest expenditures of main entity are recorded in the WB on a cash basis.

In EDP T2, under this line, Istat records all the difference between interest accrued and paid only for expenditures. The difference on interest revenue is recorded in the line “other account receivable”.

3.5.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2D

The non-financial transactions amended on an accrual basis via receivables F.7 are Social contributions, Payments for incidental sales, Current transfers.

The non-financial transactions amended on an accrual basis via payables F.7 are Taxes, Social benefits other than social transfers in kind, Intermediate consumption, Compensation of employees, Gross capital formation.

Accrual adjustments in EDP table 2 are fully consistent with F.7 reported in EDP T3 and financial accounts.

3.5.3.4.3 Other accrual adjustments in EDP T2D

In EDP table 2D there are no other accrual adjustments.

#### 3.5.3.5 *Completeness of non-financial flows covered in the working balance*

There is full coverage of non-financial flows.

#### 3.5.3.6 *Financial transactions included in the working balance*

Financial transactions included in the working balance are: loans, equities and deposits

#### 3.5.3.7 *Other adjustments reported in EDP T2D*

In the line “Other adjustments” there are:

- the item *Receipts from securitisation operations (SCIP) (positive sign)* concerning revenues classified in the WB of the Central Government and included in the net borrowing of Social Security Funds;

- the item *Receipts from securitisation operation (SCCI) not included in the working balance* and concerning the estimation of cash revenues of INPS from securitised credits: according to the ESA Manual, the revenues of the SPV in the context of a securitisation operation, classified as Government debt, must be imputed as Government revenues in National Accounts, since the assets remain in the balance sheet of Government. This imputation is not

made in the Social Security Funds working balance, so an adjustment item is necessary in order to account for the different classification adopted in the two aggregates;

- the item *Riclassification of trade credits (F.71) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* - see the explanation under par. 3.2.3.7.

### 3.5.3.8 *Net lending/net borrowing of social security funds*

Only for year T-1 data from WB accounts are used to estimate the accrual data, by applying a cash variation to the accrual data of year T-2.

For year T-2 data sources used for national accounts and B.9 calculation are different from those reported in the WB accounts.

The final budgets of the bodies included in Social security funds sub-sector are periodically audited by Italian Court of Auditors (Law 259/1958) and have to be published by law.

As the source used for Social security fund accounts and B.9 calculation is the Istat survey on final budget of Social security funds, the timing of the auditing process is not always in line with the timing of questionnaires compilation and transmission to Istat.

For the main bodies the Italian Court of Auditors publishes a report; for example, concerning Inps the Court publishes annually the “Relazione sul risultato del controllo eseguito sulla gestione finanziaria dell’Istituto nazionale della previdenza sociale (Inps)”.

Data sources for B.9 are on assessment/commitment basis and cash basis and all units are covered.

Assessments/commitments data are used for the main items of the accounts (all current revenues and expenditures). No adjustment is then requested to meet ESA95 rules in terms of time of recording since the basic data exactly refers to the accrued year.

The working balance accounts are cash based, therefore differences exist in time of recording compared to assessment/commitment data. Nevertheless the WB data is used not in level, but only to calculate a rate of change applied to data on accrual basis.

All transactions in F.7, as reported in EDP T3 and in financial accounts are fully consistent with accrual recording of transactions impacting B.9, as reported in the last line of EDP T2.

All non financial flows are covered by the available sources. There are no cases in which expenditures are not included in the data sources used for B.9, independently from the validation of the Court of Auditors.

The adjustment in order to meet ESA95 requirements consists in applying depreciation coefficients to record actual social contributions.

## 3.5.4 **EDP table 3E**

### 3.5.4.1 *Transactions in financial assets and liabilities*

The same database is used for compilation of financial accounts and B9f as well as for EDP table 3. Each single ESA95 financial instrument reported in Table 3, as well as the resulting B.9f, is the same in the published ESA95 financial accounts as well as in EDP Table 3.



**Table 10. - Data used for compilation of transactions and of stocks of financial assets and liabilities**

	Assets						Liabilities					
Source Data	F.2	F.3	F.4	F.5	F.6	F.7	F.2	F.3	F.4	F.5	F.6	F.7
<b>Calculation of transactions</b>												
Transaction data (integrated in public accounts)	x	x	x	x		x	x	x	x	Currently not existing	Currently not existing	x
Other transaction data					x							
Stock data												
<b>Calculation of stocks</b>												
Transaction data		x	x	x	x	x						x
Stock data	x						x	x	x			

*Currency and deposits (F.2)*

Bank reports for the asset side. There are no deposits on the liability side of Social Security funds. Data are available on an individual reporting agent basis.

For deposits with commercial banks, data are taken from the banks' Reports to Banca d'Italia Banking Supervision Departments. For deposits with commercial banks, stocks and OCV are reported.

In public accounts the supervisory reports are an independent source.

Deposits are compared with those reported in the Quarterly Report on Borrowing Requirement.

No amendment is made using counterpart information.

Other sources are only used for cross-check purposes.

All adjustments are made according to 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Assets in deposits are reported on a cash basis.

The time of recording is cash basis: components of unpaid interest appear to be negligible.

*Securities other than shares (F.3)*

Data are based on direct sources (Quarterly Report on Cash Borrowing Requirements as well as annual balance sheets). Other sources, i.e. custodian statistics, are used for consolidation and for cross checking.

The direct source provides transactions. Data included in the direct source are integrated in public accounts. Other sources, i.e. custodian reports, are used for cross checks.

No amendment is made using counterpart information. The secondary source, i.e. custodian information provided by banks, is only used for consolidation on securities issued by Central Government.

All adjustments are made according to 3.6.5 below.

The secondary source, i.e. custodian information provided by banks, is used for consolidation on securities issued by Central Government. This does not impact on this subsector's B.9f, but may impact on General Government's B.9f. Consolidation is the same as for Government Debt. No adjustment relating non-financial accounts.

Accrual basis is used to record financial transactions. The time of recording is on accrual basis.

#### Loans (F.4)

Social Security Funds' loans mainly refer to Government employees. Information is taken by the Quarterly Report on Cash Borrowing Requirement. As of September 2005 notification, loans included in a residual item of the Quarterly Report on Cash Borrowing Requirement (i.e. "Altre partite finanziarie") are directly provided by MEF (Ragioneria Generale dello Stato) on a regular basis. Information is exhaustive with individual reports available to the Ministry. Loans on the liability side are the same included in the debt. No other sources are used.

The direct source data on asset refers to transactions. In public accounts data are fully integrated. No other sources are available.

No amendment is made using counterpart information or MBS, or other supplementary data.

All adjustments are provided by ISTAT and made according to Section 3.6.5 below.

Consolidating items are provided by the direct source as well.

Accrual adjustments on loans are provided by the NSI, based on direct sources. The time of recording is on accrual basis.

#### Shares and other equity (F.5)

Gross data on shares and other equity (issued by both residents and non residents) are provided in the Quarterly Report on Cash Borrowing Requirement, integrated by direct information on "Altre partite finanziarie". Data are individually available. No liability available. No other sources are used.

The original information is directly available in form of transaction. In public accounts data are fully integrated.

Other sources are only used for pricing of stock data, without impact on flows.

No amendment is made using counterpart information or MBS or other supplementary data.

Regular adjustments for capital injections, super-dividend, etc. are provided by Istat, and are fully described in section 3.6.5 below.

Amendments due to consolidation are not relevant for this specific financial instrument.

Financial transactions are recorded on a cash basis. The time of recording is on a cash basis.

#### Insurance technical reserve (F.6)

The asset side is estimated, and with an almost negligible impact on flows. In the October notification, total liabilities in prepayments of insurance premiums and reserves for outstanding claims incurred by insurance corporations are drawn from the Insurance corporations' annual balance sheet; the split between holding sectors (including Government) is estimated on the basis of weights in the premium payments, resulting from previous years national account data. In the April notification, total liabilities in F.62 are estimated and then assigned to Government (as well as other counterpart sectors) on the basis of previous years weights. There is no Government liability in F.6.

Supplementary data sources are Reports by Insurance Companies.

Direct data sources on transactions are used. In public accounts data are not integrated.

No comparison among the results from basic data sources with counterpart data and other information is available.

No amendment is made using counterpart information or MBS, or other supplementary data. No amendment to data sources due to specific transactions reflected in financial accounts is made.

Amendments due to consolidation are not relevant for this specific financial instrument.

Accrual basis is used to record financial transactions. The time of recording is on accrual basis.

Other financial assets (F.7)

The component of Other financial assets in Other accounts receivable and payable (F.7) is provided by Istat. See par. 3.5.3.4.2 for a full description.

*3.5.4.2 Other stock-flow adjustments*

There are no Other stock-flow adjustments.

### **3.6. Link between EDP T2 and related EDP T3**

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.7 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.7 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

#### **3.6.1 Coverage of units**

The coverage of units in the calculation of financial and non financial accounts is the same at the level of General Government and its subsectors.

They are based on the List of units belonging to the General Government sector published on the Official Journal of the Italian Republic once a year, but it is updated at regular intervals or whenever it is deemed necessary to take account of changes in the classification of institutional units.

In the calculation of the working balance the coverage and the sector delimitation of General Government and its subsectors is the same of the S.13 list, with only few exemptions of small bodies without impact on deficit. For this reason, there are any deviations in data used for EDP T2 and EDP T3.

The coverage of units reported in EDP table 3 and 2 is identical.

#### **3.6.2 Financial transactions**

For S1311:

With the relevant exception of deposits (F.2), transactions in financial assets are based on the same source (MEF) used for the WB, adjusted for the time of recording, for imputed components (not linked to actual payments entering the WB) and for reclassifications (capital injections and super-dividends).

Currency and deposits (F.2) in financial accounts (T3) are taken from Money and Banking Statistics;

Securities other than shares (F.3) in T3 are taken from the MEF (WB) source for the component issued by non-Government units. Consolidating items (Government debt securities held by Local Government and Social Security Funds) are taken from banking statistics, consistently with the calculation of debt.

Loans (F.4) in T3 are taken from the MEF (WB) source, with adjustments provided by Istat, plus individual corrections for specific operations (e.g. EFSF), not entering the WG.

Shares and other equity (F.5) in T3 are taken from the MEF (WB) source, with adjustments provided by Istat.

Other Accounts (F.7) are provided by Istat for T2 and T3.

For S1313:

Please see above for S.1311

For S1314:

Please see above for S.1311

### **3.6.3 Adjustments for accrued interest D.41**

For S.1311:

The adjustment in EDP T2A for accrued interest refers to interest expenditure and includes also the interest revenue on loans granted by Central Government to Local Government.

The whole interest expenditure for financial instrument is included in the WB on a cash basis.

The items used to reconcile WB with B.9 are: Difference between interest accrued and paid and Other accounts payable for the interest expenditure due to delayed payment of tax refunds and wages.

The item *Difference between interest accrued and paid* in tables 2A and 3B is not identical for:

- the capital uplift; in table 3B the accrual interest expenditure is net of the capital uplift;
- the interest flows attributable to swaps and FRAs; in table 2A the interests are treated as ordinary interest flows and the line includes the difference between interest accrued and paid related to swaps and FRAs. In table 3B the cash amount is subtracted from the difference, so the final flow impacting on the line Difference between interests accrued and paid is the accrued amount of interest swaps (with negative sign). This amount exactly balances what is reported in EDP B.9 first row of table 3;
- the discounts cash of zero coupon bonds (BOTs and CCTs) that are not reported in table 3B because the cash repayments impacting on Currency and deposits balances the impact in the Change in Central Government consolidated gross debt; as a consequence at "time of redemption" adjustment for accrual discount would be equal to accrual interest payable (D.4) and there would not be a need for the adjustment "repayment of discount".
- the accrual adjustment related to loans granted by the State to Local Government that in table 3B are reported under Net acquisition (+) of financial assets (F.4).

For S.1313:

The adjustment in EDP T2C for accrued interest refers to interest expenditure and it is the same reported in table 3D except for the impact of interest flows attributable to swaps and FRAs included in the latter table.

For S.1314:

The adjustment in EDP T2D for accrued interest refers to interest expenditure, it is the same reported in table 3E. In effect, a possible difference should be the impact of interest flows attributable to swaps and FRAs that is included in table 3E. However, until now, this impact was equal to zero.

### **3.6.4 Other accounts receivable/payable F.7**

In the General Government and its subsectors the figures reported in EDP T2 and T3 in accrual adjustments under other accounts receivable and other accounts payable F.7 are the same: they represent the receivables and payables related to non-financial transactions and are identical to those reported in financial accounts in F.7.

No adjustments are necessary to reconcile the transactions in F.7 as reported in EDP T2 and EDP T3 because they are equal.

### **3.6.5 Other adjustments/imputations**

The section “Other adjustments” in table 2 includes different kind of reclassifications:

- reclassification of non-financial into financial transactions and viceversa;
- reclassifications aimed to keep into account of the different treatment of particular transactions in the calculation of the working balance compared to the treatment in national accounts.

For S.1311 there are:

- the item *Building securitisations and other building sales (Real Estate Fund) classified in table 2D* aims at neutralising the impact of securitisation of building on the Central Government working balance as these securitisations are deemed to impact the net lending of the Social Security Funds (see item "Receipts from securitisation operations (SCIP1 and SCIP2 classified in Central Government in the working balance" in table 2D)

This kind of reclassification belongs to the second group described above. It is not necessary to introduce an imputation in FA because these are already reflected in data sources used to compile them (under deposits F.2).

- the item *Cancellations of foreign debts and Additional cancellations Paris Club* corresponds to the forgiveness of developing country debt. In non-financial accounts, these lead to capital transfers to the Rest of the World but it is not considered in the calculation of the working balance (second group of reclassification). This information is used for the compilation of financial accounts according to ESA95 rules, so a correspondent reduction of loans (F.4 assets side) is imputed in financial accounts (row *reduction of loans* in T3B and T3A);

- the item *Reclassification of revenue classified in dormant accounts and in uncompensated seizures* represents an entry for the State budget and has an impact on the working balance. They are recorded in national accounts as “other changes in volume” without any impact on B.9. To guarantee impact zero on B.9f, a correspondent reduction of deposits (F.2) is imputed in financial accounts (row *Currency and deposits (F.2)* in T3B and T3A);

- the item *Transfer of Local units deposits from banks to their accounts in the Central Treasury System*. As a consequence of an obligation imposed by law, the Local bodies in 2012 moved their accounts in the Central Treasury. The reclassification (negative sign) aims at neutralising the positive impact on the working balance of Central Government (no impact on net lending of the Central Government) as these amounts are deemed to impact the Local Government (impact on net lending of Local Government). See the same reclassification in T3C with opposite sign.

As for financial accounts a correspondent reduction of deposits (F.2) of Central Government (row *Currency and deposits (F.2)* in T3B) and an equivalent increase of deposits (F.2) of Local Government (row *Currency and deposits (F.2)* in T3D) are imputed.

- the item *Guarantees called* represents the payment for Central Government after a cash called guarantee. In non financial accounts it is recorded as a capital transfer from Central Government to the corporation, while in the working balance it is classified as a financial transaction. It is not necessary to introduce an imputation in FA because these are already reflected in data sources used to compile them.

- the item *Riclassification of trade credits (F.71) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* represents the amounts related to factoring operations without recourse between creditor enterprises and factoring societies/monetary financial intermediaries reclassified in national accounts from F.71 to F.4 (Decision Eurostat 31st July 2012) without any impact on the WB. This reclassification regards financial account and it is reflected in data reported in T3B and T3A (rows: *Net incurrence (-) of other liabilities (F.5, F.6 and F.7)* and *Change in Central Government (S.1311) consolidated gross debt (1, 2)*).

- the item *Net Impact of EFSF* represents the impact of the recording in national accounts of the activity of the European Financial Stability Facility (EFSF). It is an imputation in both non-financial and financial accounts without any impact on the WB.

- the item *Cash revenue from sales of non financial non produced asset recorded as repayments of loans in the working balance* represents the cash revenue from sales of non produced non financial asset (sales use rights frequencies) that the WB non correctly includes in loans reduction. An imputation in financial accounts is made; the amount is subtracted from loans (F.4) (row *Loans - reduction* in T3B and T3A).

#### For S.1313:

- the item *Capital injections to public corporations by Local administrations* represents a reclassification from financial transactions to non-financial transaction as a capital transfer; an equivalent reduction of acquisition of Shares and other equity (F.5) is imputed in financial accounts (row *Shares and other equity (F.5)* in T3D and T3A);

- the item *Imputation of gross capital formation made under PPP contracts and leasing* concerns the expenses related to PPP classified “on balance” with an impact on Local Government net borrowing but not included in Local working balance, and the difference between the total amounts of leasing operations impacting on B.9 and payments of rents recorded in the working balance. The information derived from the analysis of PPP contracts are used for the compilation of financial accounts according to ESA95 rules, so a correspondent increase of loans (F.4 liability side) is imputed in financial accounts (row *Change in Local Government (S.1313) consolidated gross debt (1, 2)* in T3D and T3A). As for the leasing it is not necessary to introduce an imputation in FA because these are already reflected in data sources used to compile them;

- the item *Riclassification of trade credits (F.71) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* see the explanation under S.1311 section;

- the item *Super-dividend to Local administration by public corporations* represents a reclassification from non-financial transactions (capital income in public accounts) to financial transactions.

An imputation in financial accounts is made; an equivalent amount is recorded as withdrawal of Shares and other equity (F.5), (row *Shares and other equity (F.5)* in T3D and T3A);

- the item *Transfer from Rome Municipality to Atac Spa of the Atac Patrimonio ownership without compensation* (recorded as a Capital transfer in B9 with no impact on the working balance). An imputation in financial accounts is made; an equivalent amount is recorded as

withdrawal of Shares and other equity (F.5), (row *Shares and other equity (F.5)* in T3D and T3A);

- the item *Assumption by Rome Municipality of a Atac loan (Debt assumption)* a loan previously contracted by ATAC Patrimonio has been assumed by the Municipality of Rome and has been recorded as other capital transfer (D.99) with no impact on the working balance. This information is used for the compilation of financial accounts according to ESA95 rules, so a correspondent increase of loans (F.4 liabilities side) is imputed in financial accounts. (row *Change in Local Government (S.1313) consolidated gross debt (1, 2)* in T3D and T3A);
- the item *Transfer of local units deposits from banks to their accounts in the Central Treasury System* (see the explanation under S.1311 section).

For S.1314:

- the item *Receipts from securitisation operations (SCIP1 and SCIP2) classified in Central Government in the working balance* (see the explanation under S.1311 subsector)
- the item *Receipts from securitisation operation (SCCI) not included in the working balance*-concerning the estimation of cash revenues of INPS from securitised credits. These receipt are recorded in financial accounts under deposits F.2 an imputation aimed to move them from Central Government to Social Security Fund is done to keep into account that the data sources used for compilation of FA credits them under deposits of Central Government;
- the item *Riclassification of trade credits (F.71) related to factoring without recourse with OFIs and MFIs in public debt instruments (F.4)* - see the explanation under S.1311 section.

### **3.7. General comments on data sources**

The overall system of sources is characterized by a high degree of complexity, where different types of units use different accounting criteria.

In particular, the subsector of Local Government includes several kinds of different institutional units either for the different functions and duties they are charged for, or for the different frames of their accounting systems.

With regard to Regions, it must be pointed out that they do not yet share a standard for the budgets, and the different classification systems adopted are not easily referable to ESA standards for what concerns the economic and functional classifications. This requires a substantial work of analysis and elaboration of the primary data.

The group of units formed by Municipalities and their Unions, Provinces and Mountain development bodies is characterized by a higher level of homogeneity because data are collected by the Italian Ministry of Interior through a standard form. Nevertheless it doesn't collect data referring to specific transactions (such as guarantees, sales and lease back, assumption/cancelation of debts) with no direct impact in terms of inflows and/or outflows.

All these units adopt a legal accrual system of accounting.

The remaining bodies included in the Local Government subsector are even less homogeneous, not only for the features mentioned above but also for the different accounting systems adopted (profit and loss accounts or legal accrual).

The differences between data for the same transaction deriving from different sources arise another relevant issue due to differences in timing and purposes of their collection systems. This is the case of cash data from the budgets of Municipalities, Provinces and Regions compared to cash flows data coming from SIOPE system.

Furthermore, when consolidating subsectors, there is insufficient coherence and consistency for transfers in the outflows and inflows analysed by counterpart.



Changes in accounting system are to be adopted as far as the full implementation of law n. 196, and the consequent harmonization of the public accounting system in terms of definitions and accounting principles is taking place starting from 2015.

### **3.8. EDP table 4**

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

#### **3.8.1 Trade credits and advances**

The current estimation of trade credits and advances recorded in EDP table 4 referred for the years 2009 and 2010 to trade debts related to General Government intermediate consumptions and social benefits in kind. Since October 2013 notification the stocks of the years 2011 and 2012 includes also the trade credits and advances related to the investments expenditure of two unit belonging to General Government: Anas and Inps, for which a recording of investments on accrual basis has been implemented. The estimates have been produced through the statistical integration of data drawn from different sources for three separate components:

- estimates on trade debts towards suppliers resulting from Balance Sheet data of Local Health Units;
- data on trade debts of Central Government provided by MEF and derived from the State Budget and the budgets of other Entities included into this sub-sector;
- data on trade credits collected by the Survey on enterprises of the business sectors (industry, construction and services) carried out by Banca d'Italia.

Trade debts, related to commercial transactions that are object of *factoring pro-soluto* operations between creditor enterprises (providers of goods and services to Public Administrations) and factoring societies, are registered into Public Debt and in principle have to be excluded by the estimate of total stock AF.71L and reclassified into F.4.

The estimates were elaborated for 2010 in October 2012. The consistency between stock and flows for the years before 2010, was obtained by subtracting from the stock the flows of other accounts payable related to P.2 and D.631 for each year. For the subsequent year 2010 the consistency was obtained by adding to the stock the flows of other accounts payable related to P.2, D.631 and P.51 for each year.

Depending on the availability of the sources, a plan has been recently prepared to move toward a calculation system based on the accrual basis for the other units of the General Government. The estimates of AF.71 will be amended accordingly.

#### **3.8.2 Amount outstanding in the government debt from the financing of public undertaking**

Until now, the Government did not borrow on behalf of public enterprises.

#### 4. Revision policy used for annual GFS

### 4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

#### 4.1 Existence of a revision policy in your country

##### 4.1.1 Relating to deficit and non-financial accounts

Since 2012, Istat has been publishing the General Government accounts on the 1st of March and the 1st of October of year T for the years from T-4 to T-1 at the same time of GDP release.

Those are the same data provided in the EDP notification and are fully consistent with NA variables composing the GDP aggregate.

The revision policy for annual data between the two notifications relate to T-3 T-1 and depends on the status of sources used in the net borrowing calculation for each year: the only updated source, between March and September, is the State Budget Reporting of year T-1, which is approved every year in June.

For this reason, the revisions to EDP figures between the first and the second notification are made only for the State and for other occasional changes resulting from specific events and information or from bilateral discussions with Eurostat.

For Local Government sector, the legal statement requires Government bodies to approve their budget by June of year T and the collection of all data is completed in 18 months. Hence in April and October of year T the T-1 estimations are made using cash data derived by the SIOPE system, or by the cash flows transmitted by MEF (see par. 3.4.1).

For the year T-2 the process of data acquisition for local bodies and social security fund is completed, therefore the new sources replace the estimations done previously through Siope data.

For the year T-3 minor changes are possible due to the Municipalities data and reclassification of items deriving from more in depth analysis, resulting from more detailed sources.

For the year T-4 in general no revision are made in April and October notification of year T, since the sources are generally stabilized.

All the revisions for each year may have an impact on deficit that nevertheless can not be quantified in the sign or the amount.

##### 4.1.2 Relating to debt and financial accounts

In general, backward revisions of the Maastricht debt, due to source update and methodological changes are implemented in the first month following the update/change. Data are released via the Supplement to the Statistical Bulletin: "The Public Finances, borrowing requirement and debt" available at <http://www.bancaditalia.it/statistiche/finpub/pimefp>. Changes are explained by a Notice to readers that details the reason and the magnitude of the revision. Updates are usually made for the longest available period (generally well beyond the years considered in the EDP notification) in order to provide data that can be useful for economic analysis. The same revision policy is adopted for Financial Accounts; data are available at

#### 4. Revision policy used for annual GFS

[www.bancaditalia.it/statistiche/stat\\_mon\\_cred\\_fin/banc\\_fin/pimecf](http://www.bancaditalia.it/statistiche/stat_mon_cred_fin/banc_fin/pimecf) , together with a notice to readers explaining major revisions.

Also revisions that affect the composition (and not the level of Maastricht debt) generally follow the process outlined in point 4.1.1.

#### 4.2. Reasons for other than ordinary revisions

Other than ordinary revisions are performed due to the existence of new data sources/details, changes in methodology and for other reasons.

The revisions derived from new data sources or details are accepted after a process of analysis and validation of the new source.

The revisions due to changes in methodology are implemented during the definition of benchmark estimates or after bilateral discussions with Eurostat.

Revisions due to other reasons (possible errors) are implemented by Istat in the EDP notification subsequent to verifying the existence of the error.

#### 4.3. Timetable for finalising and revising the accounts

In Central Government, data for non-financial accounts are finalised at T-1 for the State. In particular, the following sources are finalised in July of year T for year T-1: the Final State Budget Reporting; the Simplified account of State expenditures; the State sector consolidated cash account; the Tax revenues.

For Research Bodies and Other State and Central bodies the main source is a survey conducted by Istat collecting data referred to year T-2 through a standard form for central and local public institutions. No updating of the data is planned and the data of year T-2 are finalised at July of year T.

For the year T-1, the available sources are limited at the time of April notification; the survey mentioned above is still at the launching stage. Therefore, data from SIOPE system are used and the estimates are made multiplying the T-2 data by annual rates of change in the T-1 cash flows calculated on the basis of information drawn from SIOPE system.

For Local Government the following data are used:

- information on Regions derives from a specific Istat survey collecting Region's complete budgets. The data, referred to year T-2, are transmitted starting from June of the year T-1 (deadline for the approval of the year T-2 final budgets) and are acquired until January of year T. No further updating of the data is planned, hence the data of year T-2 are finalised at February of year T;

- data on Provinces, Municipalities and Unions of Municipalities derive from Certificati di Conto Consuntivo (final accounts certificates) through a standard format. They are referred to year T-2. They are available to Istat for the first elaborations in January of year T. Usually the coverage of the units is about 85% and almost all big units are included. In October/November of year T the Ministry transmits the complete and final set of data referred to year T-2. Therefore the data of year T are definitively finalised at T+3;

- information on Other local bodies producing economic services derive mainly from a survey conducted by Istat collecting economic data referred to year T-2 through a standardized form from central and local public institutions. Usually, data are available for the elaborations in

#### 4. Revision policy used for annual GFS

December of year T-1. There is no further updating of the data. Other complementary information derives from MEF – State General Accounting Department for public entities controlled by MEF - and from SIOPE; the data are acquired in January of the year T;

- concerning Local Institutions providing education, cultural services (universities, other minor bodies) - The source for universities is a survey conducted by the Ministry of Education (named “Omogenea redazione dei conti”). The source provides the economic and functional classification of economic transactions on legal accrual/cash data. Data for year T-2 are available in November of year T-1 with no further updating .

For the remaining units the procedure described as “Other local bodies producing economic services” applies.

Data for Local Health Units are provided by the Ministry of Health, on the basis of the quarterly and annual profit and loss accounts of Local Health Agencies (ASLs), Hospital Agencies (AOs), Public Research Hospital (IRCCSs) and University Hospitals (AOUs). Data refer to the accounting years of T-1 (provisional data), T-2 (half finalized data), T-3 (finalized data), year T-4 (finalized data).

Data are usually made available to Istat in January/February of year T. With regard to cash data, SIOPE System data are used for T-1.

For Social Security Funds data derive from different sources:

1) in January of year T, data from a specific Istat (census) survey on the final budgets of SSF with reference to year T-2 are available. There is no further updating of the survey data.

2) in January/February of year T, the Ministry supplies the T-1 cash flows data for each SSF and the social benefits of General Government by type on accrual basis (the sources are used only for T-1 estimates). The data of year T are finalised at T+2.

Government Financial Accounts by subsectors are compiled on a quarterly basis with a reporting lag of T+90. The same database is used for quarterly and annual financial accounts, without specific differences (other than in data vintages). A totally un-consolidated version is regularly published in addition to the version consolidated within subsectors (QFAGG),

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1. Sector classification of units

General government is defined by ESA95 §2.68 as "...all institutional units which are other non-market producers whose output is intended for individual and collective consumption and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth".

It is necessary to determine:

- a. if it is an institutional unit (ESA95 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (MGDD 1.2.3 – control by the government "ability to determine the general policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary")
- c. if it is a non-market public institutional unit - reference to "Market-non-market distinction"

General Government (S.13) subsectors (i.e. S.1311, S.1313, S.1314) include only those institutional units that behave as public non-market producers according to the ESA95 §3.26 definition.

According to ESA rules, the market/nonmarket test is applied to all the units characterised by a private legal status, such as corporations, foundations, associations and consortiums. Moreover, public corporations are regularly tested. Istat applies the 50% criterion for market / non-market distinction in compliance with the definition provided by ESA95 § 3.32, i.e. by computing the ratio of sales to production costs in order to verify whether more or less than 50% of the production costs are covered by sales. More in details, the numerator of the ratio is given by the sales excluding taxes on products but including all payments made by General Government or by the European Union institutions and granted to any kind of producer in this type of activity, i.e. all payments linked to the volume or value of output are included, but payments to cover an overall deficit are excluded (see ESA 95, § 3.33 (a)).

However, it is not possible to take into account the information concerning types of subsidies received by the firms, because a standardized database for the "notes to financial statements" of Italian public corporation is not available. Therefore, as those documents are available at Istat archives, information drawn from them are regularly considered in the qualitative analysis.

Because the information therein contained cannot be treated within the standard procedure for the market/nonmarket test computation, a prudential approach is applied: in particular, the whole amount of subsidies received (irrespective of their nature and underpinnings) is subtracted from the sales, thus obtaining a prudential result of the test. The denominator of the ratio is basically determined by the production costs as stated in ESA 95, § 3.33 (b). Indeed, production costs are computed as the sum of intermediate consumption, compensation of employees and consumption of fixed capital. As for the other taxes, due to the above mentioned lack of information concerning the financial statements, all current taxes must be

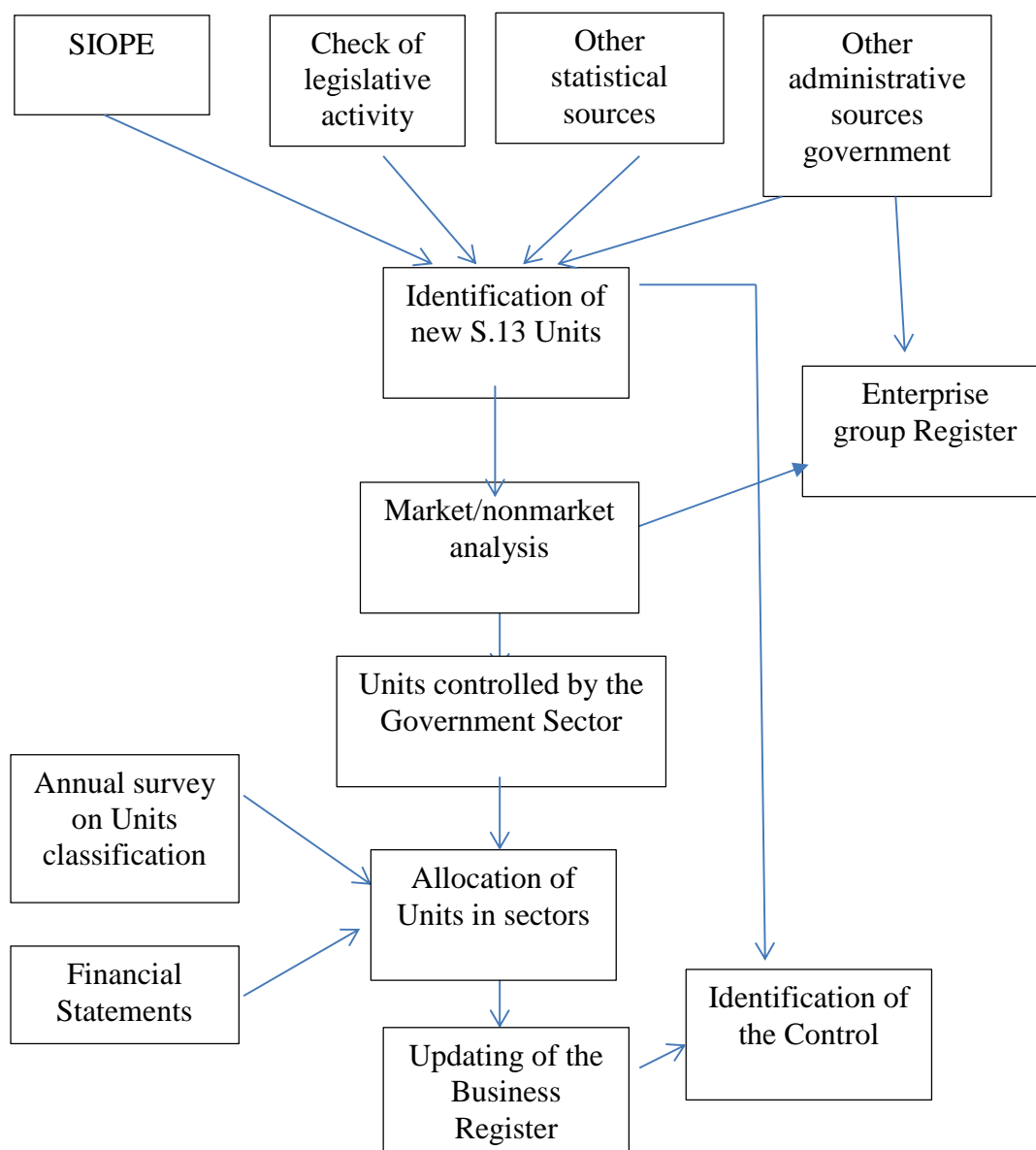
## 5.1. Sector classification of units

included - and not only those on productions, as stated in ESA 95 § 3.33 (b) – in the definition of production costs.

The assessment resulting from the market/nonmarket test is based on individual data for each institutional unit (no units are grouped) considered over three years of economic activity. The procedure is carried out every year so that the list of the General Government institutional units (S.13 list) can be updated for the annual publication taking place at the end of September of each year, according to the 2009 Italian Financial Act (L. n.196/2009) and subsequent amendments.

The procedure implemented to correctly classify an institutional unit within the S.13 sector is well defined and is based on both qualitative and quantitative information. In particular, qualitative information is very useful to investigate the institutional and regulatory framework within which entities are created, controlled, financed and in which they perform their activities; memorandum or articles of association represent important sources of information regularly quoted. Besides, the legislative rules both of the sector the analysed entities belong to and of its government level is also normally considered as a crucial source of information for classification purposes.

The following chart shows the main sources used to update the General Government sector perimeter. The Business Register (BR) updating (see par. 5.1.2) is the ultimate by-product classification procedure, and it is summarized in the chart.



## 5.1. Sector classification of units

### *Identification of newly created units*

Different information sources are available providing Istat with information regarding the creation of new units and/or the classification of the units in Institutional sectors. The main sources used for identifying new units that could be “potentially” classified in the S.13 sector are:

- SIOPE system (General Government Transactions Information System) - whose main scope is providing cash data for the majority of units belonging to the General Government sector - represents a valuable tool for detecting the creation of new units within the General Government sector. The identification of a new unit is possible because as soon as a new unit is created within the General Government sector a new Treasury account is opened with Banca d'Italia. The Treasury account is then identified by a SIOPE. The ID codes of the new unit are produced by Istat.
- Check of legislative activity - Given the existence of the “principle of publicity” or “transparency” of public administration characterising the Italian administrative system, the creation of a new public institutional unit can be easily assessed checking the legislative activity of all those institutional entities which, according to the Italian jurisdiction, are legally entitled to create new entities, i.e. Central and Local Government entities.
- The annual statistical survey conducted by Istat, whose observation domain is represented by both potential S.13 units (i.e. the group of those institutional units, including the non-profit institutions, with institutional characteristics and/or economic behaviour pointing at possible public attitude) and those units that already belong to the General Government sector but whose accounting information are not provided by the administrative data sources. So far, this survey is basically aimed at collecting the information concerning the accounting data required for the 50% criterion implementation. As a consequence of the revisions that the survey questionnaire will undergo - in order to take into account the novelties introduced by ESA 2010 - the updated survey from 2013 will not only aim at checking the requirements for the existence of a “public control” in detail, but also at collecting detailed data necessary for the 50% criterion implementation. The administrative documents that will be collected by the survey will allow to assess the quality of the acquired data.

Moreover, Istat can detect the changes in institutional setting or in economic behaviour of the existing entities - this may lead to change the relative classification - by regularly conducting statistical surveys covering alternative time horizons/ spans (e.g. census surveys, annual surveys). Other administrative sources (see § 5.1.2) are acquired and used for both identification of units and control analysis .

Istat is the institution in charge of the activity on classification of institutional units, and of the release/drafting and the monitoring of the General Government institutional-unit list (the so-called S.13 list). The classification activity is carried out by the Administrative and Statistical Register Directorate in cooperation with the National Account Directorate.

## 5.1. Sector classification of units

### 5.1.1 Criteria used for sector classification of new units

According to the ESA 95 and MGDD, the first step to classify an entity within the General Government sector is to determine whether the entity is an institutional unit, i.e. whether this unit has “decision-making autonomy in respect of its principal function and if it keeps a complete set of accounts” (ESA95, §2.12). According to the Italian system, a unit is considered as juridical autonomous if it is created as a legal unit. Hence, from an operational point of view, a first necessary (though not sufficient) indicator is the existence of a fiscal code associated to the unit. Concerning the accountancy rules, it is sufficient that the unit produces any type of bookkeeping document having both an economic and a legal value; this represents a second requirement to be met (criterion to be checked necessarily).

In the second step, it is necessary to determine whether the unit is controlled by either Central Government units or Local public administrations; here both the notions of control and ownership are crucial in the classification procedure. In particular, corporations and private legal entities (e.g. foundations and associations) are entities whose regime of control is checked by Istat. It is worth noting that the notion of public control adopted by Istat methodology is consistent with ESA95 and MGDD which define General Government control as “the ability to determine the general (corporate) policy or programme of an institutional unit by appointing appropriate directors or managers, if necessary” (ESA 95, §2.26) or the possibility of exerting “control over a corporation through special legislation, decree or regulation that empowers the Government to determine corporate policy or to appoint the directors”.

In some cases, it might be necessary to pursue *ad hoc* investigations over specific aspects of the institutional setting, the composition of the governing bodies, the regulatory framework and the economic behaviour of specific entities categories, as in the case of consortiums of local entities and public/state controlled corporations. For instance, in order to correctly classify the type of contribution that an entity receives from the General Government institution it is controlled by, it is often necessary to analyse the service contracts ruling the agreements between the two.

It is worth focusing on the procedure for detecting the existence of public/state controlled entities, that utilize the statistical Business Register of the Enterprise Groups (BREG) as the main informative source. Istat sets up and maintains the BREG according to the definitions provided by Regulations 177/2008, 696/93 and 2223/96 following the methodology and operational criteria given in the BR Recommendation Manual. The BREG is set up on the basis of the following administrative sources:

- *The archive of all shareholders of non-listed companies*: the Italian law n. 310 of 1993 requires all non-listed companies to declare the complete list of their shareholders to the Chamber of Commerce. The company must present the first list when it sets up and then update it any time there is a change in one of its shareholders or in the title of ownership of the capital shares.
- *The archive of all shareholders of listed companies*: the Italian Legislative Decree n° 58 of 1998 (art.120) requires all listed companies to declare the list of the relevant shareholders (above a specific threshold) to the National Committee of Inspection on Listed Companies to be quoted on the stock exchange market.
- *Consolidated Accounts*: although the group of enterprises resulting from the Consolidated Accounts (VII European Council Directive) is different from the statistical group as it is conceived in the Business Register, this source constitutes a



## 5.1. Sector classification of units

useful (though non exhaustive) benchmark to be considered<sup>8</sup>. The source contains the list of all (resident and non resident) enterprises consolidated by Italian Group Heads and it has a top-down structure.

- *CONSOC*: it is the database of the Department of Public Administration. The Italian law n. 296 of 2006 requires all the Public Administrations to declare the list of associations they belong to, and the list of companies that are either totally or partially participated by the Government, regional or local administrations (Provinces and Municipalities).

The criteria adopted to identify the units under public control are the following:

- According to the first criterion, given the enterprise groups register, all the enterprise groups whose group head is a General Government unit are considered. Such criterion is also able to identify those enterprise groups over which General Government's institutions can secure a special control by making use of the Golden share.<sup>9</sup>
- The second criterion identifies all the enterprise groups and their constituting units whose group head is a private company but whose shares are jointly owned (more than 50%) by General Government units - in this case none of them alone owns more than 50% of the unit, otherwise the first criterion would apply.<sup>10</sup> The additional information on minority public shareholders is taken from the complete archive of all shareholders of non-listed companies and are also integrated with the group register.
- The third criterion takes into account all legal units that do not belong to any enterprise group, according to the notion of "control" adopted by the BREG. For those "independent legal unit", which are neither directly nor indirectly controlled by a unique juridical legal unit, the criterion identifies the cases where either one or several General Government units jointly own more than 50% of its shares.

The last step of the overall classification procedure is represented by the market/nonmarket test implementation. Istat gathers the necessary information for the 50% test using a specific survey together with the financial statements and their notes provided by the institutional units. Such sources provide a satisfying degree of details which enable to perform the test correctly.

Every year the accounting information on the year T-2 to be used for the implementation of the market/nonmarket test are available. The main tool providing such updated information is

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<sup>8</sup> The explanatory note n.3 of Council Regulation 696/93 provides that "the definition accounting groups (...) is not suitable for statistical analysis because they do not constitute mutually exclusive, additive groups of enterprises". Therefore the statistical unit 'enterprise group' based on the 'accounting group' concept must be defined by applying some amendments indicated in that explanatory note.

<sup>9</sup> The Government has recently issued the Decree Law no. 21/2012 (Converted into Law No. 56/2012) amending the structure of the golden share, in compliance with the requests received from the European Union. The regulatory framework for Golden share in Italy was previously found in art.2 Decree Law no. 332/94 (Converted into Law no. 474/94) and amended thereafter by Law n.250/2003 and Decree of the President of the Council of Ministers (DPCM) on June 10 2004, as modified by art.1 DPCM on May 20 2010.

<sup>10</sup> This is the case of large enterprises typically producing market goods and services, intended for the benefit of the community (public utilities), such as transports, water supply, sewerage, waste management, electricity, gas supply, etc. They are generally created and jointly controlled by several general government units such as regions, provinces or municipalities.

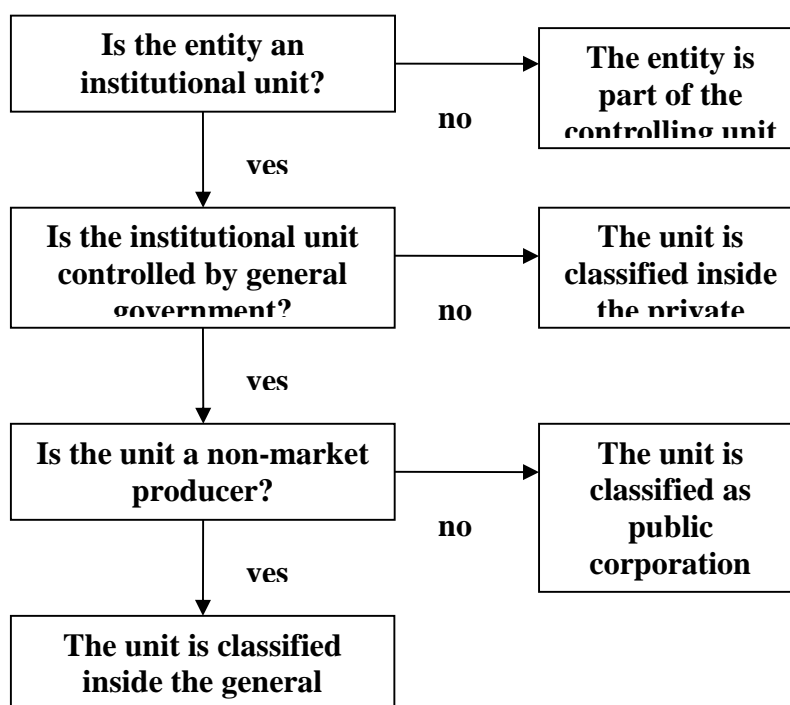
## 5.1. Sector classification of units

obtained through specific surveys conducted by Istat every year. The 50% test is then performed over a three-year period (i.e. T-1, T-2, T-3 or T-2, T-3 and T-4)

However, concerning the public/state controlled units the test calculation is based on two different and specific data sources:

- a standardized database that includes data on the financial statements of the Italian public corporations according to the national law (from Commerce, Industrial and Handicraft Chambers - CCIAA)
- the annual report of the Italian public corporations from Commerce, Industrial and Handicraft Chambers (CCIAA) firms' register (source: <https://telemaco.intra.infocamere.it/>)

The following chart summarizes the main steps of the Istat classification procedure.



### 5.1.2 Updating of the register

The updating of Register takes place on an annual basis. In particular, the updating is based on the integration of administrative and statistical sources and concerns each unit. This activity involves annual monitoring of requirements to classify the units in sectors and subsectors and allows making national accounts on updated lists of units.

The updating of the enterprise Business Register (BR) and the publication of the list of the General Government institutional units<sup>11</sup> take place on an annual basis. In particular, of the BR update is based on the integration of administrative and statistical sources and, in line with

<sup>11</sup> See footnote n. 1

5.1. Sector classification of units

the Regulation 177/2008, concerns the units, the variables and the identification of sectors and subsectors of the institutional units.

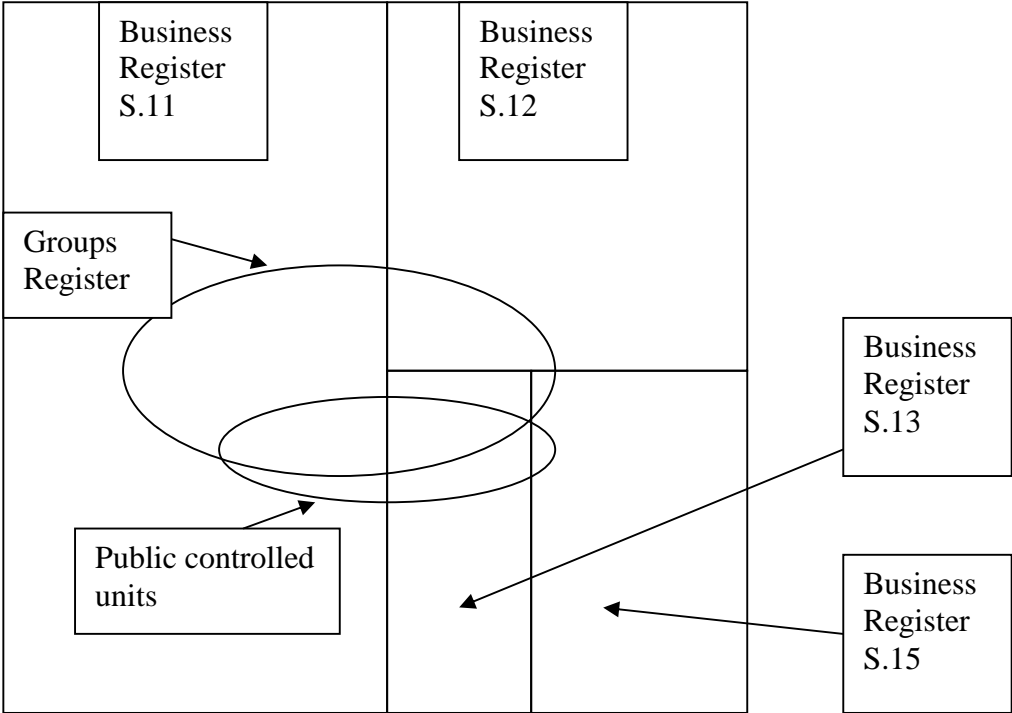
The following chart provides a summary of the different sets of units that are classified into the statistical business register (according to the different institutional sectors), in the enterprise group register and in the set of public/state controlled units.

The available details in the data sources used to compile the 50 5 test are reported in the *balance sheet* and in the *financial statements* for private corporations controlled by General Government units and in the *annual statistical survey* for the potential S.13 units (i.e. the group of those institutional units, including the non-profit institutions, with institutional characteristics and/or economic behaviour pointing at possible public attitude) and those units that already belong to the General Government sector but whose accounting information are not provided by the administrative data sources.

Every year the accounting information on the year T-2 to be used for the implementation of the market/nonmarket test are available. The main tool providing such updated information is obtained through specific surveys conducted by Istat every year. The 50% test is then performed over a three-year period (i.e. T-1, T-2, T-3 or T-2, T-3 and T-4).

A prudential hypothesis for calculating the market / non market test is applied, by subtracting from the **business account sales** (turnover and other sales excluded change in inventories) all the **current subsidies** received by each firm.

This treatment, that reduces the sales, provides a prudential result of the test (the MGDD2013, § I.2.4.2 page 14, state that subsidies on products, D31, are included in the sales). Another prudential hypothesis has been applied with regard to the inclusion in the production costs of taxes according ESA95 rules: all current taxes and not only ones on production have been included in these costs.



## 5.1. Sector classification of units

### **5.1.3 Consistency between different data sources concerning classification of units**

For S.1313, with reference to the bodies included in SIOPE (that is the basis for WB calculation of the subsector) the classification of each single unit is the result of a common coding system where Istat receives from Banca d'Italia the information about the new units entered into SIOPE and assigns them a code by which the body will be identified in SIOPE itself.

For S.1311 and S.1314, due to the limited number of bodies, the lists of units that form public accounts and General Government accounts by subsector are easily matched.

For S.1311:

For the purpose of Money and Banking Statistics the classification of institutional units is based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat. Any update of the list is automatically reflected in the Money and Banking Statistics.

Financial and non-financial accounts are both based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat.

For S.1313:

For the purpose of Money and Banking Statistics the classification of institutional units is based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat. Any update of the list is automatically reflected in the Money and Banking Statistics.

Financial and non-financial accounts are both based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat.

For S.1314:

For the purpose of Money and Banking Statistics the classification of institutional units is based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat. Any update of the list is automatically reflected in the Money and Banking Statistics.

Financial and non-financial accounts are both based on the List of Institutional units in General Government sector (S.13) delivered annually by Istat.

## 5.1. Sector classification of units

### 5.2. Existence and classification of specific units

**1. Non-profit institutions** (NPI) can be included in the General Government sector.<sup>12</sup>

In particular, both at the level of Central Government subsector and Local Government subsector there is a number of cultural foundations deriving their legal form from a transformation process of former public entities that underwent a legislative action of privatizations (e.g. the lyric-symphonic foundations). Besides, other foundations in the realm of non-profit institutions can also be found in the sector of medical research (Local Government subsector) and in the Social Security Fund subsector.

The main information sources for detecting non-profit institutions are:

- the data (concerning both the control regime and the economic information) collected through the 2011 Census of non-profit institutions
- the archives provided by the Italian Ministry of Economic and Finance and by the Italian Corte dei Conti<sup>13</sup>

The classification path that is adopted in order to distinguish a private NPI from a public NPI is the following:

- 1) First checking whether an institution belongs to the framework of the private legal entities characterized by a non-profit economic activity (according to the I book of the Italian Civil Code); then, examining the unit's memorandum, articles of association and, possibly, the national legislation defining the type of institutions the unit belongs to (sometimes the national legislation sets specific constraints regarding the institution's mission, economic administration and terms of financing of the non-profit institution financed by the General Government institutions).
- 2) Then verifying whether the unit is controlled by a General Government entity, with checks on the following aspects:
  - the rules of officers appointment
  - other provision of the enabling instrument, such as the obligations in the statute of the NPI,
  - the contractual agreement,
  - the degree of financing.
- 3) Checking the existence of public financing over private financing on the basis of the three latest available financial statements.
- 4) Finally, the 50% test is performed on the basis of the three latest available financial statements.

**2. Quasi-corporations** Quasi-corporation units are not included in S.13 because they are unincorporated partnerships according to institutional sector classification (SEC95) applied in Italy. This kind of corporations is exclusively controlled by individuals and not by legal persons and this is the reason why there are not quasi-corporation controlled by General Government units.

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<sup>12</sup> In particular, they are included in the S.13 sector if they are both controlled by a General Government unit and mainly publicly financed. Otherwise they are classified outside the General Government sector.

<sup>13</sup> The Italian Corte dei Conti is the institution with the role of safeguarding public finance and ensuring the respect of jurisdictional system  
(source:[http://www.corteconti.it/english\\_corner/chi\\_siamo/the\\_role\\_italian\\_corte\\_conti/](http://www.corteconti.it/english_corner/chi_siamo/the_role_italian_corte_conti/)).

## 5.1. Sector classification of units

### **3. Infrastructure companies**

The enterprises included in the following industries: railways, roads, subways, public utility companies and airports are mainly classified in Non-Financial Corporations Sector, S.11. For each company the 50 % test according ESA95 is performed, including in the sales amount the revenues by the sale of services supplied to customers at market prices, as recorded by the balance sheet of each company. For the biggest infrastructure companies the annual reports with the notes to the financial statements are available and it is possible to identify in a separate way subsidies on products, D.31, and on production, D.39. Another source used for the biggest companies is the service contracts signed with each General Government unit in order to provide public services to the final consumers. Therefore, the sales have been calculated separating subsidies on products and subsidies on production. The depreciation from the balance sheets of each corporation has been used to calculate the 50 % test.

A standardized database for the notes to financial statements of Italian corporations is not available for all the companies, and for this reason there is not standardized information on the kind of current subsidies (on products, D.31, and on production, D.39). Hence a prudential hypothesis for calculating, in an standardized way, the 50 % test is applied, by subtracting from the total sales reported on balance sheets all the current subsidies received by each firm. This treatment, that reduces the sales, provides a prudential result of the 50% test (the MGDD2010, § I.2.4.2 page 14, provides that subsidies on products are included in the sales).

The Port Authorities are mainly classified in Local Government units, except for the military ports that are considered in the General Government subsector.

For the cases where these companies present a long-lasting deficit and they have received also equity injections from General Government units, the amount received by each company has been classified as capital transfer from the General Government unit. There are cases of loans granted to public utilities by the General Government unit that controls them. The fiscal arrears of infrastructure corporations seem not to be so different from the average behavior of the Italian firms.

**4. Universities, schools** The Italian public education system is entrusted to various General Government institutional units (schools, vocational schools, universities, etc.) producing a non-market output.

State and Local Governments (i.e. State, Regions, Provinces, Municipalities, Universities, etc.) are in charge of providing education services: The public school system is organized in State schools (local units of the Ministry of Education) and other schools managed at local level (i.e. by Municipalities, Provinces and Regions). They are financed by transfers from the State or local bodies (while, in case of private schools, they are mainly financed by school fees).

The tertiary education is provided by 82 institutional units. The public universities are 69.

The criteria for sectorization decision are the market/non market character and the financing.

Public universities are mainly financed by Central Government, so the fees are considered payments for other non-market output (P131).

The control on public universities is performed by the Government. The main elements of the control are:

- The Board of Auditors of the public universities is composed of three regular members and two alternate members, of which one regular member and the President are selected from judges, administrative accountants and lawyers of the State; one regular and one alternate member are appointed by the Ministry of Economy and Finance; one

## 5.1. Sector classification of units

regular and one alternate member are, appointed by the Ministry of Education, Universities and Research (Law n. 240/2010).

- The financial statements of public universities are transmitted to the Court of Auditors.

**5. Public TV and radio** The Italian public TV and radio (RAI) is classified as an enterprise (S.11). There are proportional fees paid by customers on the basis of the service costs to provide the signal over the entire national territory as a result of a specific contract. The paid fees are not recorded in General Government accounts, as they are considered as revenues from service sales by a market company.

## 6. Public hospitals

The public hospitals (Hospital Agencies, University Hospitals, Public Research Hospitals) are classified in the Local Health Units. The public hospitals are regulated by Legislative Decree n.502/1992 and others (i.e. L.D. 56/2000). The public hospitals are autonomous entities and manage their own financial, accounting, managerial and technical issues. They must guarantee health services to citizens in conditions of uniformity accordingly to the Essential levels of health care-(LEA) defined by Central Government.

The public hospitals are financed by resources derived from the taxation funds for the National Health Services (Servizio Sanitario Nazionale - SSN). These resources are allocated by the Central Government to the Regions and autonomous Provinces. Each Region, with a weighted capitation mechanism (based on population, weighted by age and gender-specific utilization rates of hospital care) distributes part of them among the public hospitals within their territorial jurisdiction.

Inpatient services provided by public hospitals are paid with fees based on Diagnosis Related Groups (DRG), while outpatient activities and other health care services are paid through various mechanisms.

The health care services can be purchased by Local Health Agencies from private hospitals with specific requirements (accredited facilities) in order to supply health care to the citizens.

The private hospitals are paid for the health services they provide, according to the Diagnosis Related Groups system (DRG) and no reimbursement is due beyond a predefined amount of services provided.

In order to ensure health services based on LEA, in case of a public hospital deficit the needed resources are found within the Region using the surplus of other Local Health Units. Since 2001.Regions are responsible to cover the deficit of the LHUs in their territory increasing Regional Tax Rates.

## 7. SPV

There are no SPVs in S.13.

## 8. Specific public units involved in financial activities

The main public units/groups involved in financial activities are *Cassa Depositi e Prestiti SpA* and *SACE SpA* classified in S.12. The first one is a bank that mainly funds, at market conditions, infrastructure projects of Local Government units and innovative business plans of SME's. SACE SpA., recently sold by Ministry of Finance to Cassa Depositi e Prestiti SpA, is

### 5.1. Sector classification of units

an insurance company specialized in granting loans to corporations involved in import-export activities.

Furthermore, some regional development banks controlled by Local Government units are classified inside S.12 sector. These financial corporations fund business projects of regional enterprises and often manage the procurement of national-fund allocations (co-financing to EU funds) to final beneficiaries.

### ***9. Other specific units***

There are no Other specific units.



## **6. Time of recording**

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers and financial transactions).

The time of recording is defined in ESA95 §1.57. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### **6.1. Taxes and social contributions**

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

#### **6.1.1 Taxes**

This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA95 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

## 6. Time of recording – Taxes and social contributions – EU flows

### Estimation of taxes

#### Data Sources

As for Central Government, (State) detailed tax revenues are collected by the Department of Finance (MEF) and transmitted to ISTAT in January/February of year T (updated in June/July) and referring to year T-1; the report contains data detailed by type of tax and by collection method (direct or roll procedure). Data are presented in State final budget on legal accrual and on cash basis. In paragraph 6.1.2 the actual content of the legal accrual recording is described. This information is published by MEF in a monthly publication on tax revenues (“*Bollettino mensile delle entrate tributarie*”<sup>14</sup>).

As for Local Governments, both information from Department of Finance (MEF) and budget reporting are used. Budget reporting is available in year T for year T-2, and data from SIOPE are used for estimating accrual data for year T-1, by applying the rate of change in cash flows between years T-2 and T-1 to the accrual data of year T-2.

The EDP tables and related questionnaires on taxes are compiled by ISTAT.

The Table below describes the timeline of the availability of data sources for taxes for Central and Local Government.

**Table 11. - Timeline of the availability of data sources**

<b>Year of estimate: T-1</b>	<b>Central Government</b>	<b>Regions</b>	<b>Municipalities</b>
January/ February year T	First provision	N.A(*)	N.A. (*)
June/July year T	Final provision	N.A(*)	N.A. (*)
January/February year T+1		Final provision	First provision (partial)
December year T+1			Final provision

(\*) When direct data are not available, an indirect estimate is based on SIOPE data

**Table 12. - Timeline of the estimates**

<b>Year of estimate: T-1</b>	<b>Central Government</b>	<b>Regions</b>	<b>Municipalities</b>
February year T	First release	First release	First release
October year T+1	Final release		
October year T+2		Final release	Final release

<sup>14</sup> The data published in the bulletin may nevertheless present differences with the basic information provided by MEF to ISTAT due to a temporary gap in updating.

## 6. Time of recording – Taxes and social contributions – EU flows

The Italian fiscal system collects revenues either through direct payment or the “roll” procedure.

As for the former, the taxpayer declares and pays the amount due through a specific payment form called “F24”. The form is used to pay the main direct taxes (including withholding taxes by withholding agents on wages and salaries in private and public sectors), VAT (Value Added Tax), social contributions, IMU and other local taxes. The F24 form allows offsetting taxpayers’ debts and claims within the same period.

Other indirect taxes (and related penalties) are paid through the so called “F23 form” or “F24 accise” with the same characteristics of F24, or through a bank/postal slip (Bollettino postale). In both cases, the time in which taxpayers actually pay the tax coincides with the time in which the Administration assesses the tax liability. These amounts are therefore recorded as “accertamenti” in the budgets of each Public Administration.

The “roll” procedure is activated mainly for the collection of non-declared amounts; the “roll” is defined by an unilateral action undertaken by the authority which establishes the amount of tax due by the taxpayer, and informs of the debt outstanding by following legal procedures.

Banks are the agents in charge of collecting taxes paid through F24 and F23 forms; on the other hand, concessionary companies are in charge of tax rolls. From October 2006 the concessionary companies have been taken over by the Equitalia Group Spa, a company whose stake is held 100 % by the General Government and is classified into GG sector.

### The method

#### *Time of recording and amount to be recorded*

In order to meet the accrual principle, the ISTAT methodology in estimating taxes, uses the information made available by MEF (Finance Department) and based on the final State budget reporting.

The data used are the “accertamenti” and the “versamenti/incassi”, and the estimate method applied depends on their actual content, as described below (cfr. also Table n.13):

#### *“Accertamenti”*

For most taxes, the content of the “accertamenti” doesn’t meet the definition of “assessments/declarations”, as the identification of amounts due by taxpayers. They rather represent the amounts collected and already paid by the taxpayers through the F24 and F23 forms (at least for the amount collected through a direct payment method). Therefore, the “accertamenti” are used in the accrual calculation of taxes considering their actual content. In particular, in the item “accertamenti” taxes paid through *a)* a direct payment method and *b)* rolls procedure are recorded.

- a) As for taxes collected through the direct payment method, the item “accertamenti” contains amounts actually paid by the taxpayers for the reference year. For this reason there is no uncertainty of collection for these amounts (they are actually collected by the Public Administration), The total amounts of taxes collected by collecting agents are in general transferred to the Treasury in a few days, becoming fully available for Public Administration. A temporary delay in transfer of the taxes to the Treasury

## 6. Time of recording – Taxes and social contributions – EU flows

accounts doesn't affect the certainty of collection. To summarize, the “accertamenti” through the direct payment method do not contain any uncertain elements and they are already paid by the taxpayers, in this sense, they are considered cash data, Being cash amounts whose accrual is only to the reference year, they are used to properly calculate taxes on accrual basis and a time-adjusted-cash methodology is applied in order to take into account minor gaps (one or two months) between the time when the tax is due and the actual payment. Only for a very small share of some specific taxes paid through other forms, the item “accertamenti” can include an amount not immediately collected.

- b) As for “accertamenti” relating to rolls procedure, they are amounts unilaterally assessed by Public Administration and they contain uncertain elements about their collection. Therefore, these amounts are not used in the accrual calculation. In order to prevent the recording of uncollected amounts, cash data (“incassi”) for the accrual calculation of rolls are used.

### “Versamenti/incassi”

As far as “incassi” are concerned, they contain cash fully available in the reference year to the Public Administration, already transferred to the Treasury. They are related to the amounts collected in the reference year but also in the previous years. These data are used for the accrual estimate of the items related to roll procedures in order to prevent the recording of amounts of uncertain collection, since that the authority's claims of rolls can be very uncertain and their payments delayed over time.

**Table 13. - “Accertamenti” and “incassi” in the State budget**

Item	Collecting procedure	Content	Certainty of collection	Time reference	Data use
“Accertamenti”	direct payment method	amounts actually paid by the taxpayers transferred/to be transferred to the Treasury	amounts actually collected = cash	reference year	<b>accrual estimate</b>
	roll procedure	amounts unilaterally assessed by Public Administration	amounts to be collected = assessment	reference year and previous years	not used

## 6. Time of recording – Taxes and social contributions – EU flows

“Incassi”	direct payment method	amounts actually paid by the taxpayers for the reference year and for previous years already transferred to the Treasury	amounts actually collected = cash	reference year and previous years	cash estimate
	roll procedure	amounts actually paid by tax payers through roll procedure	amounts actually collected = cash	reference year and previous years	<b>cash and accrual estimate</b>

As the amounts recorded are essentially those actually paid by taxpayers at the time of the form submission, just a temporary difference between accrual data (based on “accertamenti”), and cash data can emerge and it is mainly due to two reasons:

- the accounting settlements between Government levels. Some taxes collected by the State, must accrue to the Regions but the corresponding receipts will be available to Regions only after a time lag; the amounts will be determined by the accounting settlement between the State and the Regions (see below for details);
- even if the collection phase is close to the payment into the Treasury accounts, the availability of the fund may not be immediate and may cause a gap between the amounts collected by the collecting agencies and their transfer into Treasury accounts.

As for the Local Governments, data on amounts collected through F24 and F23 forms are used in the accrual estimate of the most part of taxes (Irap, IMU and regional surtaxes). Only for a minor part of taxes attributed to local bodies, the source is the final budget of the entities and the assessment data are used. Nevertheless, they are basically close to cash data and the possible difference is monitored by type of taxes. For year T-1 when final budgets are not available, the data from SIOPE are used for estimating accrual data for year T-1 by applying the corresponding rate of change of cash flows between years T-2 and T-1 to the accrual data of year T-2.

### The time adjustments on taxes

For some taxes time adjustments are applied to align the time of assessment with the time of economic accrual. Due to the characteristics and timeliness of available sources, temporal shifts are applied to ensure that the amounts to be recorded are allocated to the period in which the related activity took place.

For taxes on production and imports, in recording the related amount a time lag between the time of production, consumption or import and the time at which the tax falls due has to be taken into account. The payment and recording arrangements are analyzed for each type of tax and ad hoc adjustment are calculated for referring the payments to the time at which the tax become actually due. As for VAT, tax return and payments take place with different time lags for monthly and quarterly taxpayers. The tax codes in F24 form allow to clearly identify VAT payments carried out on a monthly or quarterly basis and advances of VAT due on annual basis. Therefore in estimating the VAT annual figure, the adjustment is directly defined on the basis of payments data and the time shift is made to correctly match the receipts with the reference period (where the amounts to shift are quantified on the basis of the available sources).

## 6. Time of recording – Taxes and social contributions – EU flows

As for taxes and duties on imports excluding VAT (D.212) and other taxes on products (D.214), the collected data recorded in the public accounts<sup>15</sup> is coherent with the NA definitions in the sense that tax obligation arises at the manufacture, consumption and import stages of the product. The amount generally assessed corresponds to the amount collected and a time-lag adjustment is performed to take into account minor gaps between the time when the tax is due and the actual payment.

As for direct taxes, the ESA states that the time of accrual is the one when the tax is due by law, i.e. the last date when it can be paid with no penalty.

In the accrual calculate of direct taxes, time adjustments are applied to take into account balances, only when they are collected by the first two months of the subsequent year and therefore the actual data are available. In the case of income tax (personal income tax — IRPEF – in particular on compensation of employees and on pensions), a one month adjustment is applied for payments on account by the withholding agent which are referred to the previous year. For some direct taxes, a two month adjustment is applied in order to take into account the payment of the tax balance referred to year T in February year T+1. As for balances collected after February year T+1 onward, no time adjustment is applied.

This kind of time adjustment allows aligning the tax estimates with the trend of the tax base.

As for amounts collected via tax rolls, the tax authority is not able to determine the reference accounting period, and therefore no time adjustment is performed to cash data.

### **Reimbursement and refunds**

In public accounting gross taxes are recorded, disregarding any refunds of tax rebates. Tax rebates are the amounts which may be deducted from the taxes of the current year and followings. In Italy, a relevant amount of credits is refunded in each accounting period. A large share is offset, i.e. subtracted from the taxes due in the year by the taxpayer who directly calculates and pay the outstanding balance through the F24 form. This instrument allows a single payment (and declaration) for some major taxes (IRES, IRPEF, VAT, IRAP regional tax on productive activities etc.) and makes it possible to offset the amounts due for various types of taxes at payment.

In the National Accounts the amount of reimbursement and refunds is deducted from the gross taxes. Data source for recording reimbursement and refunds on accrual basis is the State final budget where these amounts are recorded, on the expenditure side, as an adjustment item of revenues. A breakdown by type of taxes is provided by the Department of Finance (MEF); this amount measures the reimbursements and refunds requested by taxpayers through tax returns and validated by the tax Authority and it is distinguished between Central Government and Regions. As for special statute Regions and autonomous Provinces, information on reimbursements and refunds are derived directly by their final budget reporting.

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<sup>15</sup> Excise duties are assessed by applying the rate of duty applying at the date of release to the quantity of product released for consumption. Release for consumption occurs when leaving tax warehouses (oil refineries, petroleum product processing plants, alcohol distilleries, plants for the production of spirits, liqueurs and other alcoholic beverages, customs warehouses authorized to operate under tax warehousing arrangements, etc.) or out of the customs regimes under which the duty is suspended.

## 6. Time of recording – Taxes and social contributions – EU flows

For year T-1 when final budgets are not available, the trend of tax refunds related to the total amount of taxes is used for estimating accrual data for year T-1.

This information is directly used in the estimate of taxes without any other process except the reclassification of non-fiscal refunds.

### **Fines and penalties**

According to ESA95, the total amount of taxes to be registered should not include fines and interest charged on arrears of taxes due, applied by the Tax Authority (ESA 4.28 and 4.81). All the fines and interests for the delayed payment of taxes should be excluded as far as possible from the amount of taxes but included in “miscellaneous current transfers” (D.75) and Interests (D.41) respectively.

Starting from 1999 fines and penalties are classified as transfers from households and enterprises, or interest. In the State budget and in the National accounts are recorded on cash basis. For local taxes these amounts are small and are not observable from total taxes.

### **Final settlements (“regolazioni contabili”)**

Some taxes, even if collected by the State, must accrue to the Special Statute Regions. Two accounting systems are currently in use: “devolution” and “regulation” system. In the “devolution accounting” system, the State acquires the full annual revenue of taxes collected in the Region and pays advances to the Region during the year, settling the difference to the following years.

On the other hand, the “regulation system” implies the direct collection of taxes by Regions. Regulation is recorded in the State budget only as an accounting entry (“scrittura contabile”) without any underlying transaction. The State budget records in year T the assessed revenues before settlements to Regions, while the related cash flows (and its adjustment on the expenditure side), is generally recorded in year T+1. In turn, Special Statute Regions directly record the revenue in their budget in year T.

Accordingly in National Accounts the accrual amount related to “regolazioni contabili” is recorded on the basis of the information derived by the regional budgets. In order to properly define sub-sectors accrual revenues, these amounts are reallocated from State revenues. Moreover, as in State budget taxes are recorded gross of refunds, including also those belonging to Special Statute Regions. For the sake of consistency between State and SS Regions flows, the same adjustment is applied also to refunds.

In recent years, Regions are gradually moving from a “devolution” to a “direct collecting” system.

The accrual tax estimate is summarized in the table below

**Table 14. - Accrual taxes estimate**

Item	Operation
a) Taxes collected through the direct payment method	+
b) Tax rolls, cash	+

## 6. Time of recording – Taxes and social contributions – EU flows

c) Accounting reclassifications (other non-tax revenue)	+/-
d) Settlements and transfers between Government bodies	Reallocation between Government levels
e) Tax Refunds, accruals	-
f) Time-lag adjustments	+

### Tax amnesties

The revenue from tax amnesties arises from the emergence of a hidden tax base, i.e. taxes that have never been declared to the tax authorities but have been assessed by them by means of tax rolls. During the early 2000s, under statutory instruments, the taxpayer were allowed to declare any past unpaid tax and thus to settle disputes which had been delayed for several years. For such revenue, it is generally difficult to identify the tax period in which the tax claim arose and, in any case, the revenue cannot be assigned to that period since this would involve retrospective revision of the whole time series. The accrual amount recorded in the National Accounts thus corresponds to that declared by the taxpayer in the year of declaration. It could differ from the paid amount only for payment made in installments. Revenues from tax amnesties were included in capital taxes since they are occasional revenues and it can be assumed that the taxpayer pays it from capital (accumulated savings) and not from current income.

Based on the same criteria, the so-called “fiscal shield” (scudo fiscale) has been recently recorded as capital tax.

### 6.1.2 Social contributions

The time of recording of social contributions is defined in ESA95 §4.96 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

Accrual social contributions are calculated using assessments data for all institutions except for Inps and Inail (the two institutions most exposed to non-collecting risk) for which cash data and current monthly flows of social contributions are used starting from the 2013 second EDP notification, because of the change of the method agreed with Eurostat in September. At the moment, there are no reasons to distinguish the sources of the data between the two EDP notifications.

For Inps and Inail, the accrual social contributions are calculated using the “Time adjusted cash amounts which are attributed to the period when the activity takes place” (method C). The calculation of the Time Lag Adjustment (TLA) is made based on the current monthly flows of the social contributions collected by Inps.



## 6. Time of recording – Taxes and social contributions – EU flows

The cash amounts derived from monthly flows are different from those reported in the final budgets for two reasons: because a) they exclude the social contributions collected in the year but assessed in previous years; b) they are gross as they include amounts (e.g. deductions, reimbursement and compensations) that Inps reallocates later on when the calculation of cash social contributions for final budget is performed. Usually, the amount of the current flows is lower than the cash reported in the final budget.

As the data have to be consistent to be related, at first the ratio between the numerator “Time Lag Adjustment (only current social contributions)” and the denominator “Current cash social contributions collected by Inps in the year T” is calculated, as the two data are consistent being derived from the same source; then, this ratio is applied to the cash social contributions from the Inps final budget obtaining the “Time Lag Adjustment (estimation)” to be used for the estimation of the “Accrual social contributions using TAC method” (see the Table below).

**Table 15. - Inps social contributions**

<b>D611 - INPS SOCIAL CONTRIBUTIONS</b>	<b>year T</b>
<b>Cash social contributions from Inps final budget</b>	<b>A(T)</b>
“Current” social contributions collected by Inps in the year T	B(T), where B(T) < A(T)
“Current” social contributions collected by Inps in January of year T	J(T)
Time lag adjustment "only current" [Jan T+1 - Jan T]	TLAc(T) = J(T+1) - J(T)
% of TLA on “current” social contributions collected in the year T	%TLAc(T) = TLAc(T) / B(T) * 100
Time Lag Adjustment (estimation)	TLA(T) = %TLAc(T) * A(T) / 100
<b>Accrual social contributions using "TAC" method</b>	<b>C(T) = A(T) + TLA(T)</b>

The % of TLA on current social contributions collected by Inps is then applied also to cash social contributions collected by Inail to calculate the accrual social contributions for Inail.

Inps provides Istat with all information on social contribution recording; Istat collects the information, and is the compiler of EDP tables and related questionnaires as well.

Reimbursements, refunds and amnesties are included in social contributions amount (with the correct sign), while interest on late payments, fines and penalties for non-payment, are classified as Miscellaneous current transfers (D.75)

Inps final data for the year T are available in July/August of the year T+1, while those for the Social security funds other than Inps are available in January T+2 (Statistical survey on final budgets).

### 6.2. EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. Chapter II. 6 of the ESA Manual on government deficit and debt details the rules concerning the recording of these flows.

## 6. Time of recording – Taxes and social contributions – EU flows

### 6.2.1 General questions

According to ESA95 rules, transfers from the EU budget to the Member States for financing common policy, shall have no impact on Government deficit/surplus. To meet the requirement of EU flows recording, a detailed set of data provided by MEF are utilised.

The General Inspectorate of MEF in charge of the relationships with European Unions receives payments from the EU - by means of exclusively dedicated accounts in the State Treasury for all the EU Funds (European Agricultural Guarantee Fund, European Agriculture Fund for Rural Development, European Fisheries Fund, and two Structural Funds – European Regional Development Fund, European Social Fund, Other EU subsidies).

The EU funds are accredited on State Treasury accounts and then are transferred to the cash managers, which allocate them to the final beneficiaries. EU flows data are both expenditures (claims submitted, reimbursement and advanced by kind of fund) in Non-financial accounts and the financial transactions realized on the Treasury accounts of MEF in Financial Accounts.

Istat collects data on claims submitted at Central/Local Government level from MEF (IGRUE), and data on Treasury inflows and outflows from MEF (IGECOFIP), in order to identify flows related to each single Fund along the expenditures process.

According to Manual on Deficit and debt rules, their impact on General Government B.9 is equal to zero because “... *the time of recording of government Revenue from EU is the same time as the national government Expenditures.*” (see MGDD II.6.2 §36)

Further, as “... *the time lag between the moment of expenditure and the submission of claims is small ...*”, the Revenue (=Expenditures) is considered equal to claims submitted to EU during the year.

Submitted claims are the basic source to meet the accrual principle, while the Treasury cash flows are used to calculate receivable and payable data related to EU Funds.

The impact on Central Government working balance is measured by the difference between the inflows (advanced payments and reimbursement from EU to all beneficiaries) and outflows (expenditures for EU projects).

If the beneficiary is a Government unit, the expenditures for EU projects are represented by the claims submitted to EU during the year; if the beneficiary is not a Government unit the expenditures are the outflows from the Treasury accounts (N.23205 and N. 23211).

The link between the two aggregates (net borrowing and working balance) in EDP table 2A-D, is ensured by recording other accounts payable and receivable related to UE flows.

In particular, in EDP table 2A, the other-account (henceforth OA) receivables are of two different kinds: the OA receivable of Central Governments from the EU, for the EU project where the Central Government is the final beneficiary (for ESF, ERDF and EFF), and the OA receivable from the final beneficiaries in the case in which the Central Government decides to anticipate to final beneficiaries in the role of cash manager (for EAGF and for the most part of EAFRD).

The other payable accounts are the EU advanced payments to Central Government.

Istat and MEF are implementing a project to estimate the stock of OA *receivable and payable* on the transactions related to ESF, ERDF, EAGF, EAFRD and EFF in order to better distinguish *receivable and payable* for EU Funds.

Both the other accounts payable and receivable recorded in tables 2 are the same of those recorded in Table 3. The impact of EU flows on currency and deposits (F.2) is balanced by

## 6. Time of recording – Taxes and social contributions – EU flows

the amounts in "Other financial assets" (F.7) and in "Net incurrence of other financial liabilities".

No adjustment for the third resource is made in EDP table because the impact on the working balance and on B.9 is the same.

No asset of government is recorded in NA for the advances received by EU because these financial resources are immediately transferred to the final beneficiaries.

### 6.2.2 Cash and Schengen facility

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

No cash amounts are received by Italy through transitional or Schengen facility.

### 6.2.3 Jeremie/Jessica

The European Commission and the European Investment Bank Group and other International Financial Institutions on financial engineering in cohesion policy, the European Commission drew up new initiatives for improving access to finance of European corporations. These initiatives require the involvement of EU governments (as in the case for other cohesion and structural policy instruments). EU Member States implement the JEREMIE and JESSICA initiatives by establishing a Holding Fund funded through their Structural Fund receipts from the European Commission and national contributions. The Holding Fund (HF) can be managed either by the EIF or by other financial institutions, according to the EU Structural Funds legislation applicable. In this context, the "Managing Authorities" can award management either directly to the EIF or any national institution which benefits from public procurement exemption under national law through a grant agreement, or indirectly by way of tender to a financial institution through a service contract. Holding Funds can be set up either as "*ring-fenced blocks of finance*" or as bank accounts managed by the Holding Fund manager on behalf of and in the name of the Managing Authority, or as an independent legal entity (Special Purpose Vehicle – SPV).

There are some programmes of Jeremie/Jessica implemented in Italy:

Lombardia Plan ERDF 2007/2013,

Lombardia Plan ESF 2007/2013,

Sardegna Plan ERDF 2007/2013,

Calabria Plan ERDF 2007/2013,

Campania Plan ERDF 2007/2013,

Sicilia Plan ESF 2007/2013,

Sicilia Plan ERDF 2007/2013.

Up to year 2011 the amounts involved for Jeremie/Jessica are included in the amounts recorded in the National Accounts for the EU Structural Funds. The Holding funds are classified as units in S12 sector and in S2 (EIF / EIB).

The proportion of funding as Structural Funds is 54.09% on average and 45,91% as Government share.

The Government transfer is conceived as deposit.

## 6. Time of recording – Taxes and social contributions – EU flows

The Holding funds are the beneficiaries (see Commission Regulation (EC) No 1083/2006) but private corporations (no Government units) are final beneficiaries in National Accounts.

### 6.2.4 Market Regulatory Agencies

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

In Italy there aren't cases of Market regulatory agencies related to EU flows.

## 6.3. Military expenditure

The ESA95 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered. Chapter II.5 in Part II of the MGDD details the rules concerning the recording of military expenditure.

### 6.3.1 Types of contracts

Data sources used for the compilation of military equipment expenditure are State expenditure for military equipment under long-term contracts directly provided by Ministry of Defence.

The types of contracts used by military forces for the procurement of military equipment are:

- arrangements within the Government sector are used on occasion for a limited share of the total procurement;
- sales agreed in advance with industrial suppliers, with or without Government pre-financing – this is the key line of procurement for the main programs;
- trade credits (payments after delivery); military purchases are usually paid after the good average quality of supplies is carried out. They are used with normal frequency;

## 6. Time of recording – Military expenditure

- purchasing through an international special agency; it is mainly used for the programs arranged in international cooperation

Data for recording military equipment under long-term contracts are provided to Istat by the Ministry of Defence under a formal agreement.

Data related to the Purchase of Goods and Services and Gross Fixed Capital Formation concerning military equipment are provided by MEF.

### 6.3.2 Borderline cases

There are no specific borderline cases in classification of military goods.

### 6.3.3 Recording in national accounts

It is current practice for military equipment contracts to include noticeable prepayments or late payments. In Italy it is very difficult to distinguish the advances payments from the ones following delivery related to each single military goods on the basis of the structure of the State Budget Reporting. As a consequence the prepayments related to military equipment are included in the total cash expenditure without the possibility to distinguish them.

## 6.4. Interest

This part aims at describing accrual adjustment for interest.

- ESA 4.50 reads: "*Interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding. The interest accruing in each accounting period must be recorded whether or not it is actually paid or added to the principal outstanding. When it is not actually paid, the increase in the principal must also be recorded in the Financial Account as a further acquisition of that kind of financial asset by the creditor and an equal acquisition of a liability by the debtor.*"

MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table 16. - Availability and basis of data on interest**

Instrument	S.1311	S.1312	S.1313	S.1314
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## 6. Time of recording – Interest

	State	OCGB	Main unit	OSGB	Main unit	OLGB	Main unit	OSSB
<b>Deposits (AF.2)</b>	C/A	C	M	M	M	M	M	M
<b>Securities other than shares (AF.3)</b>	C/A	M	M	M	C/LA	M	M	M
<b>Loans (AF.4)</b>	C/A	C	M	M	C/A1	C/A1	C	C
<b>Other accounts receivable (AF.7)</b>	C/A	L	M	M	C/A1	M	C	C

*Cash/accrual, A1 (assessment/commitment)*

*M (not applicable) or L (not available)*

Central Government spending on interests largely consists of the interests paid by the State on Government securities and on postal savings.

Spending by the State also includes interests on: current accounts of Cassa Depositi e Prestiti (CDDP) and of other public and private bodies in Treasury; loans granted by CDDP or by other financial intermediaries to Central Government; delayed payments of tax refunds and wages; postal current accounts.

The public debt management division of Department of Treasury is in charge of the interest expenditure data of Central Government securities.

The interest expenditure is calculated through an electronic system managed by the Department of Treasury which is mainly updated on the basis of the auctions' results edited in real time by the Bank of Italy press releases. For foreign capital market bonds the placement procedure is executed directly at the Treasury and the final features of the bond agreed upon with the counterparts are manually fed into the system. This is also valid for any bond issued through a syndication procedure rather than auction.

Data is available to NSI by category of instruments, e.g. Treasury bills, medium-long term bonds, foreign denominated bonds. See for details the paragraph 3.2.4.2 above.

Data on interests are available both on cash and accrual basis.

Data on Postal bonds are provided to the debt management division of Cassa Depositi e Prestiti, the public financial corporation which manages the administrative tasks related to still outstanding liabilities issued before 2003 and included into the public debt.

There are different types of postal saving bonds; the most relevant for General Government is the ordinary BPF (Buoni Postali Fruttiferi).

These liabilities are no longer issued by the General Government and the last series was issued in April 2001. They are bonds issued at face value with capitalized interest whose payment is made at the moment of the instrument maturity. BPF can be surrendered in advance at any moment, the holder having the right to redemption of the capital underwritten plus payment of the interests accrued.

The interest is accruing according to a step-up scheme and no interest is recognised if they are cashed within the year following the subscription date.

They are classified as deposits (they are not negotiable), the only difference from deposits is the rate of return that in case of BPF does not vary with market rate but is fixed in advance with a step-up scheme. Interest on these instruments is no longer recorded upon actual payment but is assigned to the each period in which it accrues.

In the currently used methodology for the calculation of accrual interest, BPF are accrued over the whole life of the bonds and different types of interest rate are used as defined by the contract, depending on the age of the bond.

## 6. Time of recording – Interest

Interest expenditure on current accounts of CDDP and loans extended by CDDP to Central Government units are provided by CDDP on cash and accrual basis.

Data sources used for other kind of loans are provided by the State General Accounting Department (RGS) of MEF on a cash and legal accrual basis. The same institution provides data on interest expenditure due to delayed payment of tax refunds and wages on cash and accrual basis.

Data sources for postal current accounts are provided by the Department of Treasury of MEF - Public Debt Management Division - on cash and accrual basis.

For Local Government, the interest expenditure principally includes interests on loans and on bonds issued by Local Government, generally Municipalities. Data on loans granted by CDDP and by the State (managed by CDDP) are on cash and accrual basis; the remaining information derives from “i certificati di conto consuntivo” for Provinces and Municipalities, and from the budget reporting for Regions and the other Local Government units on both cash and legal accrual basis.

The data sources for the interest expenditures of Social security funds are the budget reporting of each unit that reports information on cash and legal accrual basis.

The principle of recording accrued interest under instrument is being followed for all instruments; the interest expenditures due to delayed payment of tax refunds and wages are allocated in F.7 payable.

The amounts for accrual adjustments on interests are not the same in EDP table 2A and 3B but a simple reconciliation is possible (for more details on this issue see section 3.2.3.4.1).

### 6.4.2 Interest Revenue

The data sources for interest revenues of Central Government units are:

- CDDP that provides information on interest on loans (managed by CDDP) granted by the State to other Government units (Local) on cash and accrual basis;
- the State Budget and the State sector consolidated cash account provided by the State General Accounting Department (RGS);

The information on interest revenue in Local Government and Social Security Funds subsectors are available through their budgets, on cash and legal accrual basis.

The related accrual adjustments are implemented in EDP tables under the other accounts receivable item, apart from EDP table 2A where the accrual adjustment related to loans granted by the State to Local Government is recorded under the Difference between interest accrued and paid.

### 6.4.3 Consolidation

The recording of consolidation on interest starts from the compilation (on cash and accrual basis) for each year of an array of interest where the rows report the GG units that receive interests and the columns the GG units that pay interests. After the elaboration of each single unit (or group of units) account, the interest on revenue and on expenditure are corrected to keep into account the amount received or paid to other Government units belonging to the same subsector. The same methodology is applied to obtain the consolidated accounts for General Government: the consolidation on interest (flows on interest revenue and expenditure

## 6. Time of recording – Interest

exchanged between GG subsectors) is subtracted from the total amount of interest for Central, Local Government and Social Security Funds both for interest revenue and expenditure.

The main data source used is the General Government sector consolidated cash account by the Ministry of Economy and Finance (RGS) and the information by CDDP report.

The consolidation is applied to all subsectors.

The consolidation has no impact on B.9; the differences between consolidated and non-consolidated accounts reflect only in the total revenues and expenditures.

### **6.4.4 Recording of discounts and premiums on government securities**

The flows associated to premium and discounts enter the Working balance of EDP table 2 on a cash basis.

They are neutralised in the line “Difference between interest paid and accrued”.

The premiums and discounts are spread over the life of an instrument and premiums are treated in national accounts as negative expenditure.

The repayment of discount is identifiable from the repayment of debt.



## 6. Time of recording – other transactions

### 6.5. Time of recording of other transactions

The national accounts estimates are based on information derived from public accounting, i.e. largely from the budgets reports or administrative accounting documents of public bodies.

These budgetary reports are not formulated in accrual terms like those of private firms. Only in specific cases and for certain Government bodies the available recordings comply with the principles of private accounting. The most important examples are the local health agencies, hospitals and non-market public corporations.

In the public accounting systems, revenue and expenditure are recorded in two ways: on a legal accrual basis (assessments and commitments) and on a cash basis (receipts and payments). The accounting phases are assessment, collection and in-payment, on the revenue side, and commitment, validation, authorisation and out-payment, on the expenditure side. According to the legal accrual recorded in the financial statement, each entry is made on the basis of legal obligations defined by the statutory framework and within the timeframe laid down by these obligations, whereas "cash" refers to the quantification of total payments, irrespective of the accounting period in which they accrued.

As regards revenue, "assessments" are recorded at the time in which the reason of the claim, the debtor and the amount of the claim are ascertained (anyway, in most cases it coincides with the payments by the taxpayers as described in section 6.1), while "cash" (collection and in-payment) occurs when the debtor pays the sum due to the receiving agent.

As regards expenditure, "commitments" are recorded at the time the act or the event that determines the incurrance of the authority's debt (e.g. when a contract providing for payments is signed by the authority) is performed. Cash (authorisation and out-payment) is the phase in which the payment order is issued and the accounting agent makes the cash disbursement on behalf of the authority.

For the purposes of national accounts, accrual principles are met by means of the analysis of the time of recording and of the amounts recorded in the assessment/commitment phase and in the cash phases for each specific aggregate of the financial statements, depending on the kind of transaction involved.

Only in a few cases sufficiently detailed information are available allowing, a link between the assessments (or commitments) and cash payments, at the level of single transactions.

In order to meet accrual rules, Istat method of recording transactions in General Government account is based on the following rules:

1. For revenue, the collecting phase is in general used.
2. For expenditure, budgetary commitments are used for the transactions in products, primary income transactions and social benefits in cash and in kind, while cash payments are used in all other cases except interests. Cash data are used for gross capital formation, for some type of subsidies and other current and capital transfers, taking into account the circumstance that, for these items, specific public accounting rules make the commitment data less appropriate than cash data to comply to accrual criteria. These rules are applied to all subsectors.
3. As regards interest (payable and receivable), the information used is not based on budgetary data but on a methodology in line with ESA95, i.e. on the use of data on single financial instruments managed according to MGGDD.

## 6. Time of recording – other transactions

Moreover, Istat eliminates the possible anomalies in the basic data to better approach the accrual principle, both as regard the time of recording and the amount to be recorded.

As for the consistency between financial and non-financial accounts, the accrual non-financial flows are consistent with F.7 recorded in financial account.

The flows of receivables and payables booked in public accounts are checked through the analysis of the other accounts. Possible cases of missed booking in public accounts of payable, for contingent reasons, are constantly monitored by the State General Accounting Department for the State budget (see below) and are considered as part of internal audit at local level.

Moreover, the sources used to compile non-financial and financial accounts are completely independent and the discrepancies are constantly monitored.

Since 2010 Istat has provided an independent estimate of the amount of accumulated arrears/payables by public administrations on intermediate consumption, by using all the available sources. The estimates, although provisional, cover the whole S.13 sector. Recently, the Decree n. 35/2013 has stated that all Government units have to certify their trade debts and the information have to be collected in a central system.

**Subsidies on products and production:** in general they are recorded when the amount of subsidy is made available to the undertaking. For subsidies granted to undertakings through national intervention bodies, the most significant stage is the one concerning the actual payment that is recorded when the funds are transferred from the Government specialized agencies to the beneficiary, on a cash basis.

The interest subsidies are paid to enterprises via financial intermediaries that grant credit at reduced rates. The subsidy which, over the year, will actually be reducing the costs of the recipient undertaking, corresponds to the payments from the Treasury accounts.

Commitment data are used in some cases of subsidies granted on the basis of specific contracts. They represent better than cash figures Government decisions on subsidies, and correspond more accurately to both the period of accrual and the amount to be recorded.

**Social benefits:** social benefits in kind and in cash are recorded on an accrual basis.

Social benefits in kind include the provision of goods and services to the beneficiary and they must be dealt with in the same way as procurement of goods and services are. The figures on a cash basis are not a good way of representing social benefits in kind, as far as the time of recording and the amount are concerned. Authorities usually defer part of the payments for suppliers to subsequent years, so that the cash figures underestimate the amount of goods and services actually delivered to households.

A large proportion of benefits in kind relates to health benefits. Accrual data are available directly from profits and loss accounts (on accrual basis).

The data sources used for the NA estimates are budgetary commitments with some adjustments due to time slippages in the recording of specific components of the flows.

**Gross capital formation:** the application of the accrual principle requires capital formation expenditure to be recorded when ownership of the fixed assets concerned is transferred to the institutional unit that intends to use them in production.

This approach applies to public work and infrastructure investment where the procedure for awarding and carrying out the works are particularly complex. The original budget data do not correspond well to the time of recording prescribed by Esa95. The payment data contain amounts arising from advances against work to be done and delays connected with residuals

## 6. Time of recording – other transactions

account payments for previous years. The commitment data often reflect the legislation-based investment plans and, especially in the case of Local Government, bear little relationship with the investment actually undertaken.

On the basis of these considerations, the methodology applied for gross capital formation estimates is based on actual cash data for the units whose budget is reported in terms of commitments and cash data.

For the units that compile their budget according to accrual rules, the availability of the balance sheet allow to estimate investment expenditure by the comparison of the stocks of assets between two subsequent years for the items of acquisition of tangible and intangible assets (Anas SpA and INPS, starting from October 2013, other Social Security Funds and LHU's starting from April 2014). The implementation of GFCF estimates on the basis of working progress for all S13 units is planned in relation to the full put into force of the accounts' harmonization stated by law n.196.

Concerning in particular Local Government which plays an essential part in Government investment, many of the payments to construction companies recorded in the national accounts are made as a work in progress and thus are very close to the accrual principle. The data sources used is the State sector consolidated account for the Central Government and the budgets for the other sectors. A process to move toward a recording on the basis of working progress has been recently initiated by Istat thanks to the emerging availability of new sources.

**Intermediate consumption:** as for goods and services acquisition, the public accounting system records flows in terms of commitments (legal accrual) and cash data. Commitment recording takes place at the time the supply contract is executed and hence the legal obligation to pay arises. The accounts of public bodies record an expenditure when, under the contract, the supply of goods and services becomes due from the supplier and, correspondingly, the administration is committed to make payment on it. The related cash payments can be delayed.

Under the ESA, accrual for economic purposes occurs when goods and services actually becomes available to the purchaser for the production process. Commitments for legal purposes, even if not exactly matching with the ESA concept, are substantially similar to it. Commitments are therefore considered as the stage of accounting which better approximate the accrual principle, as regards both the time of recording and the amount to be recorded.

The positive difference between commitments and cash data due to delay in payments corresponds to the creation of a liability towards the suppliers. Nevertheless, the "expenditure arrears" formed during the year can contain a part of notional commitments which the concerned authority makes for mere accounting purposes (to avoid forfeiting the appropriation) although no liability to other parties has been incurred because no contract has been settled. These amounts have to be eliminated from the total accrual when they are separately recorded in the final budget (State). On the other hand, the possible occurrence of obligations not recorded in the State Budget is constantly monitored by the State General Accounting Department. Since 2008, a decree of the Minister of Economy and Finance is enacted every year for the recognition of the outstanding stock of obligation and starting from 2013 a procedure specifically aimed at avoiding the formation of such obligations was established by law (law-decree 35/2013, article 5). Information on obligations not recorded in the State Budget are regularly transmitted to ISTAT and the expenditure is recorded with reference to the period when the information about the amounts became available.

**Compensation of employees:** the section 4.12 of ESA95 provides that wages and salaries are recorded in the period during which the work is done, as they are actual social contributions

## 6. Time of recording – other transactions

representing the counterpart of compulsory direct social benefits, whereas imputed contributions, when represent the counterpart of voluntary direct social benefits, are recorded at the time these benefits are provided.

As far as gross wages and salaries are concerned, the ESA also provides that bonuses and other exceptional payments (13th month, etc), are recorded when they have to be paid, i.e. when they are due. This set of recording rules is better meet by legal accrual data than by cash data for a proper representation of the cost of labour. Recording the amounts due instead of those paid is correct in order to measure the actual liability that the administration has incurred towards the workers during the year. This liability is not necessarily offset in full within the same period by an equal payment in cash terms: payments of some amounts may be deferred, especially when contractual agreements providing an increase in wages and salaries have been signed but are actually put into effect in the following year. In addition to that, the variable components of wages and salaries (allowances, overtime, bonuses, incentives, amounts due to delay in renewal of contracts) may often be paid out in arrears.

The criterion adopted to record this variable component is when they are due to be paid and their amount became available as an effect of the signature of renewal of contracts or other agreements.

Adjustment for time lag is required in particular for tax withheld at source (which has to be paid to the Tax authority in the month following the reference month) and for employers' social contributions (which also are due to the social insurance funds in the month following the month of economic accrual).

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA95), 2010 edition<sup>16</sup>.

### 7.1. Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA95 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

#### *Recording in public accounts*

Units providing guarantees are: Central and Local Government.

Regarding Central Government providing guarantees, the beneficiaries are:

- public corporations, small and medium enterprises, exporters, international organizations, banks and Local Government units;

-

The guarantees are both on assets and on borrowings.

The related accounting records are kept in Central and Local Government public accounts.

All guarantees extended by the Central Government are provided on the ground of a legislative act and summarized in an annex to the Central Government (CG) budget. Guarantee calls are booked as dedicated budget item payments.

Since April 2012 the stock of outstanding guarantees on borrowings is published in the National Stability Program.

The typologies of guarantees on assets are export insurance, and banking loans extended to Local Government units and BEI. The guarantees on export insurance are primarily extended by the dedicated public agency and counter guaranteed (reinsurance) by the Central Government.

Guarantees on borrowing are those provided to public corporations, small and medium enterprises and banks.

The flows of new guarantees are added in the list of outstanding guarantees provided for in the ad hoc annex to the CG budget.

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<sup>16</sup> [http://epp.eurostat.ec.europa.eu/portal/page/portal/product\\_details/publication?p\\_product\\_code=KS-RA-09-017](http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-09-017)

## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

The stocks of guarantees granted by Local Government are provided by Banca d'Italia that supplies to Istat data (taken from credit register).

### ***Recording in national accounts***

For Central Government, total stock of debt guaranteed by Government, new guarantees provided, expired and called guarantees are available for statisticians.

Guarantees provided by Government are treated as contingent liabilities in national accounts.

There was a case of debt assumption at inception in national accounts: according to Eurostat Decision of May 2005 the debt contracted in 2004 by a public corporation, Infrastrutture S.p.A. (Ispa) has been rerouted to Central Government.

Those guarantees where it is foreseen that Government will pay regularly interest are recorded as contingent liabilities unless there would be, on basis of the documentation available – according to MGDD rules (VII.4.2) – that the capital reimbursement will be also executed by the guarantor for three following years. In this situation, it is clear that the debtor beneficiary is no able to restore financial viable conditions. So far, there hasn't been any debt assumption.

#### ***7.1.1.2 Treatment of guarantees called***

### ***Recording in public accounts***

When a guarantee is called a payment is executed on the resources of the ad hoc budget item. That payment is to all extents and purposes an expenditure. The CG replaces the creditor as for the claim he used to own, but no financial asset is recorded. This is due to prudential reasons. Indeed the recoverability of the claim is not constantly monitored nor is it reflected via provisions.

As said in par. 7.1.1.1.1 a case of assumption of outstanding amount of debt is the one related to Infrastrutture S.p.A. (Ispa) of May 2005. In that particular case the project was judged as not generating sufficient revenues to repay the debt therefore the related liabilities were reclassified as Central Government debt .

### ***Recording in national accounts***

In general in National Account, guarantee called are treated as expenditure (capital transfers to other institutional units). There were very few called guarantees starting up to 2008 and a slight increase has been observed starting from 2009. The evidence of these calls is given by the ad hoc devoted State budget item. For those few cases, the capital transfer to other institutional units is balanced by a cash outflows (F.2 disposal) with no debt assumption, and no claim to the original debtor recorded on the asset side.

Repeated guarantees calls are treated according to the Manual of Government Deficit and Debt (MGDD), chapter VII.4.2.3 par. 13 and 14. When there are repeated calls on guarantee, the Government effectively repays the debt. If these payments occur in three consecutive years the debt is to be considered as assumed and a capital transfer is recorded for the value of the debt guaranteed not yet reimbursed.

## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

The possibility of recording of a claim against the guaranteed unit in national account is considered only if statisticians ascertain its recoverability. In this case no expense is booked in national accounts.

The claim is recorded at its nominal value, excluding cases where it is clear that part of the claim is not to be recovered, in which case the recoverable reduced value for the claim is recorded, the rest being a capital transfer.

When there is clear evidence that the claim is not to be recovered the latter are cancelled and a capital transfer is recorded. This cancellation may not be necessarily reflected to recording in public accounts, although the two institutions involved, MEF and Istat, are to a great extent in line as far as recording of transactions is concerned a difference can emerge. The inter institutional group including National Institute of Statistics, Ministry of Finance and National Central Bank is called for analysing the issue. In case of divergence of opinions, NSI (Istat) is to decide the final accounting treatment for the entire transaction.

For the case of Infrastrutture S.p.A. (ISPA) debt of May 2005 reported above, the inter institutional group (Istat, MEF, Banca d'Italia) was called for analysis. Given that in 2005 the new rules currently included in the MGDD were not available, NSI decided to call for Eurostat opinion which decided that all the debt issued by ISPA in the context of the construction of the high-speed railway link was to be recorded as Government debt.

Moreover, the counterpart entry of the debt issued by ISPA was a financial transaction, in the form of a loan from Government to RFI-TAV. The claim was cancelled and a capital transfers to RFI-TAV was imputed only in the year 2008 when it became clear that RFI-TAV would not be able to reimburse the loans.

In case of regular payments of interests by Government foreseen at inception by the debt contract, the debt will still be recorded as a contingent liability unless there is clear evidence that the capital reimbursement will be also executed by the Government, in which case an assumption of debt is recorded.

### *7.1.1.3 Treatment of repayments related to guarantees called*

#### ***Recording in public accounts***

Repayments by the original debtor/third party are recorded as revenues either directly within the budget or, if an extra budgetary account (EBA) was set up to manage the guarantee scheme, as a revenue to that EBA.

#### ***Recording in national accounts***

If no claim of the guarantor was recorded, repayments by the original debtor/third party are recorded as revenues. If the acquisition of a claim had been recorded those repayments are treated as financial transactions.

### *7.1.1.4 Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

In case an asset that arose from calls is recorded in national accounts a capital transfer is also recorded whenever that asset is written-off.

## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

### 7.1.1.5 *Data sources*

For CG individual data on stocks and flows are available by year and by beneficiary.

Guarantees related flows are recorded in the WB or in the EBAs.

In case the guarantees scheme is managed by an EBA, as far as CG is concerned, the Ministry records the initial apportionment to be transferred to the EBA as an expenditure. The EBA then keeps separate accounts.

Should there be any financial resource available when the EBA closes down, the former is returned to the CG budget and recorded as a revenue.

At local level the available information regards the total stock of guarantees granted. They are supplied by Banca d'Italia (taken from credit register).

### **7.1.2 Guarantees on assets**

See all the answers on borrowing (paragraph 7.1.1)

#### 7.1.2.1 *New guarantees provided*

*Recording in public accounts*

*Recording in national accounts*

#### 7.1.2.2 *Treatment of guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### 7.1.2.3 *Treatment of repayments related to guarantees called*

*Recording in public accounts*

*Recording in national accounts*

#### 7.1.2.4 *Treatment of write-offs*

#### 7.1.2.5 *Data sources*

## **7.2. Claims, debt cancellations and debt write-offs**

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA95 and further clarified in the Chapter III.2 on Capital



## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

injections and Chapter VII.2 on Debt assumption and cancellation of the ESA95 Manual on government deficit and debt.

### 7.2.1 New lending

The Central Government grants loans to different beneficiaries: corporations (under particular scheme), households, Local Government units and foreign countries (Paris Club and other foreign claims to Less Developing Countries - LDC).

The loans granted by the Government are referred to “soft loans” to LDC at the conditions (maturity and interest rate) more advantageous than the market ones.

They are used to fund three different typologies of operations:

- to realize a project loan;
- to support the balance of payments of the beneficiary Government;
- to open lines of credit in support of small and medium-sized enterprises.

In the first case, the funding does not pass in the Government accounts because is delivered directly to the enterprises, compared to contracts entered into by them with the authorities of the partner country.

In the other two cases, the provision of credit is usually in individual tranches assets, in favour of the beneficiary Government (paid to the Central Bank or Entity Performer, indicated by the partner country).

Their requirements are decided by a Directorate of the Ministry of External Affairs (Direzione Generale per la Cooperazione allo Sviluppo) with the participation of its components and some other institutions as the Ministry of Economy and Finance.

The conditions to be satisfied are:

- the level of poverty of the borrower;
- the degree of priority based on needs of the LDC to receive a loan.

On the basis of these conditions there are different levels of grant.

The details are established, every year, in cooperation with the Ministry of External Affairs and the Ministry of Economy and Finance on the basis of the Differentiated Discount Rate (DDR) published by the OCSE by 15 January of every year.

Besides, the terms of loan (the interest rate, the maturity and the period of grace) are granted to LDC on the basis of pre-capita income. For example, the level of grant is equal to 80%, the maturity is equal to 38 years, of which the period of 24 years is referred to grace, the interest rate is equal to 0%.

Other kinds of loans are referred to foreign claims owned by SACE.

Istat receives directly data on transactions, on new lending, and on the related repayments.

These information are made available from MEF and the related stocks from Banca d'Italia

They are provided to Istat at aggregated level to reconcile the stocks and flows for Central Government claims.

The granted loans which were recorded as a transfer (expenditure) in national accounts instead of financial transaction include some foreign claims owned by SACE (see also par 7.2.2). Istat decided to record an impact on B.9 of these transactions. In fact, according to Eurostat guidance on the issue, this operation entered the State balance sheet through an Other Change in Volume and had been immediately cancelled out with an impact on the S.13 net borrowing. This was based on the hypothesis of an assumption of the claims by Central

## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

Government carried out before the cancellation (a sort of uncompensated seizure), considering that they are not included, since the beginning, in the national accounts balance sheet of Central Government claims.

### 7.2.2 Debt cancellations

Italy's debt relief activities concerning sovereign debt (soft loans and commercial credits with sovereign guarantee) are implemented within the agreed multilateral framework (Paris Club) or, in specific cases, bilaterally. The former refers to the process that involves the International Financial Institutions and the Paris Club, while the latter refers to debt cancellations granted on purely bilateral grounds due to humanitarian emergencies or natural disasters occurred in the debtor countries and to debt to development swaps.

There are two types of cancellations recorded in public accounts:

- cancellations for credits;
- cancellations for aid credits.

Both types of cancellation can be registered both as capital and as interest.

Debts cancellations are communicated to Istat (quarterly) directly from MEF - Department of the Treasury - International Financial Relations Directorate which records these variations into specific accounts.

Commercial credits are included in Italy's net borrowing from the dates of the bilateral agreements. Soft loans reductions or cancellations, instead, require a further administrative step in the form of a decree of the Department of the Treasury; it is from the date of such decrees that such loans are included in Italy's net borrowing. Amounts included in net borrowing include the principal and all types of interests, including late interests, matured up to the date of the bilateral agreement or decree. Such amounts are converted in Euro by applying to the various currencies the exchange rates at the dates of the bilateral agreements for the commercial credits and the exchange rates at the dates of the decrees for soft loans.

Within the context of the Paris Club, Italy writes off or reduces commercial credits and soft loans. Commercial credits are buyer or supplier credits extended to debtor countries' sovereign entities, or guaranteed by those same entities (Ministry of Finance or the Central Bank), to finance commercial transactions and insured by the Italian export credit agency (SACE). Soft loans are credits carrying a substantial grant element extended to debtor countries' Governments by the Italian Government and referred to as cooperation to development. Both commercial credits and soft loans are regulated by the OECD's gentlemen's agreement, referred to as Consensus, and the EU's rules and regulations. The Paris Club' Agreed Minutes, which are not legally binding given that the Paris Club is not a formal international organisation, are followed by bilateral agreements with the debtor countries.

Outside the context of the Paris Club, Italy may write off soft loans in case a debtor country is hit by a humanitarian emergency or by a natural disaster, provided that the debtor country spend the counter value in local currency of the cancelled soft loans to the benefit of people hit by the emergency or disaster. These initiatives may be implemented through a formal bilateral agreement or an exchange of diplomatic notes. It is from the date of such legal documents that the amounts involved are included in Italy's net borrowing, following the

## 7. Specific government transactions - 7.1. Guarantees, debt assumptions

same rules mentioned above. In addition, Italy may enter into debt to development swaps with the debtor countries. Under this type of swap soft loans are converted in local currency to finance mutually agreed development projects.

Cancellations of claims of Central Government in the public accounts do not follow a procedure regulated. The assessment is made in extraordinary cases and the evaluation is determined according to the rules defined by Manual.

Commercial credits that are forgiven/ cancelled in the context of Paris club agreements are not recorded in the State balance sheet. They are recorded in SACE (the Italian export credit agency) statements, where they are cancelled according to international accounting standards.

As for aid credits, they are granted by the Italian cooperation via a revolving fund held in a State Treasury account and managed by a private bank which reports transaction in a statement. No credit is recorded in the State balance sheet as a result of this cooperation activity. Cancellations are only reported in the revolving fund statement.

### 7.2.3 Repayments of claims

Repayments of claims are generally registered as financial transactions whereby the Government's holding of assets is decreased. They are disposals.

Since the previous cancellation for those claims was registered as a capital transfer, the eventual recovery of such a claim is registered in the same way, i.e. a capital transfer which benefits the Government.

Financial assets can be acquired or disposed of by payments in kind, in which case the acquisition of goods or provision of services has as a counterpart the disposal of the financial assets. No expenditure is registered.

The data are provided by MEF with reference to Central Government and the information is derived from the official reports of the manager of the related funds.

### 7.2.4 Debt write-offs

Debt write-offs which are booked in public accounts are recorded as an Other Change in Volume in national accounts. When the Government has a robust opinion that the claim can no longer be collected, e.g. bankruptcy of the debtor or other signals of possible insolvency is written off in public accounts.

Foreign loans cancellations are the only case when the financial asset is cancelled both in public accounts and in national accounts. In the latter a capital transfer for the same amount is imputed.

The official rule in public accounts bookkeeping consists of eliminating the relative expenditure previously allocated to - and in charge of - the proper budget item.

### 7.2.5 Sale of claims

Up to now there have not been cases of sales of claims or bad loans.

### 7.3. Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA95 and clarified in the Chapter III.2 on Capital injections of the ESA95 Manual on government deficit and debt. This chapter devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, to be classified as either a capital transfer D.9 or as an acquisition of equity F.5.

As regards the Central administration, no capital injections are recorded in national accounts.

Istat implements a detailed analysis of all Municipalities and other Local Government bodies' flows towards public corporations is carried out by combining various data sources:

1. A subset of the Structural Business Register (ASIA- “Statistical register of active enterprises”) considering only public enterprises. Public corporations have been identified by applying the ESA95 criteria, i.e., corporations for which the control and/or more than 50% of the shares (or other equity) belong to General Government units. The list of public enterprises is divided into two categories: enterprises for which the majority of equity capital is held by only one unit belonging to General Government; enterprises for which the equity capital is owned by several General Government units, but the majority is still of public owners.
2. The database of all enterprises' balance sheets.
3. The analytical database of the budgets of General Government units (mainly the municipalities, regions, etc.)
4. SIOPE data and cash data of Local Governments units (MEF Quarterly Cash Report)

After having created a database of public enterprises with associated balance sheet data, the main loss-making public enterprises are selected, by looking at past years accumulated losses, operating losses, reserves, equity capital, etc.

For many enterprises the analysis is carried out by looking at the information of the full balance sheet and at the annexed reports. All those corporations that were granted with non marginal capital injections (more than 1 million euro) are identified, performing a careful examination of the public decision acts (regional “delibere”, etc.) with which the local body granted the capital injections and other specific reports on public utilities. The information on a cash basis is matched with the MEF data on capital injections and SIOPE data.

The last step is based on cross-checking the different data sources in order to identify capital injections to be reclassified as a capital transfer, according to the criteria of the MGDD

Only a few cases of capital injections in kind were observed. They were however treated as capital transfers in national accounts.

In Italy there are no cases of capital injections into quasi-corporations.

## 7. Specific government transactions –Dividends – Privatizations

### 7.4. Dividends

It is recalled, that the ESA95 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal).

Total distributions could therefore comprise one part recorded as property income, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA95 table 2, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The data sources on dividends received by the Government are the State Budget Reporting and the budgets of the other Central Government units and of Local Government units.

Istat applies the super-dividend test in the compilation of the national accounts, in particular for corporations with big amounts of liabilities (over 0,01% of GDP); For large municipalities an in-depth analysis for the public utilities is performed. Istat uses Ordinary income as reference profit in order to verify the super-dividend test.

No case of interim dividends occurred in Italy.

The super-dividend test is applied considering time series of balance sheets of three or more years at September of each year when the data sources are available for the public corporations controlled by both Central and Local Government units.

### 7.5. Privatization

The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds.

The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatization can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatization proceeds are not government revenue.

Chapter V.3.1 of the ESA95 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set-up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity be considered as taking place on behalf of the government?

Currently, in Italy there are no separate institutional units/extra-budgetary funds involved in privatization.

## 7. Specific government transactions –Public Private Partnerships

According to a specific decree, privatization incomes flow into the Government Bond Sinking Fund for the reduction of public debt. (The Sinking Fund is a separate account at Bank of Italy dedicated only to the reduction of public debt and its account balance is shown in the situation of debits and credits between MEF and the Bank of Italy.

Recent cases of privatization (FINTECNA SpA, SACE SpA, SIMEST SpA) have an impact on the working balance because a part of their incomes is recorded as financial transactions. The related adjustment in EDP table 2A for the neutralization on B.9 is included in the line equity sales.

### 7.6. Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. ESA95 Manual on government deficit and debt Chapter VI.5 deals with this issue.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in annex II of ESA95 (see also chapter VI.4).

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

Public-Private Partnerships have been implemented in Italy in the last decade in particular in order to build and manage infrastructure works by Local Government units, first of all Health’s ones.

Anyway some factors have hindered in the last years the development of PPPs :

## 7. Specific government transactions –Public Private Partnerships

- the complexity of the regulatory framework,
- the recent strictness of the funding channel throughout the banking system,
- the length of the procurement process and award of works.

The way to distinguish the PPPs from concessions or operative lease is based on the particular form of the procurement process and award of works due by the *Public Procurement Code*, Legislative Decree 12.04.2006 n° 163. Furthermore, the contractual agreement agreed between the Government unit and the private partner provides useful elements to identify the characteristics of PPP.

Unità Tecnica Finanza di Progetto (UTFP) is an unit established inside Interministerial Committee for the Economic Planning (CIPE) by law L.144/1999, art. 7. UTFP promotes, within the public central and Local Government, the use of private capital according to PPP schemes for the financing of infrastructure and the subsequent management of the services and collects from the contracting authorities all the documents related to PPPs (Law 31/2008). With respect to each grant awarded, the contracting authorities are required to forward to UTFP, the following documentation:

- 1) concession contract, including annexes (performance specifications and documents relating to the specification of the characteristics of the management) and any addenda and / or modification of the same occurred after the stipulation;
- 2) the economic hedging of investments and the related operations, with relevant explanatory report, and any subsequent addenda and / or amendments;
- 3) description of the project.

The most relevant part of PPP projects are implemented by Local units.

Istat assesses the risks allocation of each PPP between the Government unit and the private partner, according to MGDD 2013. UTFP provides to Istat all the documents of PPPs, on the basis of a mutual agreement according to Law 31/2008, so that a complete information set is available to classify and allocate the risks of each project and identify the presence of guarantees granted by the Government unit.

Besides guarantees in some cases subsidies are provided by General Government or by EU funds or by European Investment Bank in order to implement PPPs.

### 7.7. Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

## 7. Specific government transactions – Derivatives

Regulation 2558/2001 added a new annex to ESA95 which specified that: "*For the purpose of the Member States' reports to the Commission under the excessive deficit procedure..., "Government deficit" is the balancing item "net borrowing/net lending" of General Government, including streams of interest payments resulting from swaps arrangements and forward rate agreements. This balancing item is codified as EDPB.9. For this purpose, interest includes the abovementioned flows and is codified as EDPD41 of streams of interest payments. "*

*Eurostat guidance note on Financial Derivatives was published on 13 March 2008.*

### 7.7.1 Types of derivatives used

Derivates used at Central and Local Government level are options, cross currency swaps and interest rate swaps.

### 7.7.2 Data sources

Swap related flows are recorded on accrual basis. The interest flows attributable to swaps and FRAs for Central Government are provided to ISTAT on a cash and on accrual basis by the Department of Treasury of MEF. These data are recorded in non-financial accounts on accrual basis and in financial accounts on the assets side.

The basic phases by which interest flows deriving from swaps are accounted in EDP tables 2 and 3 are as follows:

#### EDP Table 2

- Cash amount related on Swaps' flows are included in the Working balance (first line of table 2 ) with negative sign.
- The difference between interest accrued and paid related to swaps is included in the line Difference between interest paid (+) and accrued (EDP D.41)(-).
- Swaps' flows are included in the net borrowing/net lending balancing item as interest.

#### EDP Table 3

- Swaps' flows are included in the net borrowing/net lending balancing item as interests.
- Swaps' flows are registered in the "Net acquisition of financial assets" set under the categories Currency and deposits (F.2) and F.3 securities with the reverse sign. In this way the neutralization of all flows is ensured in the "Net acquisition of financial assets" block.
- Swaps' flows are treated as ordinary interest flows in the line "Interest accrued – interest paid +". The cash amount is subtracted to the differences between interest accrued(-) and paid related to swaps (that is included in the item above), so the final flow impacting on the line Difference between interest (EDP D.41) accrued(-) and paid(4)(+) is the accrued amount of interest swaps (with negative sign). This amount exactly balances what is included in EDP B.9 first row of table 3.



## 7. Specific government transactions – Derivatives

Data sources used for Local Government, and Social security funds are their budgets on a cash basis.

The scheme to reconcile the WB with EDP net borrowing is the same of that described above under EDP Table 2 for Central Government, however the value in the line *Difference between interest paid (+) and accrued (EDP D.41)(-)* of the difference related to swaps is always equal to zero for Local Government and SSF, because accrual data are estimated on a cash basis

In EDP table 3 the scheme mentioned above is also applied for these subsectors.

### 7.7.3 Recording

There have been occurrences of swaps cancellations from 2000 until now.

According to MGDD, lump sums paid or received by Government for swap cancellations do not enter the specific EDP correction for its total amount at the time of cancellation and, thus, the total amount has no impact on Government deficit at that time. The whole amount of the lump sum is spread over the theoretical remaining life time of the swap, with an impact on Government deficit over this period (Eurostat guidelines March 2008).

There have been occurrences of off-market swaps from 2000 until now.

According to MGDD, off-market swaps are divided into two parts.

The first one is a swap based on the prevailing spot market conditions, with nil market value at inception and streams of interest included in the EDP correction. The second one is the net amount exchanged at the start of the swap contract that is treated as loan, amortised over the life of the instrument.

Information on streams of interest payments from swaps is available both on cash and accrual basis. Accrual recording is applied.

Swap related flows are recorded on a net basis under asset side in national accounts.

All swap cancellations are recorded according to their rules, regardless of the amounts involved. A threshold equal to 2% of foreign currency denominated notional amount has been set only for cross currency swaps (CCS), whereby the net proceeds from the bond to be hedged is usually slightly below par. The threshold is the maximum amount required to pair the amount received from the issued bond in the CCS, i.e. nominal value – reoffer price.

## 7.8. Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

## 7. Specific government transactions – Emission permits

In Italy the tolls for the use of speedways are paid to private concessionaries.  
The annual car tax is collected by Regions.

### 7.9. Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

In Italy the emission permits are not yet sold by Government.

## 7. Specific government transactions

### 7.10. Sale and leaseback operations

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.3 is dealing with sale and lease back operations

A small number of sale and lease back operations was done in the past, in the years 2006-2008, especially from Central Government, but the frequency went down over the last four years.

An important partner providing useful data about leasing and 'sales and lease back' operations is Assilea. Assilea is the Italian leasing Association and represents Italian leasing Societies nationally and internationally. An important component of Assilea is the Risks Central Database (Banca Dati Centrale Rischi - BDCR). All data registered are controlled in their adequacy, and updated monthly with leasing contracts sent by every member. There BDCR by 2013 covers 77 leasing societies, with a coverage of more than 95% of the leasing market.

There is a rich and detailed set of information (general information, informational and operational data, effective and not-effective stipulated contracts etc.) for every subject registered on the database. There are already plans to provide further information: not only the subject involved in the sale but also the subject who use the asset sold will be registered allowing a matching of the two partners. The subjects registered are every legal or physical subject or unit who agreed upon a leasing contractor or guaranteed for it.

A second source to monitor the lease-back operations will be the questionnaire to Local Government units of Corte dei Conti, modified to introduce some questions on lease-back operations for the year 2012. The results of the survey will be available in 2014; no contracts will be available to Istat.

### 7.11. Securitisation

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

MGDD part V, chapter V.5 and the Eurostat decision of 25 June 2007, "[Securitisation operations undertaken by general government](#)" are dealing with securitisation operations.

## 7. Specific government transactions

The attached table (not to be published due to confidentiality reasons, but included in EDP Questionnaire) reports all securitisation operations related to the General Government; it specifies the year when the securitisation took place, how it was accounted for, the nature of the underlying assets. Banca d'Italia receives the offering circular related to the securities to be issued in the context of the operation. The transaction is analysed to check its main features and if it relates to the General Government. The information on the accounting treatment is then shared with Istat.

Information described above is available also for securitisation carried out by Local Government. Contracts for these operations are available to the NSI; when necessary documentation has been shared by Banca d'Italia with Istat on a confidential basis.

## 7. Specific government transactions

### 7.12. UMTS licenses

The sale of UMTS licenses is to be recorded as the sale of a non-financial asset (the license) at the time the license is allocated. Thus, sale proceeds have a positive effect on B.9 in the year when the license is allocated. The actual payment of cash payment does not influence the recording of this transaction.

In some special cases, the sale of UMTS could be seen as a rent for the use of a non-financial asset, recorded over the life time of the license. In this case, the impact on government B.9 is spread over the duration of the license.

MGDD part V, chapter V.2 and Eurostat decision of 14 July 2000 on the allocation of mobile phone licences (UMTS) are dealing with the sale of UMTS licenses.

In 2011 there has been a case of sale of UMTS licenses.

The auction for the award of radio frequency electromagnetic-800, 1800, 2600 MHz 4G ended in that year for an amount of € 3.9 billion, recorded as K.22 in national accounts at the time of licensing with a positive impact on the net borrowing of Central Government.

The possibility of the contracting companies to pay in instalments over five years the amount exceeding 2,4mld originally planned has determined the recording in terms of cash only of the amount actually collected with an “other account receivable”.

### 7.13. Transactions with the Central Bank

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes, may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

No case of capital injections occurred from General Government to Banca d'Italia.

The flows from Banca d'Italia to State (established in the Statute of Banca d'Italia) are recorded in national accounts as capital transfers.

### 7.14. Lump sum pension payments

The related accounting rules are described in the Chapter III.6 on payments to government from transfer of pension obligations, in the ESA95 Manual on government deficit and debt.

In Italy, there are no transfers of pension obligations to Government, so no lump sum pension payments are recorded in national accounts.

## 7. Specific government transactions – Pension schemes

### 7.15. Pension schemes

Pensions are periodic payments intended to maintain the income of the beneficiary when a risk covered by social protection takes place. The most important pension benefit is income in retirement, but a number of other cases occur. The different categories applicable are the following:

- |                                                              |                |
|--------------------------------------------------------------|----------------|
| 1) disability pensions                                       | (disability)   |
| 2) early retirement benefits due to reduced capacity to work | (disability)   |
| 3) old age pensions                                          | (old age)      |
| 4) anticipated old age pensions                              | (old age)      |
| 5) partial pensions                                          | (old age)      |
| 6) survivors' pensions                                       | (survivors)    |
| 7) early retirement benefits for labour market reasons       | (unemployment) |

At the moment, sources available provide all the details needed except for item 5) partial pensions that are included in item 3) old age pensions.

The following Table 18.a lists pension schemes in Italy. The key for the "Coverage" numbers can be found in section above, and the key codes for "Scheme" are as follows:

- A. social security schemes;
- B. private funded schemes administered by insurance companies or autonomous pension funds;
- C. private funded schemes operated by employers, which maintain special reserves (segregated from other reserves)
- D. private unfunded schemes operated by employers (without special reserves);
- E. social assistance;
- F. other insurance.

## 7. Specific government transactions – Pension schemes

**Table 18.a - Pensions schemes in Italy**

Num.	Esspros code number	ITALY	Coverage	Scheme
1	03	Social Security Fund for Private Employees [managed by INPS]	2, 3, 4, 6	A
2	04	Social Security Fund for Public Employees [managed by INPDAP]	3, 4, 6	A
3	05	Special employment pension schemes	2, 3, 4, 6	A
4	06	Additional employment pension schemes [managed by INPS]	2, 3, 4, 6	A
5	08	Social Assistance Funds + financial support to social security schemes [managed by INPS]	2, 3, 4, 7	A-E
6	10	Social Security Funds for Self employed people [managed by INPS]	2, 3, 4, 6	A
7	11	Social Security Funds for professional categories	2, 3, 4, 6	A
8	12	Social Security Fund for the ministers of Catholic Church and the other non catholic Churches	2, 3, 6	A
9	13	Social Insurance for non employed people [managed by INPS]	2, 3, 4	A
10	14	Occupational Injury Insurance [managed by INAIL]	2, 3, 6	A
11	15	Injury Insurance [managed by INAIL]	2, 3, 6	A
12	16	Occupational Injury Insurance for specific professional categories	2, 3, 6	A
13	19	Occupational Social Insurance managed by private sector employers	2, 3, 4, 6	D
14	20	Compulsory Occupational Social Insurance managed by public sector employers	2, 3, 4, 6	D
15	21	Occupational Social Insurance managed by public sector employers	2, 3, 4, 6	D
16	22	Pension Funds	2, 3, 4, 6	B
17	23	Scheme for the provision of invalidity pensions and allowances	1, 3	E
18	24	Central Government Social Assistance	1, 3, 6	E
19	25	Local Government Social Assistance	1, 3	E

The table above shows nineteen pension schemes (d in the first column) that provide pension benefits to beneficiaries; since 2009, the Esspros schemes are twenty seven, of which twenty six actives. In the second column there is the ‘Esspros code number’, the number used to identify the schemes in Esspros data.

Data on the economic aggregates by scheme are available in the context of Eurostat ESSPROS database. Istat provides annually, by the end of June of the year T, data for year T-2 and updated data for year T-3, and revised data for previous years when necessary (for example following a revision of national accounts time series).

According with Esspros Manual, the schemes are characterised according to the following five criteria:

- (i) Unit who takes the main decisions [decision-making]
- (ii) Membership of the scheme enforced by Government [Legal enforcement]
- (iii) Contributory or non contributory scheme [Establishment of entitlements]
- (iv) Population protected by the scheme [Scope]
- (v) Level of protection provided by the scheme [Level of protection]

The table below (18.b) reports the Esspros classification of pension schemes in Italy.

## 7. Specific government transactions – Pension schemes

**Table 18.b - Esspros classification of pension schemes**

		Decision making	Legal enforcement	Establ. of entitlement.	Scope	Level of protection
Esspros code number	ITALY	Central gov. scheme State/local gov. scheme Contractual employees scheme Non-contractual employees scheme Other not gov. controlled scheme	Compulsory scheme Scheme available by law Other non-compulsory scheme	Contributory scheme Non-contributory scheme	Universal scheme General scheme Special for public servants scheme Special for self-employed scheme Other occupational scheme	Supplementary scheme Basic scheme Other scheme
03	Social Security Fund for Private Employees [managed by INPS]	x	x	x	x	x
04	Social Security Fund for Public Employees [managed by INPDAP]	x	x	x	x	x
05	Special employment pension schemes	x	x	x	x	x
06	Additional employment pension schemes [managed by INPS]	x	x	x	x	x
08	Social Assistance Funds + financial support to social security schemes [managed by INPS]	x	x	x	x	x
10	Social Security Funds for Self employed people [managed by INPS]	x	x	x	x	x
11	Social Security Funds for professional categories	x	x	x	x	x
12	Social Security Fund for the ministers of Catholic Church and the other non catholic Churches	x	x	x	x	x
13	Social Insurance for non employed people [managed by INPS]	x	x	x	x	x
14	Occupational Injury Insurance [managed by INAIL]	x	x	x	x	x
15	Injury Insurance [managed by INAIL]	x	x	x	x	x
16	Occupational Injury Insurance for specific professional categories	x	x	x	x	x
19	Occupational Social Insurance managed by private sector employers	x	x	x	x	x
20	Compulsory Occupational Social Insurance managed by public sector employers	x	x	x	x	x
21	Occupational Social Insurance managed by public sector employers	x	x	x	x	x
22	Pension Funds	x	x	x	x	x
23	Scheme for the provision of invalidity pensions and allowances	x	x	x	x	x
24	Central Government Social Assistance	x	x	x	x	x
25	Local Government Social Assistance	x	x	x	x	x

According to ESA95 annex III (§2), Social insurance schemes are contributory schemes so that some of the pension schemes included in the previous table have to be excluded (Esspros code numbers: 8, 23, 24, and 25). Scheme 8 is “mainly” non-contributory scheme according to Esspros classification but it is anyway a social insurance pensions scheme as it is an A type scheme.

Some particularities in classification are described below.



## 7. Specific government transactions – Pension schemes

Generally, the participants in the social insurance pension schemes are workers, but there are two schemes which participants are non-workers: the *Social Insurance for non-employed scheme* managed by Inps (Esspros code number: 13) and the *Injury Insurance scheme* managed by Inail (Esspros code number: 15). They insure housewives and ex-workers who decide to continue to pay contributions to increase the value of their future pension coming from the compulsory social security scheme. These schemes satisfy the conditions reported in par. 4.87 b) of ESA95 as they are organized on the collective basis.

Social security schemes cover all or the majority of workers or certain professional categories of workers in their wholeness. The pension scheme established for the participation of civil servants, which is classified as a social security scheme, is the scheme 4 of the table above. This scheme is managed by a Social security fund, named Inpdap, which covers (exclusively) all civil servants. Considering Inpdap as a private scheme would cause an asymmetry in the economic representation: a compulsory scheme for a particular category of workers (as the journalists) is a social security scheme, while a scheme organized for a more large section of workers should be a private scheme only because it covers civil servants. General Government controls Inpdap as any other Social security fund for the private sector (for example Inps); the General Government, in this case, does not act as an employer; Government controls Inpdap, which is a Social security fund created for the collection of actual social contributions and the payment of pensions for a large section of workers (the whole population of civil servants).

In the Italian national accounts the rule of the ESA95 par. 4.89 is however applied for all the schemes created and managed by a General Government unit for its own employees.

Social security schemes are managed by Social security funds (they cannot be managed by employers). A non-employee worker scheme cannot be managed by an employer simply because the latter doesn't exist. If the participation is obliged by General Government, the scheme is a social security scheme (A type); otherwise the scheme is a B type.

There are two voluntary schemes managed by Social security funds in the context of the managing of social security schemes. In particular, the Inps (National Institute of social security) manages the main national social security scheme and manages voluntary schemes as a secondary activity. It would be difficult to separate this activity. However the phenomenon is not economically relevant. These schemes (Esspros code numbers: 6 and 13) are encouraged by General Government sector and managed by Social security funds.

Scheme 6 includes not compulsory social insurance schemes for particular categories of workers. This scheme pays a pension that integrates the pension paid by compulsory social security scheme.

Scheme 13 includes a social insurance scheme for housewives (not compulsory) and a social insurance scheme for ex-workers (not compulsory) who decide to continue to pay contributions to increase the value of their future pension.

ESA95 annex III (§4) allows the inclusion of voluntary schemes managed by Social security funds (General Government) into social security schemes. Scheme B is managed by Insurance enterprises and pension funds. These schemes cover specific and restricted sections of the population. The participation can be encouraged, but not obliged, by the General Government and obliged or encouraged by the employer.

## 7. Specific government transactions – Pension schemes

Italian national accounts calculate the property rights of the households only for schemes B and C, since only the reserves of private funded social insurance schemes are regarded as owned by policy holders, who receive property income.

For the time being, "partially funded schemes" do not exist in Italy. As a matter of fact some money purchase pension funds classified in S125 exist in Italy: they are nothing but old funds, set previously to DL 124/99 on pension funds, who are disappearing and whose relevance is practically nil.

Generally social security schemes are compulsory schemes and the obligation comes from Government, but in limited cases the General Government can manage voluntary social security schemes in the context of the compulsory social security system.

Social security schemes are managed by Social security funds; Social security funds are included into General Government sector because they are controlled by General Government; then social security schemes are controlled by definition by General Government sector. The social security scheme is financed by current transfers by General Government or by the contributions imposed; the level of contributions and benefits paid is controlled by General Government.

The pension schemes in Italy are classified by sub-sector as follows:

Institutional sectors/sub-sectors	Categories of pension schemes					
	A	B	C	D	E	F
S.11	XX	NO	NO	YES	NO	NO
S.121	XX	NO	YES	YES	NO	NO
S.122	XX	NO	YES	YES	NO	NO
S.123	XX	NO	NO	YES	NO	NO
S.124	XX	NO	NO	YES	NO	NO
S.125	XX	YES	YES	YES	NO	YES
S.1311	NO	XX	NO	YES	YES	NO
S.1312	NO	XX	NO	YES	NO	NO
S.1313	NO	XX	NO	YES	NO	NO
S.1314	YES	XX	NO	YES	YES	NO
S.14	XX	NO	NO	NO	NO	NO
S.15	XX	NO	NO	YES	NO	NO
S.2	YES	YES	NO	NO	NO	NO

Yes = there are institutional units belonging to the sector/sub-sector which support (run) pension scheme of the specified category;

No = there is no institutional unit belonging to the sector/sub-sector which supports (runs) pension schemes of the specified category;

XX = the combination is impossible.

Scheme 19 (Esspros code number) is supported by employers belonging to different sectors. Schemes 20 and 21 are supported by government employers belonging to different sub-sectors of S.13.

Scheme 22 is supported by units belonging to S.121, S.122 and S.125.

## 7. Specific government transactions – Pension schemes

In National Accounts the valuation of flows and stocks is made at level of single institutional unit; then the attribution to the different sectors is automatic. The valuation of each of the schemes 19, 20, 21 and 22 is made as sum of institutional units involved.

Borderline cases:

In Italy all social security schemes are supported by Social Security Funds. All "private funded schemes administered by insurance companies or autonomous pension funds" are supported by insurance corporations and pension funds.

There are no Italian Government units that support any funded pension scheme. The Government units support unfunded pension schemes for their own employees; this is the case of Regions, Social security funds, State and Local Government units. These schemes are of type D.