

BUDGET

REFORM

Putting tax money to effective use for citizens.

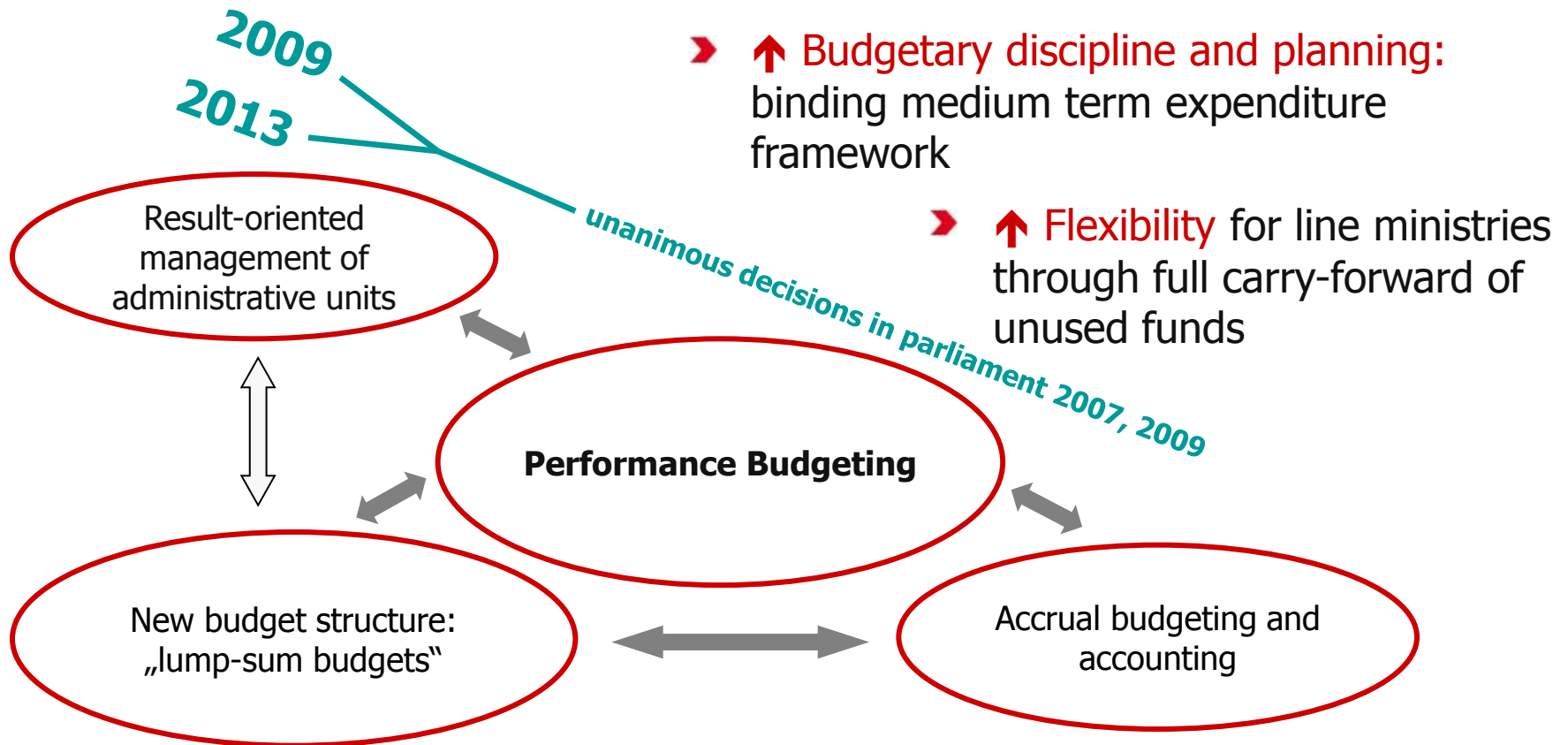
ACCRUAL ACCOUNTING AND BUDGETING: WHY AND HOW? Austrian Reform Experiences

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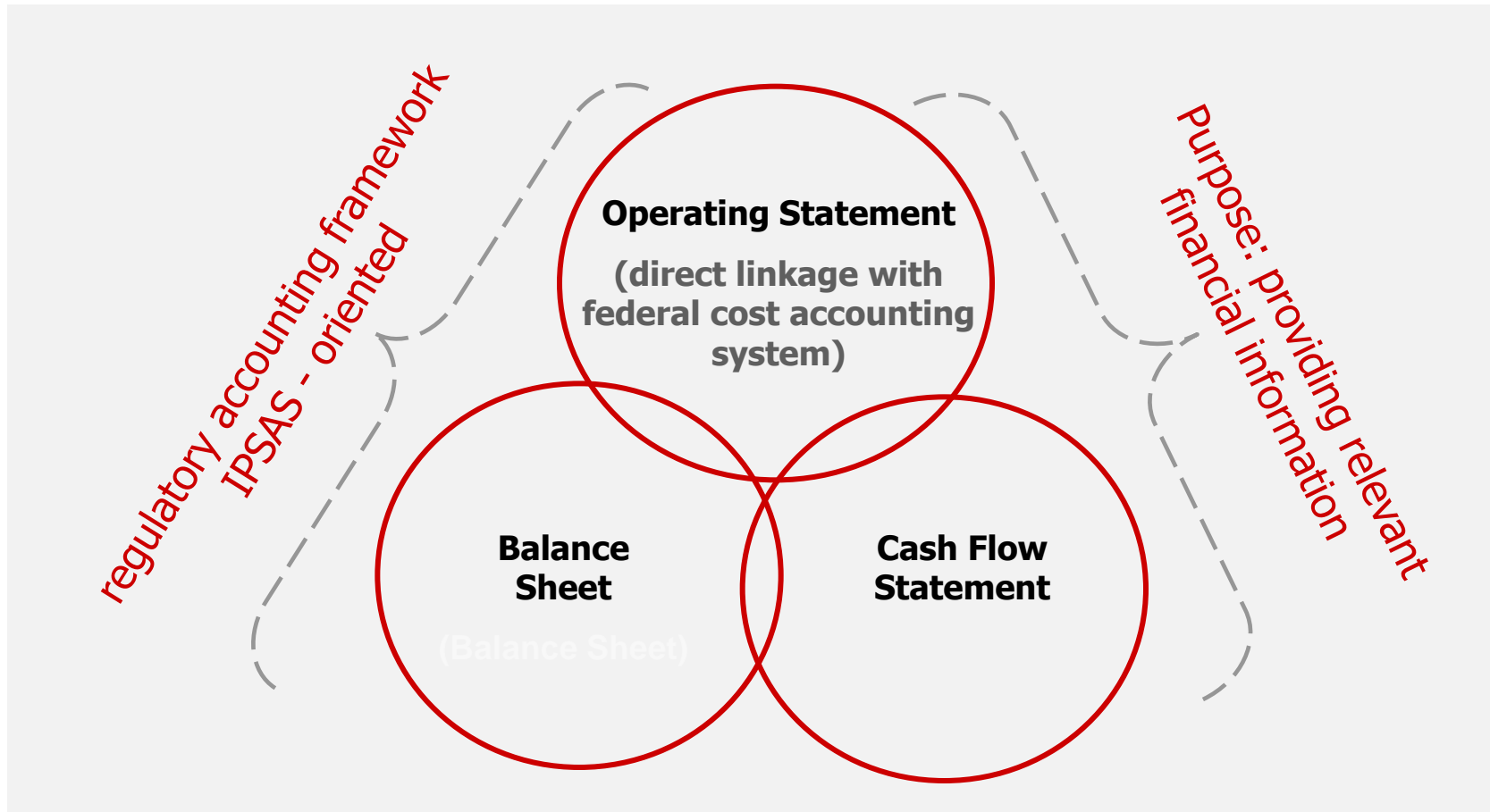
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Austrian Federal Budget Reform - Overview



new budget principles: outcome-orientation; efficiency; transparency; true and fair view

Accrual Accounting and Budgeting in Austria 1



Accrual Accounting and Budgeting in Austria 2

- As cash provides important information (liquidity) on fiscal situation:
- Accruals do NOT abdicate cash.
- But provide ADDITIONAL perspectives:
- Use of resources (operating statement): Part of the annual budget and subject to parliamentary budget decision
- Parliament votes on two perspectives: cash + operating statement
- Comparison of assets and liabilities (annual balance sheet): Submitted to Parliament by Court of Audit.

Why Accrual Accounting and Budgeting?

Cash is important, but does not provide sufficient information to steer public finances. Some practical examples:

- Sale of assets: Cash shows revenue but not the reduction of assets → creates fiscal illusions
- Order now, pay later: Cash does not show liabilities as long as they are not paid → creates fiscal illusions
- Doubtful receivables: not shown in a cash-perspective → ignores financial risk
- Is a country poorer or richer than a year ago: Cash does not provide an answer, accruals do.

Merits of Accrual Budgeting

- Enhances transparency of public finances
- Reduces the scope for fiscal illusions
- Helps to steer public finances according to fiscal reality
- Makes it harder for stakeholders to ignore future budget challenges
- Can enhance accountability of decision-makers

- Commitment of political and senior administrative level is key
- Skills of stakeholders need to be enhanced (civil servants; politicians; media; interested public)
 - Extensive training required
- Complexity threatens transparency
 - Relevance and accurateness need to be balanced.
 - Less can be more
- Standardization
 - Which standards?
 - Consideration of public specifics
 - Who is legitimized to set standards?
- IT-support: crucial to very closely link technical and IT-issues in order to assure that the new system works adequately

Austrian Accounting Reform: How was it carried out?

- Reform designed by civil service (Ministry of Finance) not by consultants → create ownership and build up knowledge within administration.
- Other reform examples (for instance: Switzerland) carefully studied before designing the Austrian reform.
- IPSAS taken into account as a general orientation.
- Design took several years.
- Unanimous decision in Parliament.
- Did initially not apply for subnational governments, but several regional governments currently plan to switch to accruals → close cooperation of regions and federal administration to secure uniformity of applied standards.
- External costs for the whole federal budget reform (not just accruals): ~ 30 million €. Only a few people hired to support the reform. Existing staff provided excellent experience and engagement in designing and implementing the reform.

Austrian Reform Based on IPSAS

Why?

- IPSAS is there
- IPSAS has wide dissemination
- Most IPSAS-standards make sense

Problems?

- Not all IPSAS-standards might reflect public specifics sufficiently
- Legitimation is an issue
- Common EU-standards (EPSAS): Very welcome; should be consistent with IPSAS wherever appropriate

Application of IPSAS-standards in Austria:

- 32 IPSAS-standards
- 19 fully applied (next page: green)
- 7 are not relevant in Austrian case (next page: grey)
- 6 applied with some deviations (next page: red)

List of IPSAS Standards and their application in Austria

Number	Name
IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow - Statements
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated Financial Statements and Accounting for Controlled Entities
IPSAS 7	Accounting for Investments in Associates
IPSAS 8	Financial reporting of Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash-generating Assets
IPSAS 22	Disclosure of Financial Information About the General Government Sector
IPSAS 23	Revenue from non-exchange transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	Financial Instruments: Disclosure
IPSAS 31	Intangible Assets
IPSAS 32	Service Concession Arrangements: Grantor

Thank you for your attention!

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