



Overview and comparison of public accounting and auditing practices in the 27 EU Member States

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Executive summary

This overview aims to collect relevant information on, and compare the existing public accounting and auditing practices for the 27 EU Member States, for all subsectors of general government.

In order to gather accounting information on each of the general government sub-sectors, a two-wave survey approach was chosen in each of the 27 Member States. The first wave of questionnaires was sent to representatives of national accounting divisions in either national statistical offices, ministries of finance or public courts of auditors in each country, to get an overview of the accounting and auditing arrangements in place. The second wave of questionnaires was submitted to accounting and auditing practitioners, seeking to get a deeper understanding of the current practices and reform plans, as well as considerations about IPSAS.

The information collected encompasses all the Member States. Nevertheless, in some countries the information collected is incomplete in the sense that it does not cover all government subsectors. Furthermore, to the extent possible (i.e. when available) the information collected has been systematically validated by nominated public sector representatives in each country. This report relies entirely on information received and potentially validated by country representatives.

Accounting arrangements (EU-wide)

The comparative analysis reveals that the European government accounting arrangements are greatly heterogeneous.

Countries which include a state government have the most complex accounting arrangements. State governments usually follow their own accounting standards, mainly for independence reasons, and these standards can be very different from one state to another. Indeed, in the same country some state governments follow accrual-based accounting whereas others use cash-based accounting. Thus, the accounting complexity introduced by the presence of a state government appears to be more important than the simple inclusion of an additional layer of government. Furthermore, state government standards show little resemblance with the IPSAS.

Among the countries which have adopted accrual accounting, we found :

- ▶ Countries which have recently joined the European Union are more likely to follow an accrual accounting model than historical members¹. However, the analysis of the nature of the standards applied reveals again a great heterogeneity.
- ▶ The Nordic countries and France have implemented an accrual-based accounting system. These countries appear to have modernized their accounting system. Although their accounting arrangements appear to be complex in terms of the number of accounting standards applied, a deeper analysis indicates that these standards are often similar and that the differences are only at a high level.
- ▶ The United Kingdom has a simple accounting arrangement and an accrual-based accounting system.

Among the historical members of the EU, southern and central European countries have still cash-based accounting systems with complex accounting arrangements (i.e. a large number of differing accounting standards per subsector of government).

¹ Those joining before 2004

In terms of accounting practices, it seems that public entities do not use fair value as a measurement method for property, plant and equipment. They rely generally on the historical cost method and, to a lesser extent, replacement cost.

Regarding the recognition and measurement of provision, the documents disclosed by the public entities are not as comprehensive as the IPSAS requirements.

In terms of financial reporting, the statement of changes in net assets is often missing from the financial statements. Respondents indicated that this statement was only relevant for consolidation.

There is generally a great diversity of bookkeeping systems used by the different subsectors of government within a country. Although double-entry bookkeeping systems are widespread, none of the European countries has a unique bookkeeping system for all subsectors of government.

Respondents were also asked about the practical issues linked to the implementation of IPSAS. Their replies often point out training costs, time and equipment as the main impediments to the implementation of IPSAS. More interestingly, this argument is made by representatives of accrual-based accounting entities. For these respondents, IPSAS is nothing but another accrual accounting system and, as such, the cost of moving to IPSAS far exceeds the expected benefits.

On the other hand, for representatives of cash-based accounting entities, moving to IPSAS is not a priority. Indeed, other issues must be dealt with first before considering adopting IPSAS.

Finally many respondents highlight the fact that IPSAS was either incomplete or too theoretical for use in public accounting.

Financial audits (EU-wide)

A very limited number of countries do not conduct financial audits. Most of the public entities in Europe are subject to an annual financial audit.

The auditing arrangements appear to be less heterogeneous than the accounting arrangements. Most of the respondents reported that the applied auditing standards were close to ISA or the ISAI.

Accounting and auditing reforms

All European countries are at different stages of accounting reforms which reflect the status of their accounting arrangements. A few countries are engaged in auditing reforms.

Countries with a cash-based accounting system are likely to be moving to accrual accounting. Countries which have recently joined the European Union seem to have implemented quick reforms and are now likely to be finalizing their accrual accounting systems.

The survey reveals that moving from cash to accrual accounting often takes more times than anticipated. It requires a lot of staff training and organizational changes. In Portugal, for instance, the move to accrual accounting was decided in the 1990s and, at present, accrual accounting has only been implemented in a limited number of entities in Portugal. Likewise in Lithuania, although the move to accrual accounting was fast, many issues remain unresolved. For instance, it was reported that many public accountants have difficulties in applying accrual accounting.

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Glossary

A

Accrual accounting system

An accounting system in which financial transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate. Other modifications might be possible.

C

Cash accounting system

An accounting system in which the financial transaction and other events are recognized when cash is received or paid. This system measures financial results for a certain period as the difference between cash receipts and cash payments.

Central government.

The political authority of a country's central government extends over the entire territory of the country. The central government can impose taxes on all resident institutional units and on non resident units engaged in economic activities within the country. The central government subsector is a large and complex subsector in most countries. It is generally composed of a central group of departments or ministries that make up a single institutional unit plus, in many countries, other units operating under the authority of the central government, with a separate legal identity and enough autonomy to form additional government units.

Cost (or historical cost)

The amount of cash or cash equivalents paid or any consideration given to acquire an asset at the time of its acquisition.

F

Fair value

Defined as the amount for which an asset could be settled, between knowledgeable, willing parties in an arm's length transaction.

G

General government sector

The general government sector consists of entities that fulfill the functions of government as their primary activity. The general government sector consists of all government units and all non market non profit institutions that are controlled and mainly financed by government units.

I

International Public Sector Accounting Standards (IPSAS)

IPSAS is a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements. These standards are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). There are 32 standards on the accrual basis of accounting and 1 standard on the cash basis of accounting (source: IPSAS Handbook published April 2012).

L

Local government

The legislative, judicial, and executive authority of local government units is restricted to the smallest geographic areas distinguished for administrative and political purposes. The scope of a local government's authority is generally much less than that of the central or state governments and such governments may or may not be entitled to levy taxes on institutional units or economic activities taking place in their areas.

M

A modified cash accounting system

An accounting system in which financial transactions and other events are recognized on a cash accounting basis during the year, but the payables and/or receivables at year end are also taken into account. In fact, the books are kept open for several months after the end of the year.

A modified accrual accounting system

An accounting system in which financial transactions and other events are recognized based on an accrual accounting system, but some modifications are adopted. Certain classes of assets or liabilities are not recognized.

P

Present value

The present value of an asset comprises the discounted cash flows expected to be generated by the asset in the ordinary course of operations.

Public corporation

The public sector, in addition to the general government sector, also includes public corporations. Corporations are legal entities that are created for the purpose of producing goods or services for the market. They may be a source of profit or other financial gain to their owners. A corporation is collectively owned by shareholders, who have the authority to appoint directors responsible for its general management. Institutional units owned or controlled by governments, that qualify as corporations in the sense used here, are known as public corporations.

R

Replacement cost

The cost to replace an asset in the same location with another comparable asset used for the same purpose.

S

Social fund

Social fund may be accommodated in two alternative ways. First, all social security funds could be classified according to the level of government that runs them and combined with other general government units at that level. Thus, the subsectors would be central, state, and local government, assuming that all three levels of government exist. Second, all social security funds could be combined into a separate subsector and all other general government units could be classified according to their level. In that case, the central, state, and local government subsectors would consist of all government units other than social security funds.

State government

A state, province, or region is the largest geographical area into which the country as a whole may be divided for political or administrative purposes. These areas may be described by other terms, such as provinces, cantons, republics, prefectures, or administrative. If a state government exists, then its principal departments and ministries will constitute a single institutional unit in a manner similar to the core unit of the central government. In addition, there may be agencies operating under the authority of a state government, with a separate legal identity and enough autonomy to form additional institutional units.

COMMON ABBREVIATIONS AND SHORT FORMS

ADIF	Administrador de Infraestructuras Ferroviarias
AFM	Authority for the Financial Markets
AFS	Annual Financial Statements
ANC	Autorité des Normes Comptables
APA	Authorized Public Accountant
BBV	Decision Budget and Accounting Local Governments
BHO	Bundeshaushaltsordnung - Federal budget code
BMF	Bundesfinanzministerium (Federal Ministry of Finance)
BNAO	Bulgarian National Audit Office
BNFRSSME	Bulgarian National Financial Reporting Standards for Small and Medium Enterprises
BRHG	Bundesrechnungshofgesetz (law)
C&AG	Comptroller and Auditor General
CAC	Commissaire aux comptes
CADES	Caisse d'Amortissement de la Dette Sociale
CBS	Dutch national bureau of statistics
CHAI	Comité d'Harmonisation de l'Audit Interne - Committee for the harmonization of internal audit
CNAMTS	Caisse Nationale de l'Assurance Maladie des Travailleurs Salariés
CNoCP	Conseil de Normalisation des Comptes Publiques
CPA	Certified Public Accountant
DGCP	Direction Générale de la Comptabilité Publique - Directorate-General of Public Accounts
DGFIP	Direction Générale des Finances Publiques - Directorate General for Public Finance
EDP	Excessive Deficit Procedure
ENP	Etablissement National Publique
ESA	European System of Account
ESR	European system national and regional accounts
EU	European Union

FFR	Fond de Réserve pour les Retraites
FIMAS	Financial Information Accounting System
FLAG	Fund for Local Authorities and Governments
GAAP	Generally Accepted Accounting Principles
GCO	Government Control Office
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFSM	Government Finance Statistics Manual
HARO	Manual Auditing central government
HGB	Handelsgesetzbuch (German Commercial Code)
HGrG	Haushaltgrundsätzegesetz (Budgetary Principles Law)
IA	Institut des actuaires
IAD	Internal Audit Department
IAS	International Accounting Standards
IFAC	International Federation of Accountants
IFRS	International Financing Reporting Standards
IGAE	Instrucción de contabilidad para la Administración General del Estado
IGF	Inspection Générale des Finances
IGSS	Inspection Générale de la Sécurité Sociale
INTOSAI	International Organization of Supreme Audit Institutions
IPCA	Institute of Certified Public Accountants
IPSAS	International Public Sector Accounting Standards
IRE	Institut des Réviseurs d'Entreprises
ISSAI	International Standards of Supreme Audit Institutions
Iv3	The format that the local government uses to send information about the EDP to the CBS
LGAS	Local Government Audit Service
LHO	Landeshaushaltsordnung 6 State budget code

LOLFSS	Lois de Financement de la Sécurité Sociale
MF SR	Ministry of Finance of the Slovak Republic
MPF	Ministry of Public Finance
MS	Member State(s)
NAO	National audit office
NBR	National Bank of Romania
NCP	National Commission of Prognosis
NIK	Najwyższa Izba Kontroli - Polish NAO
NIS	National Institute of Statistics
NPI	Non-Profit Institutions
NRIC	National Railway Infrastructure Company
NSO	National Statistics Office
NVCOS	The audit standards of the Dutch National Institute of Accounting
ODAC	Organismes Divers d'Administration Centrale
ODAS	Organismes Dépendant des Assurances Sociales
PCG	Plan Comptable General
PCN	Plan Comptable Normalisé
PCUOSS	Plan Comptable Unique des Organismes de Sécurité Sociale
POCP	Plano Oficial de Contabilidade Pública
PPE	Property, plant and equipment
PS	Public Sector
RCC	Romanian Court of Auditors
SAO	State Audit Office
SGB	Sozialgesetzbuch (law)
SGB	Sozialgesetzbuch (law)
SNS	Sistema de Normalización Contable - Accounting Standardisation System
SS	Social Security
SUWI	Law on the execution of the social funds

VBRO	Buchführungs- und Rechnungslegungsordnung für das Vermögen des Bundes
VÚC	Slovakia's Higher territorial units
WAB	Law on accountant profession
WTA	Law Surveillance of accounting firms



Introduction

1. Introduction

1.1 Project background

1. Eurostat is responsible for the verification of the quality of data reported by the 27 EU Member States, notably with regard to the Excessive Deficit Procedure (EDP) statistics, as regulated by Council Regulation 479/2009, as amended. In practice, this includes the quality assessment of the data reported, which follows national accounts (ESA95) methodology.
2. Member States' national statistical institutions compile public finance statistics from national sources, notably from the financial accounting and reporting systems of public institutions. Therefore, the quality of public finance statistics is strongly dependent upon the quality and reliability of public accounting systems (the so called "upstream accounts").
3. The recent revision of Council Regulation 479/2009 has strengthened the powers of Eurostat regarding the verification of statistics for EDP purposes, notably regarding access to the upstream documents and systems which are the basic inputs for the calculation of Maastricht deficit and debt. Eurostat now intends to deepen its work and compile an overview and comparison of accounting and auditing systems in the 27 EU Member States.
4. Public accounting systems, and the related arrangements for auditing, vary significantly between Member States and between different subsectors of government in a Member State. For example, some governments use cash accounting while others use accrual-based accounting. Also, the scope and content of financial statements varies across countries. There is currently no available, up-to-date, detailed and systematic overview of the existing arrangements in the 27 EU Member States and of their future plans for accounting and auditing systems reforms. Therefore, Eurostat is seeking, through this project, to provide such information.

1.1.1 Detailed objectives of the project

5. The project aims at:
 - ▶ Collecting relevant information on the existing public accounting and auditing practices for the 27 EU Member States, for all subsectors of general government
 - ▶ Preparing a comparative analysis of the practices of the 27 EU Member States.

1.1.2 Results

6. The project analyses and describes:
 - ▶ Legal requirements for public accounting in the Member States, including which requirements are binding and which aspects are voluntary
 - ▶ Organization of financial reporting
 - ▶ Bookkeeping systems
 - ▶ Organization of the consolidation of accounts, whether for general government or for another reporting boundary, where relevant
 - ▶ Accounting models applied
 - ▶ Public accounting standards used in practice and their (dis)similarities to international Standards (IPSAS /IAS) for all the subsectors of general government, including extra-budgetary or special accounts, together with a sample of public corporations

- ▶ ☐ Nature of scope and power of the relevant audit authority(ies)
- ▶ ☐ Auditing standards and methodology used for all the subsectors of general government, including extra-budgetary or special accounts, together with a sample of public corporations regarding statistical data
- ▶ Flows and processes which are audited – in particular those which are relevant in the context of the EDP debt and deficit compilation
- ▶ Plans of governments to reform public accounting and auditing systems and the progress in their implementation

1.2 Methodology

1.2.1 General approach

7. To gather evidence on each subsector of the general government in each of the 27 Member States of the European Union, a survey approach was chosen.
8. ☐ **The content.** The content of the questionnaires was drawn from the technical proposal of Ernst & Young and the expected results of the technical description provided by Eurostat, along with a joint working session with Eurostat.
9. ☐ **The survey approach and respondents.** The survey was designed to be undertaken in two waves. The first wave of questionnaires was sent to representatives of national accounting divisions in either national statistical offices, ministries of finance or public courts of auditors in each country to get an overview of the accounting and auditing arrangements in place. The second wave was submitted to accounting and auditing practitioners to get a deeper understanding of the current practices and reform plans.
10. **Benefits of a two-wave approach.** The first wave gave an overview of the entities which compose each subsector of the general government but also allows a systematic identification of the relevant types of respondents for the second wave, which include many deep technical questions on accounting or auditing practices.

1.2.2 Detailed structure of the questionnaires

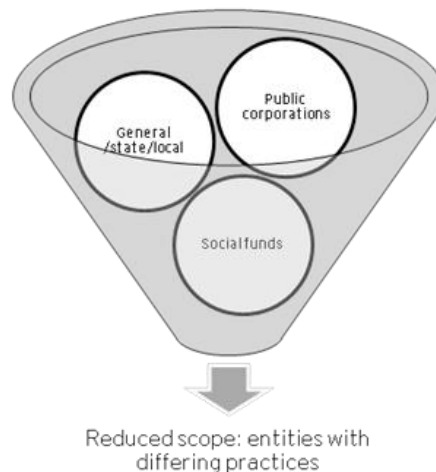
11. The questionnaires drafted for both surveys are provided in Annex 3.

1.2.2.1 First wave questionnaires

12. **Questionnaires.** The first wave consisted of two initial questionnaires: *legal accounting requirements* and *nature of the scope and power of the audit authorities*, provided in Annex 3.
13. The *legal requirements questionnaire* helps provide a detailed overview of the public sector. It aims not only to identify the entities which compose each subsector of the general government (i.e. central, state, local government and social fund) but also to gather data on the accounting requirements for public corporations and to identify the standard setting institution(s) in each country. Furthermore, it provides insights into the legal requirements for consolidation in each country for each subsector of government. This includes information on whether consolidation is mandatory or not and the legal texts supporting consolidation.
14. Finally, the *nature of the scope and power of the audit authorities* questionnaire provides an overview of the auditing process of the upstream accounts. Indeed, for each institution identified in the first questionnaire, respondents were asked to provide information on the nature and scope of the auditing process in the second questionnaire. This questionnaire does not only consider financial audits but all kinds of audits. These include compliance, legal and IT to name a few.

15. **Respondents of wave 1.** The questionnaires were submitted to representatives of the national accounts division of the statistical offices, ministries of finance, courts of auditors and central banks.
16. **Objectives.** The first wave questionnaires aimed at:
- ▶ ☐ Understanding the composition of each subsector of the general government as well as of public corporations
 - ▶ ☐ Identifying the laws, rules and recommended practices applied by each of the public entities which compose the general government and the public corporations
 - ▶ ☐ Determining the various kinds of audits applied to each of these entities (if any) and the entities in charge of the audit
17. These first wave questionnaires were essential to get groupings of entities applying roughly same accounting and auditing practices. Those groupings of practices were used for sampling and targeting respondents for the second wave of the survey.
18. Figure 1 below illustrates this grouping strategy of differing practices:

Figure 1: Grouping strategy of differing practices



1.2.2.2 Second wave questionnaires

19. **Questionnaires.** This second wave consisted of four questionnaires on *accounting standards*, *consolidation*, *plans for reform* and *nature of the auditing process*.
20. The Accounting standards questionnaire has several objectives:
- ▶ ☐ The primary objective of the questionnaire on *accounting standards* was to assess each group of accounting standards against typical features of a standard directly inspired by IPSAS. Similarities have been assessed on presentation of the financial statements (IPSAS 1), time of recording, measurement of assets and liabilities, with a special emphasis on property, plant and equipment (IPSAS 16), along with provision for contingent liabilities and assets (IPSAS 19)
 - ▶ In addition, as the report is to be used as part of an exercise conducted by Eurostat on an impact assessment of an application of IPSAS at the EU level, some questions dealt with the practical issues arising from the implementation of IPSAS
 - ▶ Finally, this questionnaire seeks to understand the nature of the bookkeeping system(s)

21. The *consolidation* questionnaire was submitted to the controlling public entities where consolidation is required. Here again, the proximity of the consolidation process to IPSAS' (IPSAS 6) was assessed.
22. ¶The *plans for reform* questionnaire looks at the existing reforms. In particular, it lists the existing plan for reforms in accounting and auditing in each MS.
23. ¶The *nature of the auditing process* questionnaire, addressed to the court of auditors or to other relevant auditing authority asks the respondent to describe the auditing process on financial audits.
24. Most of the questions of the second wave are in a closed form format to ease the answering by respondent and also to provide straightforward statistics.
25. **Respondents of wave 2.** Although the respondents contacted for the first wave of the survey were mainly provided by Eurostat, the respondents of the second wave were determined to be representative of the different groupings of practices identified in the scoping phase.
26. **Objectives.** This second wave of questionnaires sought to get a deeper understanding of the accounting and auditing standards applied in practice by grouping of practices. Its objective is to assess the (dis)similarities of the applied accounting practices with IPSAS and to compare the auditing practices in each Member State (MS).

1.2.3 Survey quality management

1.2.3.1 Points of attention

27. The quality of the survey was managed by considering the following aspects:
- ▶ **Accessing available and knowledgeable respondents.** In each MS, only a limited number of people have a clear overview of all accounting and auditing arrangements. These people were often hardly available. More time was allocated to reach the most relevant respondents
 - ▶ **Technicality of the questionnaires.** The questionnaires were administered in each MS with different degrees of sophistication in accounting and auditing arrangements. Design of questions was made reachable to different levels of practices, sometimes leading to simple requests to countries with advanced accounting system
 - ▶ **Ensuring traceability of responses.** Very structured questionnaires, which include the sources and names of respondents, were designed

1.2.3.2 Validation procedure and limitations

28. To administer the survey, local teams were deployed in each Member State. These local teams had not only to assist the respondents in filling in the questionnaires, but also to summarize the information collected into a country report. These country reports, along with the filled-in questionnaire had then to be validated by the relevant representative(s) nominated by each Member State. These country reports provide a detailed overview of the accounting and auditing arrangements in each MS.
29. The information collected and the country reports produced have not been validated by all countries. Table 1 presents the status of the reports' validation.

Table 1: Summary of the validation status by the country

Country	Validation process	Validating entity/ Comments
Austria	Incomplete	Questionnaires have been validated and collected on central, state and local government accounting laws by the Ministry of Finance. However, the country report has not.
Belgium	Incomplete	Only the questionnaires regarding the central government have been filled in and validated. The other questionnaires have been filled in by EY experts. The questionnaires on social fund are missing.
Bulgaria	Completed	Ministry of Finance
Cyprus	Incomplete	Questionnaires have been validated by the Statistical Service and Treasury
Czech Republic	Completed	Ministry of Finance
Denmark	Completed	National Audit Office and the Statistical Institute
Estonia	Completed	Statistics Department; Ministry of Finance; National Audit Office
Finland	Completed	Statistics Finland
France	Completed	CNoCP, IGF, validation from the Court of Auditors in progress
Germany	Completed	Ministry of Finance
Greece	Incomplete	Questionnaires of the first wave have been validated by the Establishment of the Hellenic Statistical Authority and the Hellenic Court of Auditors.
Hungary	Completed	Ministry of Finance
Ireland	Completed	Local Government of the Audit service

Country	Validation process	Validating entity/ Comments
Italy	Completed	Ministry of finance
Latvia	Completed	State Treasury
Lithuania	Completed	National Audit Office
Luxembourg	Completed	Validated questionnaires
Malta	Completed	National Statistics Office
The Netherlands	Completed	National Statistical Institute and the Ministry of Finance
Poland	Completed	Supreme Audit Office ('NIK') and Central Statistical Office ('GUS').
Portugal	Completed	Statistical Office of Portugal
Romania	Completed	Ministry of Finance, Court of Accounts
Slovakia	Completed	Slovak Ministry of Finance
Slovenia	Completed	Statistical Office of the Republic of Slovenia
Spain	Incomplete	The country report has been reviewed by the IGAE. A revised draft has been submitted for validation.
Sweden	Completed	Swedish National Financial Management Authority
United Kingdom	Incomplete	Her Majesty's Treasury ('HMT') has validated the accounting. National Audit Office declined to participate.

30. However, for a variety of reasons, including unwillingness or inability to respond and lack of availability of senior staff, the data collected is less complete than planned. The analysis is based upon the information received, and the limitations of the data obtained must be borne in mind when interpreting our findings.
31. Incomplete information has been collected from the following countries:
- ▶ **Austria.** The internal accounting rules which apply to the State Chambers have not been collected. Limited information was provided on social funds accounting rules. According to the Statistical Service of Austria, social funds are accrual-based, they follow the « Accounting regulation » which is similar, in a broad perspective, to the accounting standard applied by Länder and municipalities. However, the detailed information on this regulation was not provided
 - ▶ **Belgium.** The information has been collected on, and only validated for, the central government. The rest of the information has been gathered by an EY local team but has not been validated by a government representative. Information on state governments and social funds are missing
 - ▶ **Cyprus and Greece.** The Greek crisis concomitant to this study, mobilized government representative and limited their participation. The information provided by these countries mostly contained in the first Wave questionnaires
 - ▶ **Denmark.** In Denmark, the information on social funds was not provided. The social funds in this country are of little importance according to the findings of the EDP dialogue visit to Denmark. Furthermore based on the number of government entities identified by the first Wave questionnaires, social funds only account for 0,8% of the total number of government entities in Denmark
 - ▶ **Germany.** As social funds represent a small fraction of the public sector (less than 13% based on our own calculation), only partial information was collected on them. In Germany, the social fund subsector is rather diverse; four different accounting systems coexist:

- (a) The health insurances (more than 150 entities) are preparing accrual based financial statements. The regulations is similar to the German Commercial Law, from which they are derived
 - (b) The unemployment insurance is cash-accounting based and stems from the federal governments accounting law
 - (c) The pension insurance applies a specific modified cash-accounting model
 - (d) The accident insurances (about 13 entities for private sector employees and about 27 entities for public sector employees) apply a modified cash accounting model (with slightly different guidance for the two sectors).
- ▶ **Italy.** At the local government level, each entity which comprises this subsector follows a differing type of accounting standard. As a consequence, there are almost as many standards as there are municipalities. Following the recommendation of Italian government representatives, information was collected on the central government and municipalities, on the grounds that the accounting standard for the municipalities is the most commonly used. The Italian government deemed this to be representative of the heterogeneity of the accounting practices applied and validated the country report
 - ▶ **Spain.** In Spain, although the information provided is incomplete, the public entities covered by the information received account for more than 50% of the public sector entities (see Table 466 for further details)
 - ▶ **United Kingdom.** The NAO declined to participate. Thus, very limited information was collected on the financial audits conducted on the government sectors
32. This report relies entirely on information received and potentially validated by country representatives. We have not attempted to verify information apart from crosschecking when relevant. We are compiling and analyzing only, without giving any recommendation, in accordance with the professional standards to which we are subject.

1.3 Description of the information gathered

33. As explained above, the number of the second wave questionnaires to complete was based on the number of groupings of differing accounting and auditing practices identified during the first wave.
34. Table 2 provides an overview of the information collected on the accounting practices (i.e. the *accounting standards* questionnaire of the second wave of the survey) and its scope (i.e. the government subsectors covered).

Table 2: Nature and scope of the accounting practices

Country	Number of accounting groupings identified	Completed Accounting standards questionnaires	Name of the accounting law	Central	State	Local	Social Funds	Public Corp.
Austria	5	2	Federal government	● ²				
			Budgets and Closed		● ³	● ⁴		

² Federal government only

³ Extrabudgetary units and Chambers are not included

⁴ Chambers are not included

Country	Number of accounting groupings identified	Completed Accounting standards questionnaires	Name of the accounting law					
				Central	State	Local	Social Funds	Public Corp.
			Accounts Regulation					
Belgium	Many	3	Central government	•				
			Flemish local government			• ⁵		
			Brussels and Walloon government			• ⁶		
Bulgaria	2	2	Central, local government and social funds	•		•	•	
			Public corporations					• ⁷
Cyprus		1	Central government	•				
Czech Republic	2	2	Special accounting public sector units	•		•		
			Non-enterprise public sector units	•		• ⁸	•	
Denmark	4	3	Central government	•				
			Regions			•		
			Municipalities			•		
Estonia	1	1	All subsectors	•		•	•	•
Finland	2	2	Law on the state budget	• ⁹		• ¹⁰		
			Accounting Act			•	•	•
France	4	4	Central government	•				
			National Public Establishments (EPN)	•		•		•
			Local government			•		
			Social funds				•	
Germany	6	2	Central government	•				
			State and local government		•	•		

⁵ Flemish government only

⁶ Walloon and Brussels governments only

⁷ Only public hospitals

⁸ Few local public entities follow the standard for Non-enterprise public sector units

⁹ This questionnaire does not cover the Finnish Universities

¹⁰ Government of Åland only

Country	Number of accounting groupings identified	Completed Accounting standards questionnaires	Name of the accounting law					
				Central	State	Local	Social Funds	Public Corp.
Greece	Many	0	Expecting reply					
Hungary	2	2	Public accounting	•		•	•	
			General business	•		•		•
Ireland	2	2	Central government	•			11	
			Local government			•		•
Italy	3	2	Central government	•			• ¹²	
			Local government			•		
Latvia	1	1	Central and local government	•		•	13	
Lithuania	1	1	All subsectors	•		•	•	•
Luxembourg	5	5	Central government	•				•
			Public Establishments	•				
			Public Corporations	•		•		•
			Local government			•		•
			Social funds					•
Malta	4	4	Central government	•			14	
			EBUS and Public corporations – IFRS	•				•
			EBUS and Public corporations – GAPSE	•				•
			Local government			•		
The Netherlands	3	4	Central government	•				
			Regions			•		
			Cities			• ¹⁵		
			Social funds					•
Poland	2	2(1+Country report)	Accounting acts	•		•	•	•
			Budgetary units	•				

¹¹ Social funds in Ireland are part of the central government and are subject to the same accounting law

¹² Social funds in Italy follow accounting standards similar to the central government

¹³ Social funds in Latvia are administrated by State Social Insurance Agency, which is a central government agency

¹⁴ Social security accounting are integrated into central government accounts

¹⁵ Regions and Cities follow the same accounting practices

Country	Number of accounting groupings identified	Completed Accounting standards questionnaires	Name of the accounting law					
				Central	State	Local	Social Funds	Public Corp.
Portugal	3	2	POCP	•		•		
			Others	•		•	•	•
Romania	1	1	All subsectors	•		•	•	•
Slovakia	1	1	All subsectors	•		•	•	•
Slovenia	1	1	All subsectors	•		•	•	•
Spain	6	2	State, autonomous bodies and Social funds	•	•	•	•	•
			Public corporations	•	•	•		•
Sweden	4	4	State government	•				
			Municipalities and county councils			•		
			Social funds				•	
			Others	•				•
The United Kingdom	1	1	All subsectors	•		•	16	•

35. **Public corporations' accounting arrangements.** Although questionnaires have been gathered on a sample of public corporations, they are not explicitly covered in the analysis. Indeed, most of the respondents indicated that public corporations follow private sector standards which are similar to IFRS. If not, the standards followed are similar to the accounting standards followed by other subsectors as indicated in Table 2. Although this report provides a description of the public corporation accounting arrangements, it mainly focuses on the central government, state government, local government and social funds.
36. **Consolidation.** In few subsectors, public entities perform consolidation. Furthermore, in many cases the public sector financial statements correspond to the subsectors consolidated financial statements. The small number of replies made it difficult to conduct a comparative analysis at an EU-wide level. Thus, the consolidation process was only described (if relevant) in the country reports, taking IPSAS as a benchmark.
37. While the table above provides details for each country, the following table summarizes the number of accounting standards questionnaires filled in per subsector of government.

Table 3: Number of questionnaires filled in per subsector

Central government	State government	Local government	Social funds
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¹⁶ United Kingdom does not have a distinct social fund in the ESA sense (S. 1314), all national insurance revenues are part of central government.

36

5

32

19

38. Less questionnaires were filled in for the social funds. In many countries such as Denmark, social funds represents a small share of the public sector and it was chosen to focus on subsectors which represent a larger share of the public sector. Note that in the case of Malta, the social funds is a pay-as-you-go scheme with a very limited accounting and no defined rules.
39. Table 4 below provides the detailed information gathered on the auditing practices (i.e. the questionnaires *nature of the auditing process*) across MS. Different auditing bodies were surveyed in the 27 MS. As some entities apply different auditing practices in function of the audited entities, in total 32 questionnaires were collected.

Table 4: Auditing practices

Country	Auditing entity
Austria	Supreme Audit Institution
Belgium	Not provided
Bulgaria	NAO
Cyprus	Not provided
Czech Republic	Ministry of Finance
Denmark	NAO Private audit firms
Estonia	NAO + private audit
Finland	NAO
France	Court des comptes
Germany	Court of Auditors
Greece	Not provided
Hungary	SAO (two types of audit: the audit performed by SAO on entities only audited by SAO and the audit performed by SAO on entities also subject to a statutory audit)
Ireland	Local government audit services
Italy	Court of Auditors
Latvia	SAO
Lithuania	NAO
Luxembourg	IGF and Court des comptes (performing three audits on Central government, Public establishments and Public corporations)

Country	Auditing entity
	Ministry of Interior (auditing local government)
	IGSS (auditing Social funds)
Malta	NAO (performing four audits on Central government, Extra-Budgetary units, Local government and Public corporations)
	Private audit firms
Netherland	Court of Auditors (performing two audits on Federal government and Local government)
Poland	NIK
Portugal	Court of Auditors of Portugal
Romania	Romanian Court of Auditors
Slovakia	Ministry of Finance (auditing Higher territorial units and Municipalities)
Slovenia	Customs Administration of the Republic of Slovenia(CARS)
Spain	IGAE
Sweden	NAO (auditing State agencies)
UK	Not provided

1.4 Structure of the report

41. This report is structured as follows.

- ▶ Part 1 presents a comparative analysis presenting the result of the study at the EU level. It draws on the country reports contained in Part 2 and provides a description of the accounting and auditing arrangements at the EU level
- ▶ Part 2 sets out the 27 countries summary reports covering each country. Each country report provides a detailed overview of the accounting and auditing practices, a description of the accounting standards applied and the auditing framework. Furthermore each country report provides a comparative analysis of the accounting standards applied within a country taking IPSAS as a benchmark. Finally it presents the reform progress and the practical issues associated with the application of IPSAS in each country
- ▶ Annex 1 describes the methodology used to assess the proximity of the accounting standards with IPSAS. It also provides additional statistics on a number of topics
- ▶ Annex 2 presents the current reforms planned in each country
- ▶ Annex 3 provides the questionnaires used in the first and second waves of the survey
- ▶ Annex 4 provides the list of respondents

A person wearing a blue t-shirt is holding a large stack of books. The background is a bright, out-of-focus outdoor setting with greenery. A yellow banner is overlaid on the left side of the image.

Part 1:

Comparative analysis

2. Comparative analysis

2.1 Comparative analysis of the accounting arrangements

42. This section concentrates on the accounting practices and includes the following analysis for the central state or local governments and social funds per MS:

- ▶ An assessment of the relative complexity of the accounting institutional arrangements
- ▶ A presentation of the accounting model applied
- ▶ A description of the accounting standards applied, taking IPSAS as a benchmark
- ▶ An analysis of the information collected on the main differences between the existing accounting practices and IPSAS
- ▶ A summary of the bookkeeping systems used in the Member States
- ▶ An analysis of the accounting model applied
- ▶ A presentation of the reform engaged (if any)
- ▶ A description of the practical issues with the application of IPSAS

43. While a detailed overview of the legal accounting arrangements is provided in the first section of the country reports, this section presents the key messages from this overview.

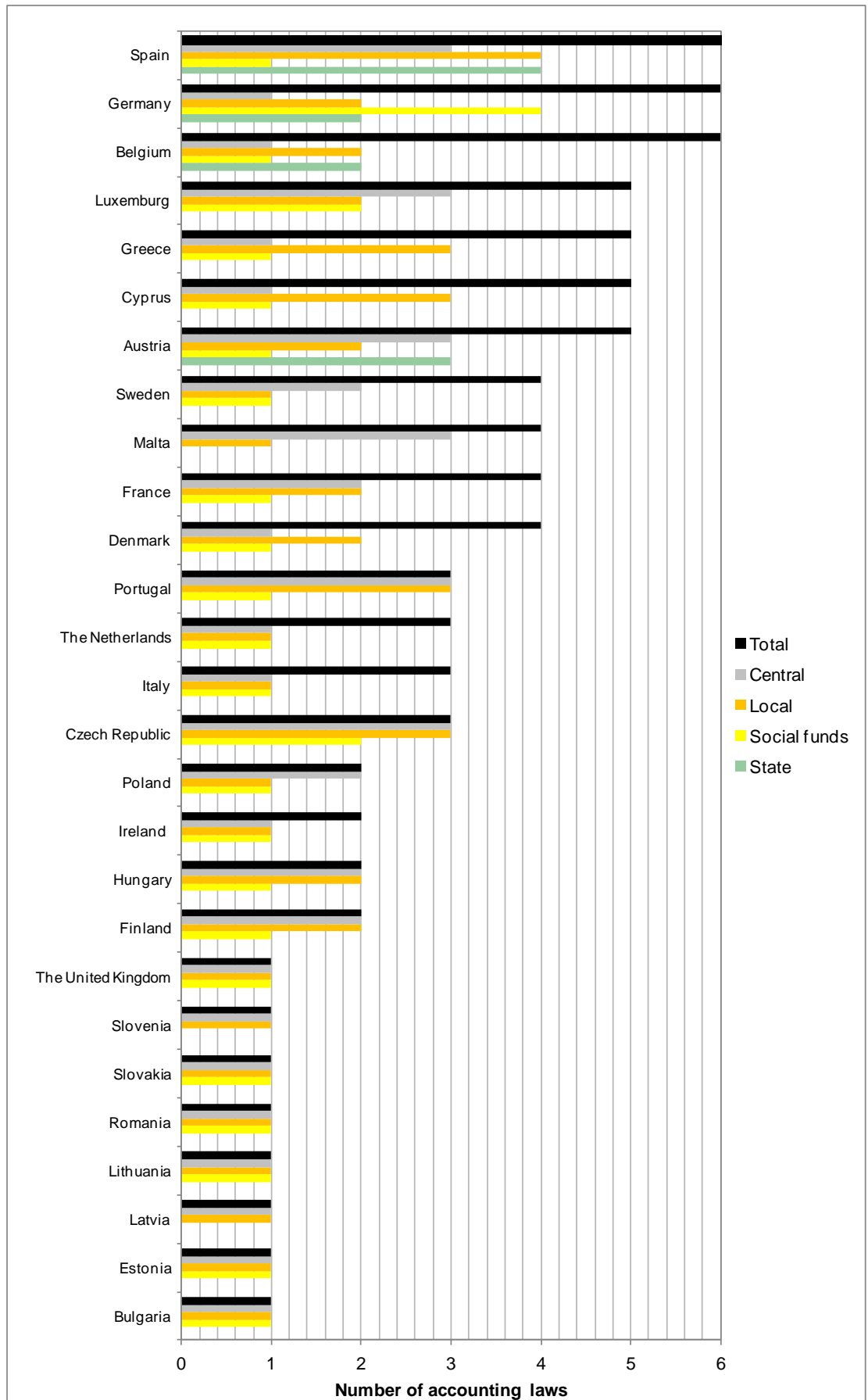
2.1.1 Relative complexity of the accounting institutional arrangements

44. This section seeks to categorize the countries with respect to the complexity of their institutional accounting arrangements.

45. Here, the complexity of the accounting arrangement should be understood as a large number of accounting laws, rules standards applied – the larger the number of accounting laws in vigor the more complex will be the accounting arrangements of a country.

46. Figure 2 presents the number of accounting laws per Member State and per subsector of government.

Figure 2: Number of accounting laws per Member State and per subsector



47. Note that in Greece it was reported that each local government entity has its own accounting law. However, the exact number of differing accounting laws was not identified in Cyprus, Italy¹⁷ and Greece. For the sake of illustration this number was set to three in Figure 2.
48. In Italy, the local governments are compelled to draw up the statements of financial performance and position, but they are free to adopt the accounting model that is believed to be the most suitable. In this respect they can choose among three alternative models. Under the traditional accounting model the local governments derive the statement of financial position and performance using data from the cash and obligation-based accounting, by means of a reconciliation statement. Under the integrated system approach, cash and obligation-based accounting and accrual accounting coexist, while under the parallel system alternative, local government introduced the accrual accounting but kept it completely independent from the cash and obligation-based accounting. In the last case they can use double-entry bookkeeping¹⁸.
49. A similar observation was made in Greece¹⁹. Although it probably underestimates the actual number of accounting laws, a value of three differing accounting laws seems to be reasonable to capture the main heterogeneity of the accounting practices.
- 2.1.1.1 Countries with a state government subsector are the countries with the most complex accounting arrangements**
50. Figure 2 reveals that the countries with the most complex accounting arrangements are often countries with a state government. State governments have a certain economic and political independence. As a result, they are free to follow their own accounting rules.
51. For example, in Germany although some Länder have decided to adopt accrual accounting, others prefer maintaining their cash-based accounting models. If the Länder appear to be following only two differing accounting models, in other countries each state has its own accounting rule. This is, for instance, the case in Spain, where each state government “Autonomy” has its own accounting model. Likewise in Belgium three different kinds of states are identified (the Walloon, the Flemish and the German) with their own accounting models²⁰. This independence of each state government in implementing its own accounting model makes the country accounting institutional arrangements significantly more complex than it would have been if only an additional layer of government was added.
- 2.1.1.2 Countries which have recently joined the European Union have the least complex accounting arrangements**
52. This group of countries is presented in Table 5. Among these countries Hungary, Czech Republic, Lithuania, Estonia, Slovakia and Slovenia have a unique accounting standard which applies to all subsectors of government.

Table 5: European enlargement

Historic al Member States	Member States joining the EU in 2004	Member States joining the EU in 2007
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¹⁷ In Italy, the most important accounting laws were identified.

¹⁸ Elisabetta Reginato (2011), “Accountability Perspectives in Italian Municipality Accounting Systems”, 9th symposium on Public Sector Management, Johannes Kepler University, Linz (Austria).

¹⁹ Sandra Cohen, Nikolaos Kaimenakis and George Venieris (2009), “Reaping the benefits of two worlds: An exploratory study of the cash and the accrual accounting information roles in local government”, Paper to be presented in the EGPA Conference 2009, Study group on Public Sector Financial Management Malta, 2-5 September 2009.

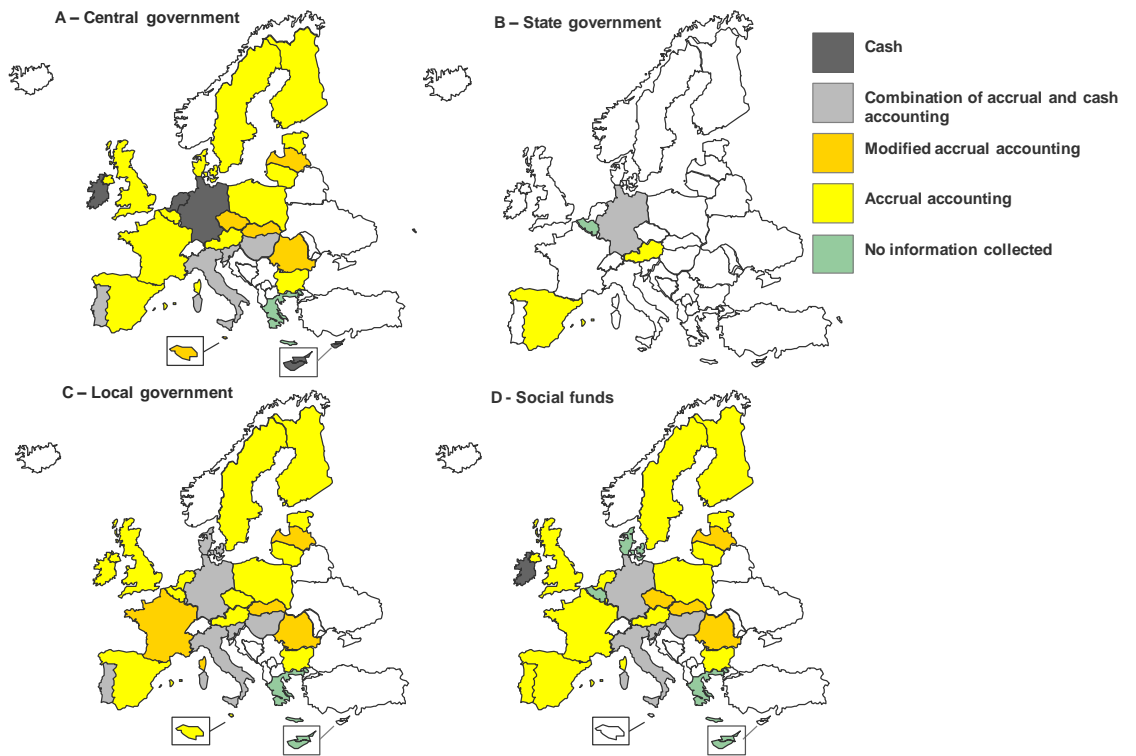
²⁰ This information has not been formally validated by a government representative.

Austria, Belgium, Denmark, Finland, France,	Cyprus, Czech Republic, Estonia, Hungary,	Bulgaria, Romania
Germany, Greece, Ireland, Italy,	Latvia, Lithuania, Malta, Poland, Slovakia,	
Luxembourg, The Netherlands, Portugal,	Slovenia	
Spain, Sweden, UK		

2.1.2 The accounting model applied

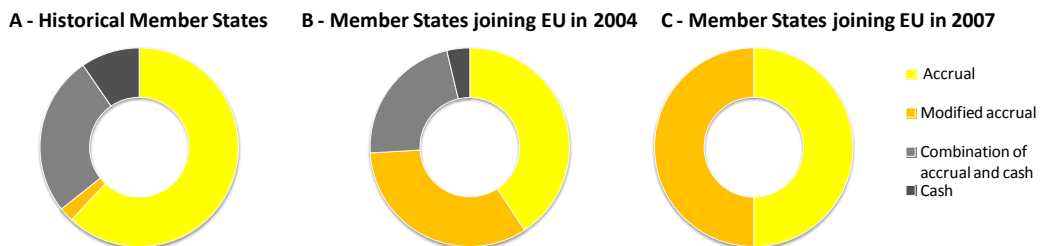
53. For each kind of financial reporting, respondents were asked which accounting model best describes the model in place. Taking into account the statement of financial position and statement of financial performance, a country subsector can either have:
- ▶ ☐ A cash accounting model, i.e. both statements of financial performance and position are cash-based, according to the cash accounting definition previously provided. Subsectors, which only report a cash and receipts statements, were considered as following a cash accounting model
 - ▶ ☐ A modified cash accounting model, i.e. both statements of financial position and performance are modified cash based
 - ▶ ☐ An accrual accounting model i.e. both statements of financial position and performance are accrual based
 - ▶ ☐ A modified accrual accounting model. This will be the case either when both statements of financial performance and position are modified accrual-based or when at least one of the two statements is on a modified accrual basis, while the other is accrual-based. The latter possibility corresponds, for instance, to local government in France
 - ▶ ☐ A combination of accrual and cash accounting. Two reasons can explain this combination - either different public entities apply different standards within the same subsector of government (this is the case in Danish local government) or the same entity uses both cash and accrual accounting (as previously mentioned this can be the case in Italy). For the sake of illustration, combinations of modified accrual and modified cash have also been included in the latter category.
54. Figure 3 presents the accounting model applied by each subsector per Member State.

Figure 3: Accounting models applied



55. Although Northern European countries' public entities are more likely to have an accrual-based accounting model, Southern and Central European countries are more likely to be cash-based (Cyprus, Germany, Italy, Portugal and the Netherlands).
56. According to Figure 4 and Figure 3, most of the countries which have recently joined the EU have either an accrual or modified accrual accounting model. This reflects the European Union entry conditions. Since 1999, the European Commission has required the entry candidate to adopt an accrual accounting model.

Figure 4: Accounting practices of Member States

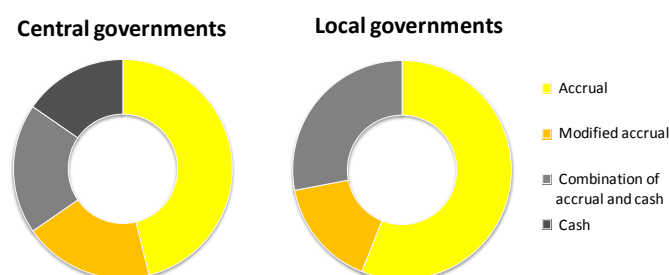


57. In addition to Figure 3, Table 6 provides summary statistics on the type of accounting model applied for each subsector of government.

Table 6: Summary of the accounting model applied by subsector of government

	Central	State	Local	Social funds
Accrual	12	2	14	13
Modified Accrual	5		4	4
Combination of Accrual and Cash	5	1	7	4
Cash	4			1
Expecting a reply	1	1	2	
Not applicable		23		1
No answer				4
Total	27	27	27	27

2.1.2.1 Local governments are more likely to have an accrual accounting model than central government

Figure 5: Accounting models applied to central and local subsectors²¹

58. According to Table 6 and Figure 5, there is no local government where all entities use a cash accounting model unlike central governments. In many European countries²², local governments have been the driving force of a financial management comprehensive reform. According to Luder and Jones (2003), in many European countries each local government reform wave preceded the corresponding national government reform wave. As indicated by the FEE study, the possible explanation for this situation may be that “It would appear to be simpler for smaller organizations to make transition [from cash to accrual accounting] simply because they are smaller”.

2.1.2.2 State governments apply a combination of accounting models

59. Austria, Germany and Spain state governments exhibit a combination of accounting models. This echoes the previous observation on the complexity of their accounting arrangements and suggests the application of very different accounting standards.

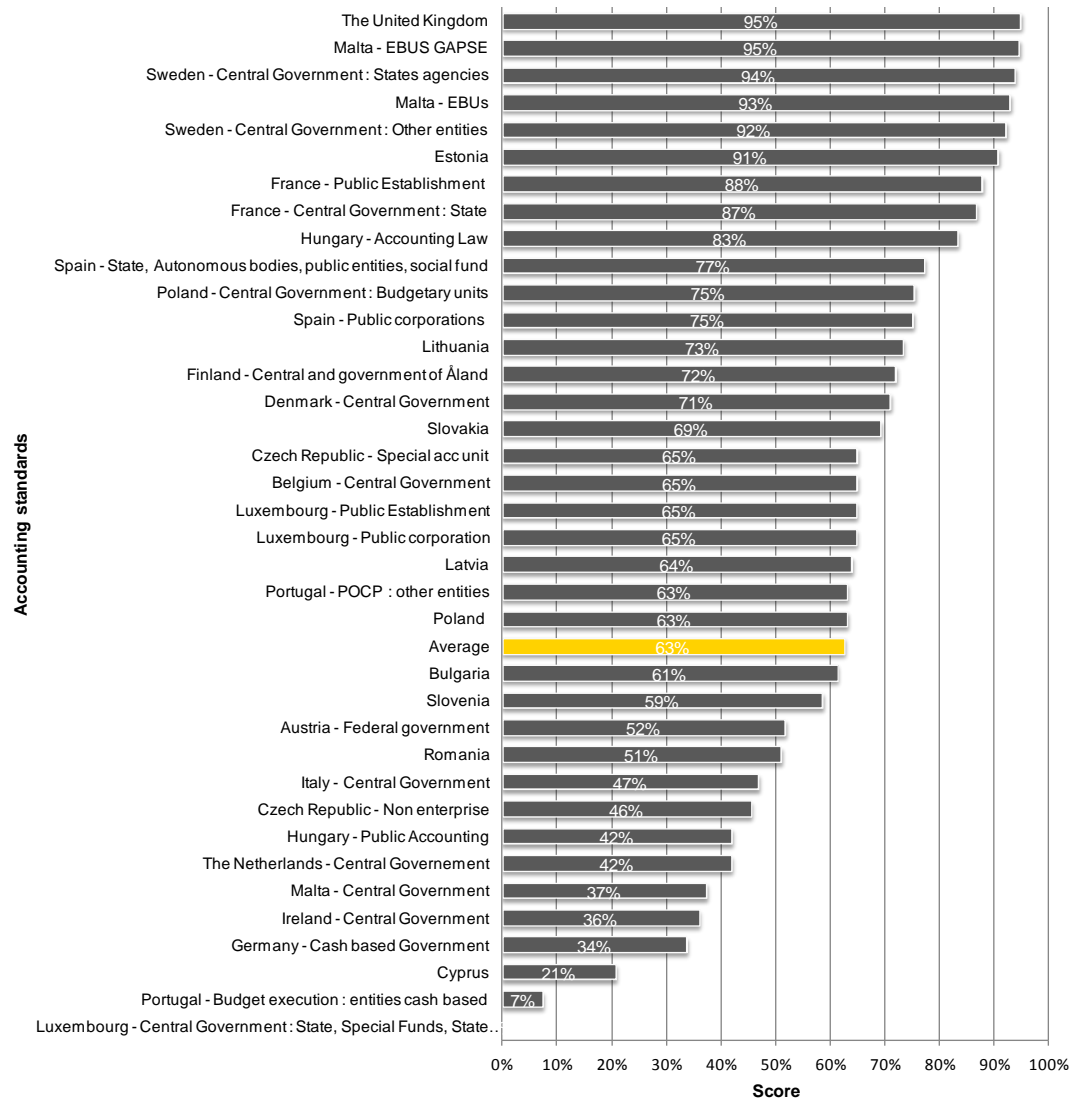
²¹ The figure is based on the received questionnaires

²² Luder and Jones 2003; FEE 2007

2.2 Nature of the public accounting standards

60. This section qualifies each of the accounting standards identified, taking IPSAS as a benchmark. To do so, four dimensions were chosen:
- ▶ **Presentation of the financial statements.** This dimension seeks to assess whether all the components of the financial statement required by the IPSAS (IPSAS principle 1) are published
 - ▶ **Time of recording.** This dimension indicates whether the accounting model is either on a cash or an accrual or modified cash or a modified accrual basis
 - ▶ **Property, plant and equipment recognition and measurement (PPE).** This dimension seeks to understand whether recognition and measurement of property, plant and equipment is similar in spirit to the IPSAS principle (in particular IPSAS 17)
 - ▶ **Provision recognition and measurement.** This dimension seeks to understand whether recognition and measurement of provision is similar in spirit to the IPSAS principle (in particular IPSAS 19)
61. For the assessment, a scoring system was designed. This scoring system provides a number of points which are attributed per question so that the total number of points is an indicator of the proximity of the standard applied in practice with IPSAS – the larger the score the closer the standard is to the IPSAS principle. The score was normalized so that a score of 100 corresponds to the score obtained by IPSAS. Thus, a score of x given to a standard indicates that this standard is x% compliant with the IPSAS principle.
62. However, this indicator assesses the similarity of the accounting standard with IPSAS only against the above four dimensions. Thus, a 100% degree of similarity does not necessary mean that the Member State applies the IPSAS but that it just complies with the IPSAS on the four dimensions mentioned above. A technical annex further details this methodology and the scoring system applied.
63. Figure 6 presents the score obtained by each central government accounting standards, analyzed for each Member State.

Figure 6: Nature of the central government accounting standards per Member State

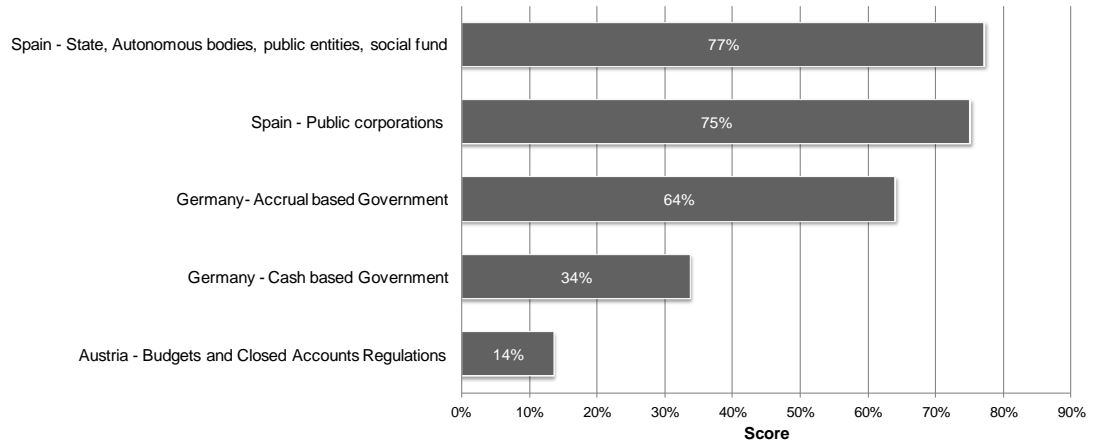


64. As expected, the countries applying cash-based accounting standards have the lowest score. Although the state of Luxembourg accounting standard is the standard the least close to the IPSAS principle, the cash-based accounting standard applied by the Dutch entities appears to be the cash based accounting standards the closest to the IPSAS.
65. It is interesting to note that all the cash based accounting standards but have a compliance rate with IPSAS larger than 0. This indicates that, although these standards are cash-based, they follow some of the requirements of an accrual-based accounting model. For instance, the Irish central government units report statements of financial position and performance. On the contrary, some accrual accounting standards exhibit low compliance rate with IPSAS. For instance the Czech Republic non-enterprise accounting standard does not provide a statement of financial performance as required by accrual accounting models. This plus the fact that its recognition and measurement of property, plant and equipment and provisions differs from the IPSAS principles, explain the low score of the Czech non-enterprise accounting standard.
66. The UK accounting standard appears to be the closest to the IPSAS. Based on the scoring system, the UK is more than 95% compliant with the IPSAS principles. The UK accounting standard is the IFRS adapted to the public sector specificities. The IPSAS follows a similar logic, taking the IFRS as a

starting point and seeking to adjust them to the public sector specificities. This similar root explains the proximity of both standards.

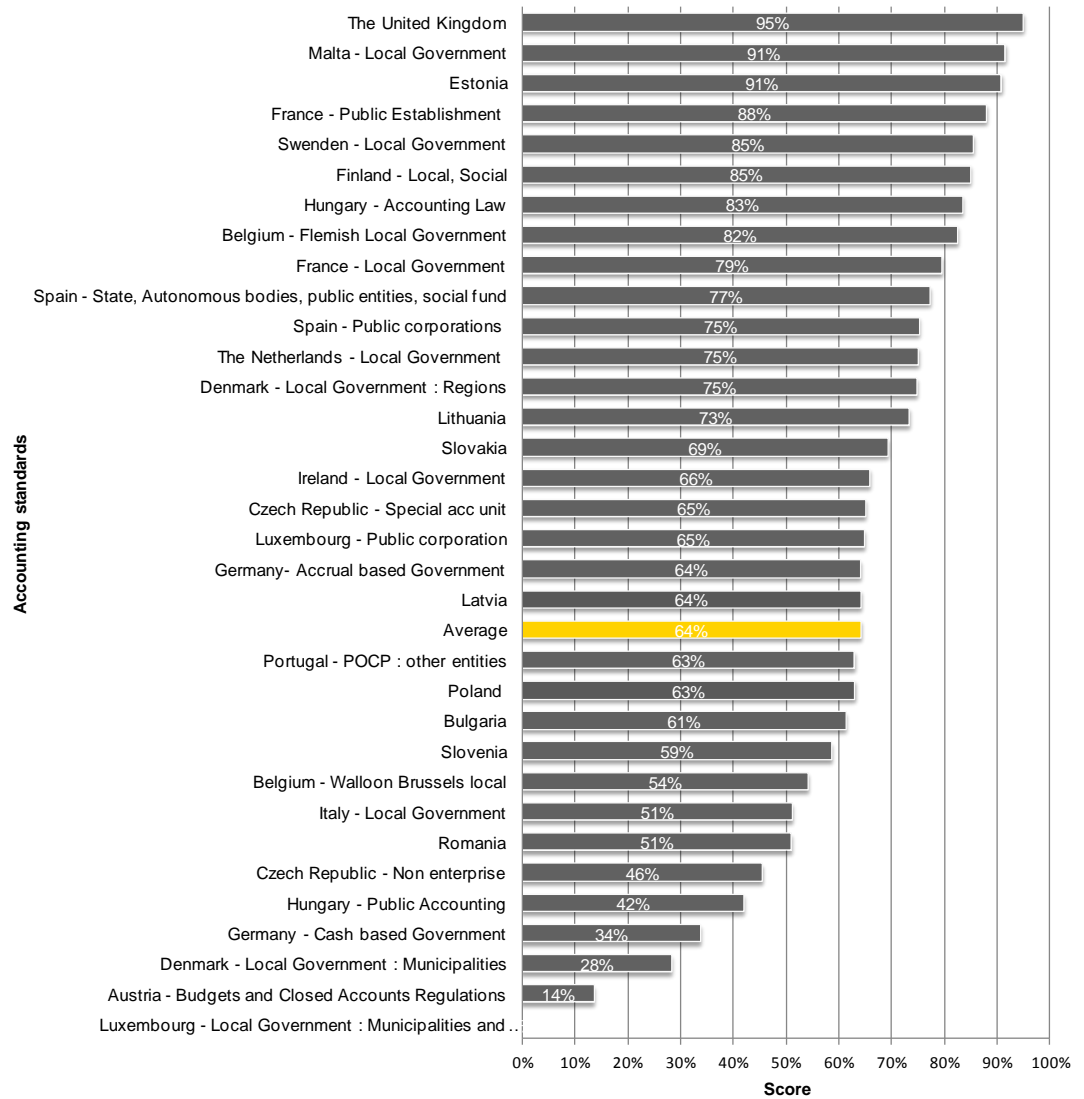
67. Figure 7 presents the score attributed to each of the state government accounting standards. For Belgium, no answer has been provided.

Figure 7: Nature of the state government accounting standards per Member State



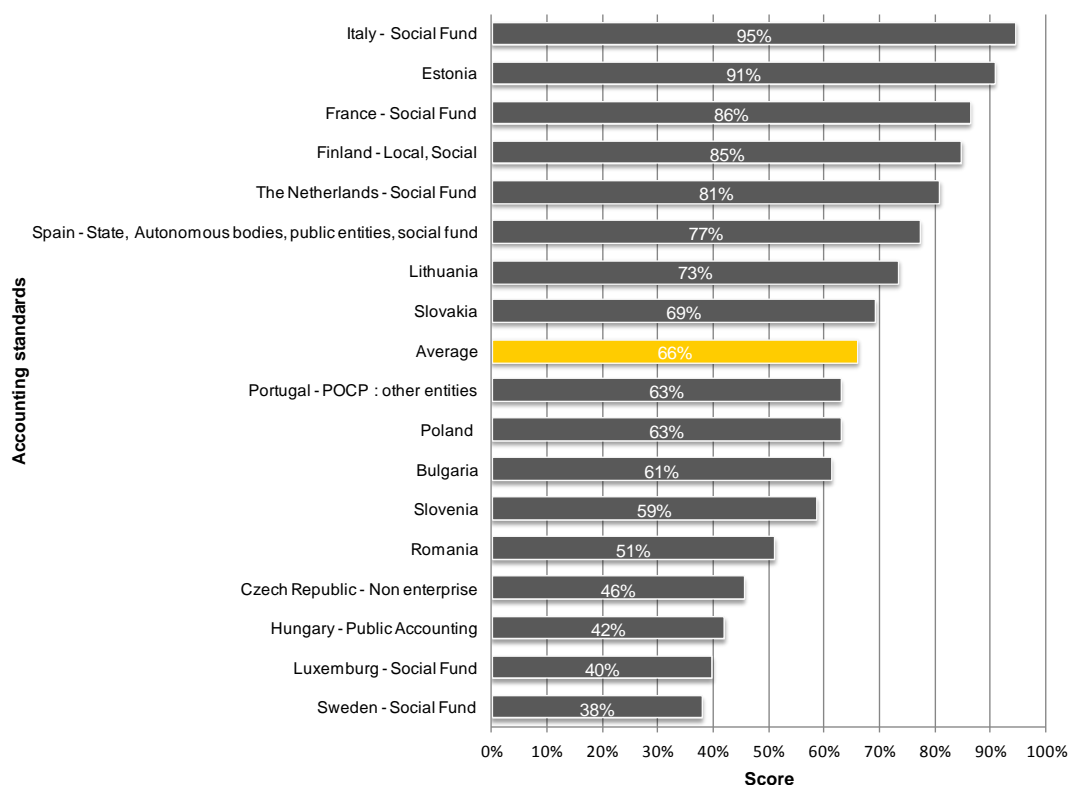
68. Although only partial information was collected on Spain, it seems that the State government accounting standard is similar to IPSAS (more than 77% similar). On the contrary, the German Länder appear to apply very heterogeneous standards not related to IPSAS. The figure also reflects that Austria has only partly introduced accrual accounting. The figure also reflects the fact that, unlike Austria and Germany, Spain introduced accrual accounting during the 1990s on central and state level.

Figure 8: Nature of the local government accounting standards per Member State



69. The above Figure echoes the observations made for the central government. It is worth noting that in Denmark the local government appears to apply very heterogeneous standards. Indeed, although the regional public entities are all accrual-based, some municipalities still apply a cash-based accounting system.

Figure 9: Nature of the social funds accounting standards per Member State



70. Note that, in the above Figure, the low score of Sweden is due to the fact that property, plant and equipment are rented by the social funds. This caused their score to be underestimated by the scoring system as the PPE section was not relevant to them. As Swedish social funds accounting standards are inspired by the IPSAS, its score should be much higher. As previously explained for Belgium, Cyprus, Denmark and Greece, the information was not collected. Although Austria and Germany provided us with information on the accounting standards applied, the questionnaires were not completed.
71. In the above figure, Ireland, Latvia, Malta and the United Kingdom are not presented. In these countries, social funds either form part of the central government or are not considered as an entity, as indicated in Table 2.

2.2.1.1 There is a great heterogeneity of the accounting practices at the EU level

72. As illustrated in the Figures above, there is a great heterogeneity in terms of the accounting practices across Member States. Indeed, taking IPSAS as a benchmark, the accounting standards vary across Europe between 0 and 10% of proximity to IPSAS to more than 90%. Note that this heterogeneity is only observed for the four dimensions mentioned above. Given that an accounting standard includes more accounting issues than the presentation of a financial statement, the time of recording, and the recognition and measurement of property, plant and equipment and of provisions, the measured heterogeneity potentially underestimates the actual heterogeneity in accounting practices across Member States.

2.2.1.2 Subsectors using a cash accounting model apply some accrual principles

73. Subsectors with a cash accounting model have a low score. However, this score is not always equal to zero. In particular, despite being on a cash basis many of the subsectors of government are publishing statements of financial position and performance.

2.2.1.3 On average, local and social funds are more compliant with IPSAS than the central governments

74. Note that, on average, local governments are more compliant with IPSAS than central governments. The central government average level of similarity with IPSAS is 63%. Local government average compliance is 64% while the social fund compliance is 66%. This echoes the observation made earlier that smaller organizations are easier to reform simply because they are small. As a consequence, more local government have adopted accrual accounting.

2.2.1.4 There seems to be a correlation between the proximity of the accounting standards with IPSAS and the complexity of the accounting arrangements

75. It seems that the more complex the accounting arrangements, the less homogeneous are the countries' accounting standards. For instance, Germany has cash based entities (34% compliant with IPSAS) and accrual accounting entities (64% compliant with IPSAS). Not only does this difference reinforces the complexity of the accounting arrangements in place, but also that these standards are very dissimilar to IPSAS. On the contrary, countries with the least complex accounting arrangements seem to have IPSAS-like accounting. For instance, the UK and Estonia - which apply a unique accounting standard for all subsectors of government - appear to have more than 90% similarities to IPSAS.

2.2.1.5 Some countries have complex accounting arrangement but homogeneous standard

76. There is a group of countries, including Finland, France and Sweden which, based on Figure 2, exhibits rather complex accounting arrangements. However, the accounting standards applied are rather similar and close to the IPSAS principle (more than 70 % compliant). Not taking into account cash-based municipalities, Denmark can be included in this group of countries.

2.2.1.6 The accounting standards of the countries which have recently joined the EU are not closed to the IPSAS

77. With the notable exception of Estonia, Lithuania and Malta, it appears that the standard applied by the new member of the EU vary between a compliance score of 42% and 69 % with IPSAS.

2.2.2 Main differences with the IPSAS standards

78. This section looks at the existing discrepancies between the accounting standards applied at EU level and IPSAS. It successively examines the way recognition and measurement of property, plant and equipment and the recognition and measurement of provision is performed by government subsectors at EU level.

2.2.2.1 Recognition and measurement of PPE

79. The IPSAS provide guidance for the recognition and measurement of property, plant and equipment. The principal issues in accounting for PPE are the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them. Regarding these issues IPSAS prescribe the following:

- ▶ □The item of property, plant and equipment that qualifies for recognition as an asset should initially be measured at its cost
- ▶ □The cost of an item of property, plant and equipment comprises (IPSAS 17.30):
 - (a) □Its purchase price, including import duties and non-refundable purchase-taxes, after deducting trade discounts and rebates
 - (b) □Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
 - (c) □The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as

a consequence of having used the item during a particular period for purpose other than to produce inventories during that period.

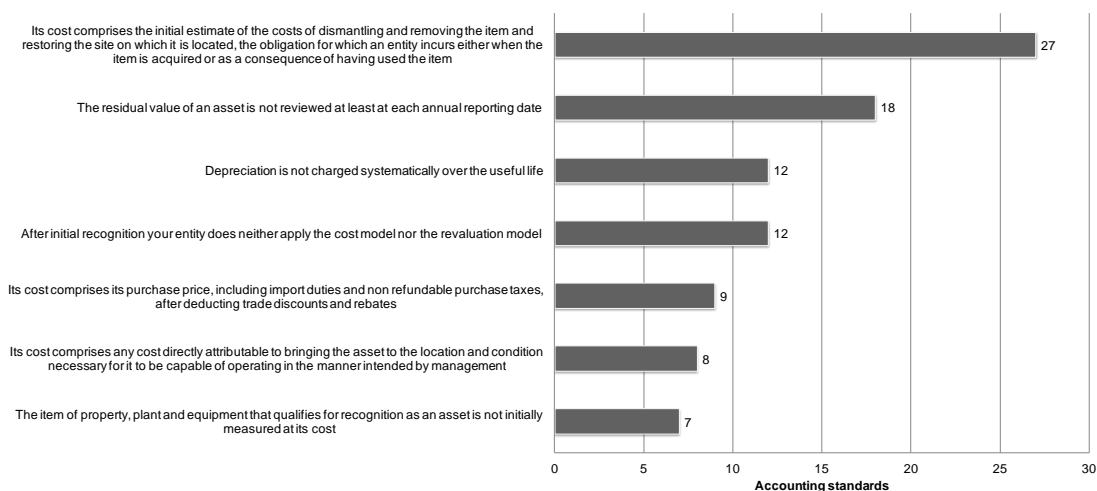
- ▶ ☐ After recognition, one of two accounting models must be applied (IPSAS 17.42):
 - (a) ☐ The cost model: the asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses
 - (b) ☐ Revaluation model: subsequent to initial recognition as an asset, an item of property, plant and equipment, whose fair value can be measured reliably, should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses
- ▶ ☐ Depreciation should be charged systematically over the useful life of the asset
- ▶ ☐ The residual value of an asset must be reviewed at least at each annual reporting date

80. Respondents were asked whether they apply the above prescription. This section summarizes their answers by subsectors.

Central government

81. Figure 10, Figure 11, Figure 12 and Figure 13 present the frequency of deviations from the prescribed IPSAS guidance on the recognition and measurement of PPE by central governments, state governments, local governments and social funds, respectively. The statistics shown below are all drawn on the standards surveyed per subsector, i.e. thirty six central government standards, five state government standards, thirty two local government standards and nineteen social funds standards.

Figure 10: Central government – Frequency of discrepancies with the IPSAS 17 prescriptions



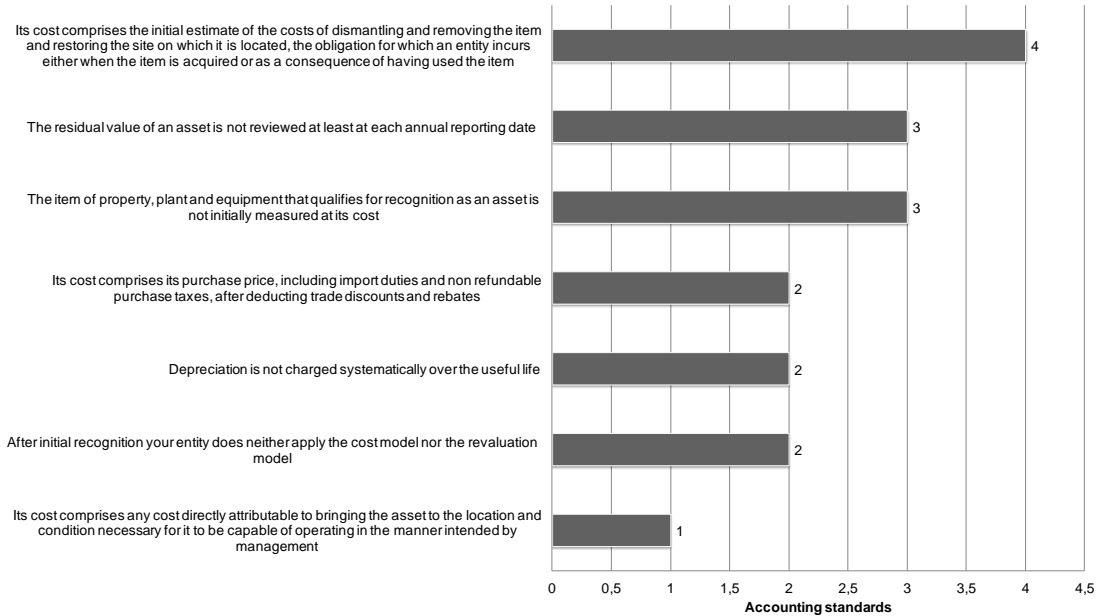
82. Given the fact that, among European central governments, nine are still on a cash basis, the figures presented in Figure 10 should be interpreted bearing in mind that these countries, if on a pure cash basis, will not have any balance sheet. Therefore, for the countries not in a cash basis, the measurement of property, plant and equipment is, rather, in line with the IPSAS principles. For these countries, the major sources of differences with IPSAS are the followings:

- ▶ ☐ Twenty seven central government entities do not include the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located when the item is acquired or used. This is the main discrepancy in the measurement of property, plant and equipment between the European central government accounting standards and the IPSAS principle.

- ▶ Regarding the depreciation of the item according to the respondent replies, eighteen central government entities do not review the residual value of an asset at each annual reporting date. Although this prescription seems not to be well-followed, the depreciation of an asset is charged over its useful life.

State government

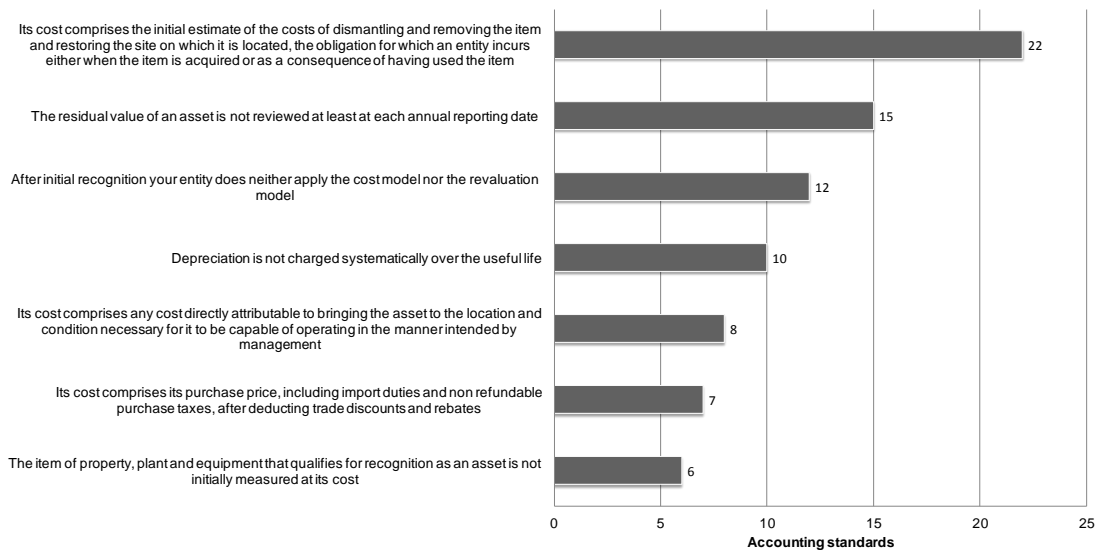
Figure 11: State government – Frequency of discrepancies with the IPSAS 17 prescriptions



83. Figure 11 summarizes the replies for the four public entities of the three state government standards surveyed (Austria, Germany and Spain). The state government standards are often cash-based and, unsurprisingly, their method of recognition and measurement of property, plant and equipment is very different from the IPSAS recommendations.

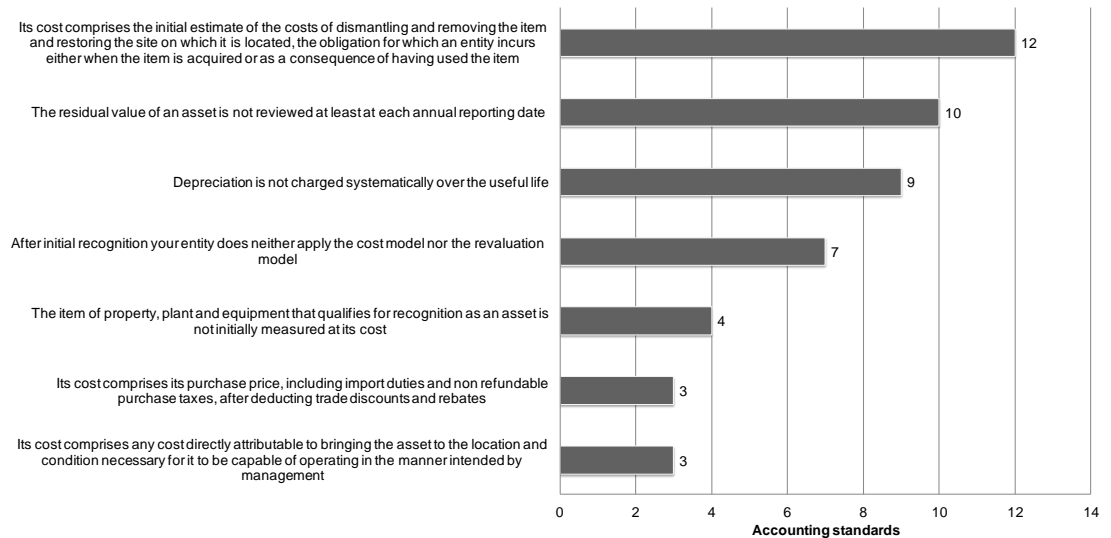
Local government

Figure 12: Local government - Frequency of discrepancies with the IPSAS 17 prescriptions



Social funds

Figure 13: Social funds - Frequency of discrepancies with the IPSAS 17 prescriptions



84. The major discrepancy with the measurement of IPSAS is the non-inclusion of the cost of dismantling and removing the item and restoring the site on which it is located at the time of acquisition. Otherwise, the measurement of property, plant and equipment is rather similar to the IPSAS principle.
85. The majority of the public entities do not use fair value to measure property, plant and equipment. The respondents cited historical costs as the main measurement methods. Replacement costs were also often cited.

2.2.2.2 Recognition and measurement of provision

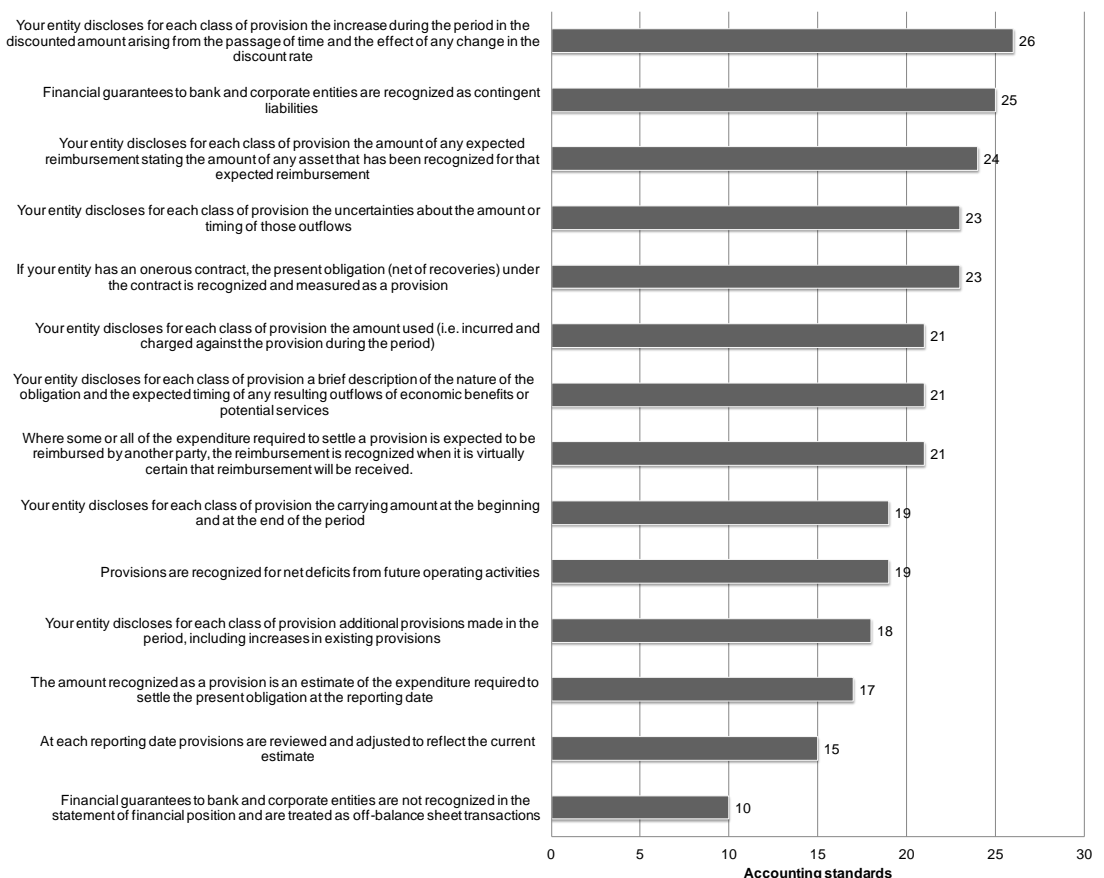
86. The IPSAS principle provides guidance for the recognition and measurement of provisions in IPSAS 19. The objective of IPSAS 19 is to define provisions, contingent liabilities and contingent assets, identify the circumstances in which provisions should be recognized, how they should be measured and the disclosure that should be made about them. Regarding these issues, IPSAS prescribes the following:
- ▶ Financial guarantees to bank and corporate entities should not be recognized in the statement of financial position and should be treated as off-balance sheet transactions.
 - ▶ The amount recognized as a provision must be an estimate of the expenditure required to settle the present obligation at the reporting date
 - ▶ Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received
 - ▶ At each reporting date provisions should be reviewed and adjusted to reflect the current estimate
 - ▶ Provisions must be recognized for net deficits from future operating activities
 - ▶ If an entity has an enormous contract, the present obligation (net of recoveries) under the contract must be recognized and measured as a provision
 - ▶ For each class of provision the carrying amount must be disclosed at the beginning and at the end of the period

- ▶ ☐ Additional provisions made in the period should be disclosed including increases in existing provisions
- ▶ ☐ The amount used (i.e. incurred and charged against the provision during the period) should be disclosed for each class of provision
- ▶ ☐ Unused amounts reversed during the period should be disclosed for each class of provision
- ▶ ☐ The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate should be disclosed for each class provision
- ▶ ☐ A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services must be disclosed for each class of provision
- ▶ ☐ The uncertainties about the amount or the timing of those outflows must be disclosed
- ▶ ☐ The amount of any expected reimbursement, stating the amount of any asset that has been recognized for that expected reimbursement, must be disclosed for each class provision

87. Figure 14, Figure 15, Figure 16 and Figure 17 present the major discrepancies observed between IPSAS 19 and the accounting standards applied for central governments, state governments, local governments and social funds, respectively.

Central government

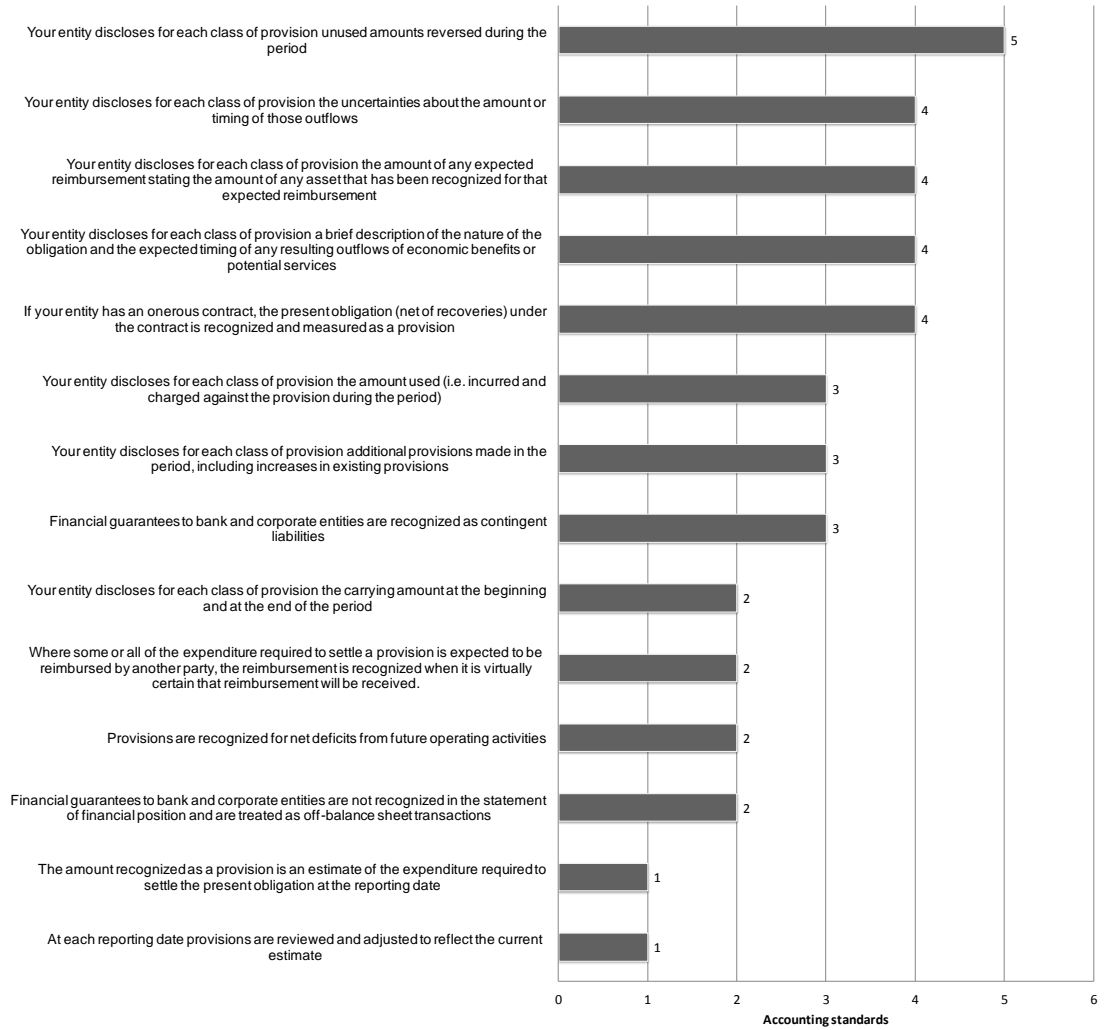
Figure 14: Central government - Frequency of discrepancies with the IPSAS 19 prescriptions



88. According to the above figure, the disclosure requirements for central governments in Europe are much fewer than the disclosures prescribed by IPSAS.

State government

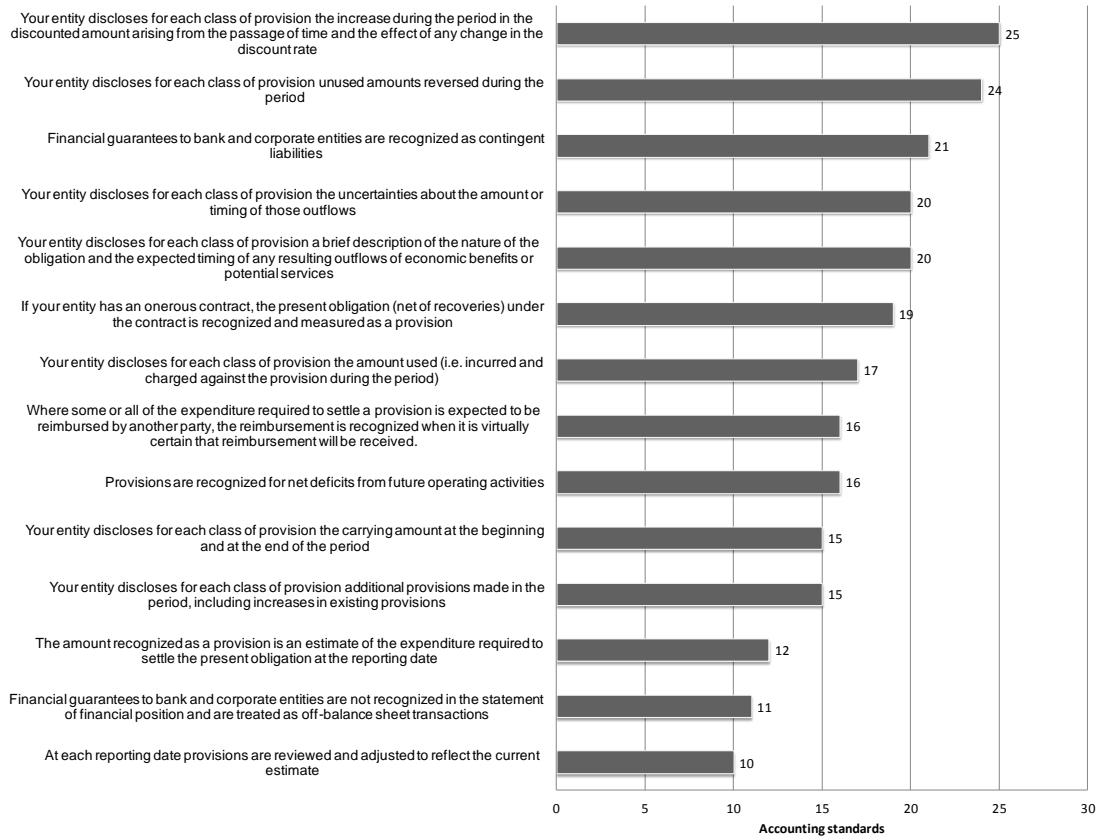
Figure 15: State government - Frequency of discrepancies with the IPSAS 19 prescriptions



89. State governments show little compliance with IPSAS in the recognition and measurement of provision.

Local government

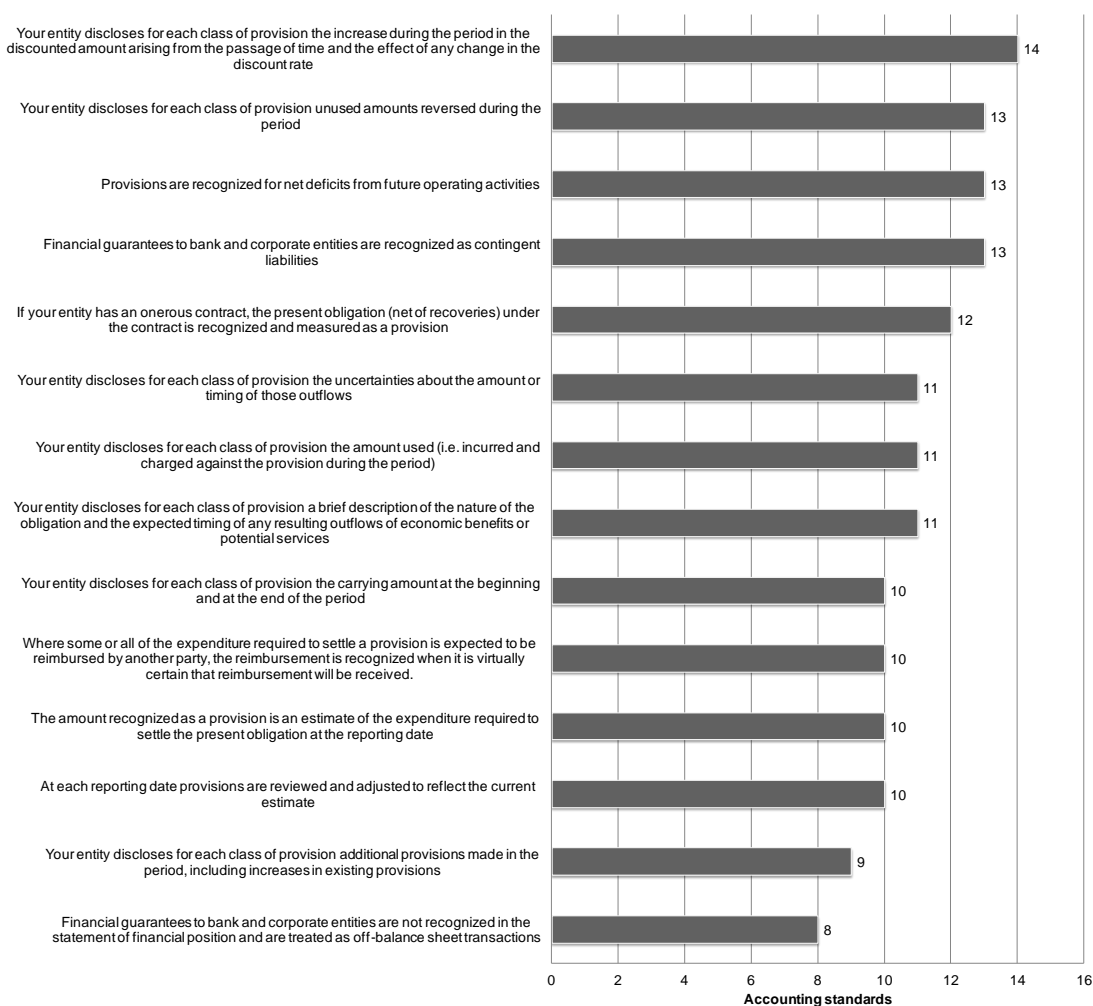
Figure 16: Local government - Frequency of discrepancies with the IPSAS 19 prescriptions



90. Although local governments appear to be more compliant with IPSAS than the central government, still, much fewer items are disclosed than those required by IPSAS.

Social funds

Figure 17: Social funds - Frequency of discrepancies with the IPSAS 19 prescriptions



91. In general, the accounting standards disclosure requirements regarding recognition and measurement of provision are much lower than those in IPSAS. Indeed numerous respondents indicated that one practical issue with the IPSAS requirement is the amount of supplementary information that is required by this standard.

2.2.3 The organization of financial reporting

92. When the accrual basis of accounting underlies the preparation of the financial statements, they should include:

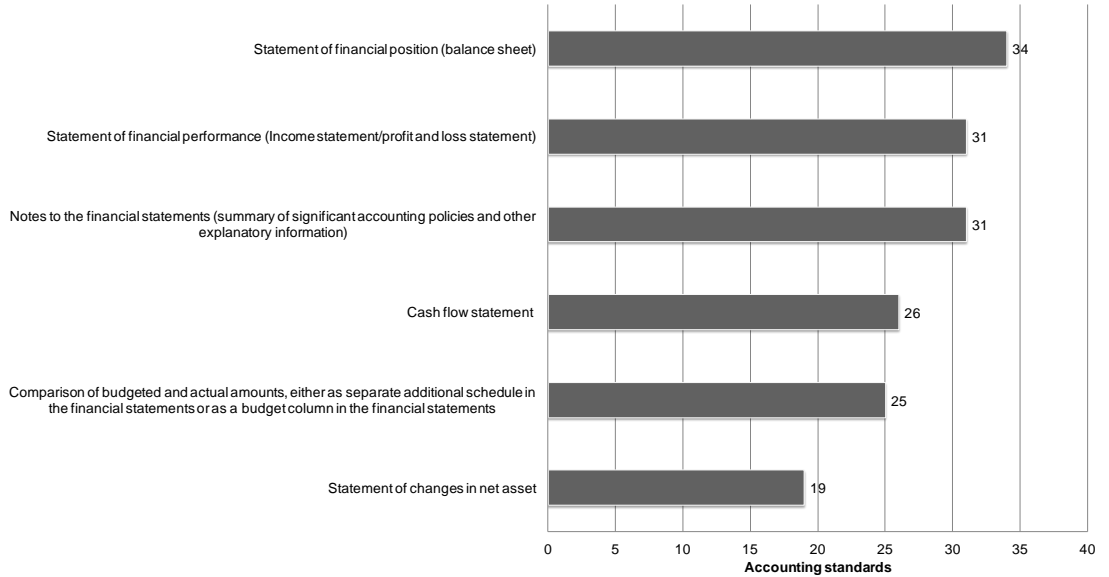
- ▶ A statement of financial position (IPSAS 1)
- ▶ A statement of financial performance (IPSAS 1)
- ▶ A cash flow statement (IPSAS 2)
- ▶ A statement of changes in net assets/equity (IPSAS 1)
- ▶ Notes to the financial statements, or annex (IPSAS 1)

93. In all countries, the financial statements are reported on an annual basis. The Figures below provide summary statistics on the components of the financial statements for each subsector of government at

EU level. As in the previous section, these Figures drew on thirty six central government standards, five state government standards, thirty two local government standards and nineteen social funds standards, respectively.

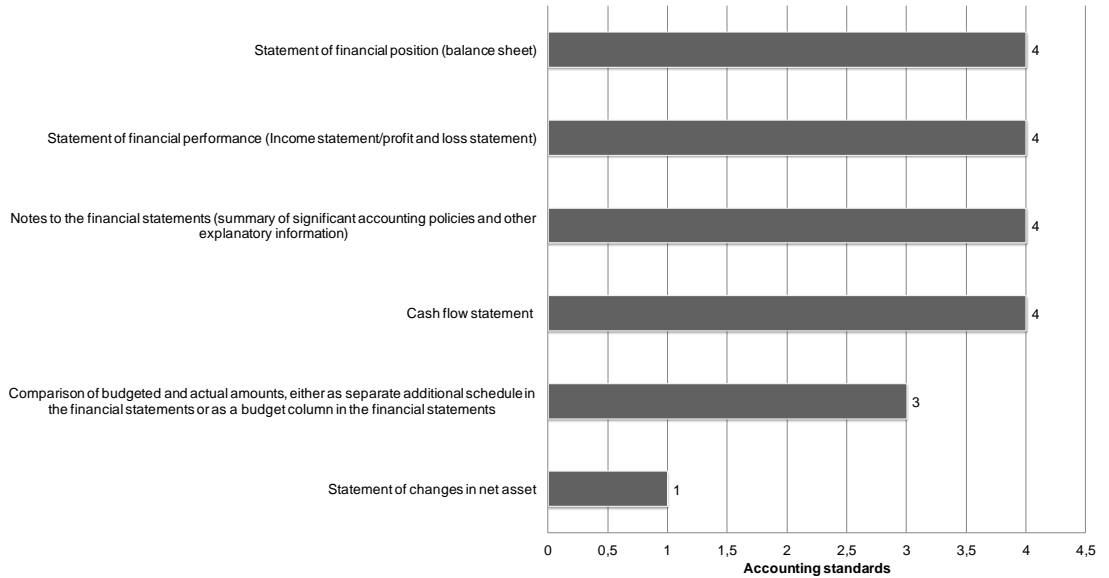
Central government

Figure 18: Central government – Components of the financial statements



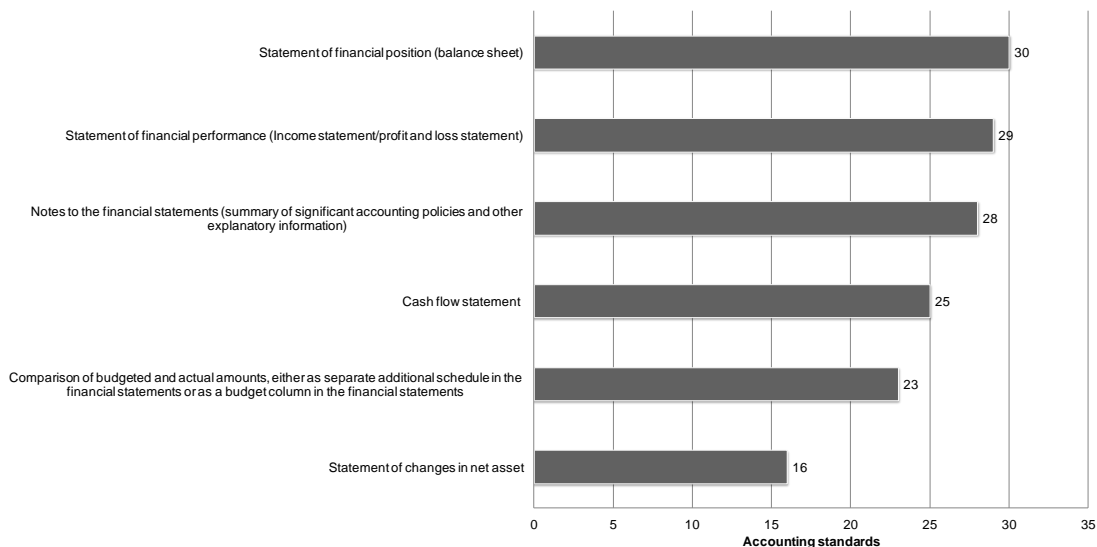
State government : For Austria and Belgium, no answer has been provided.

Figure 19: State government – Components of the financial statements



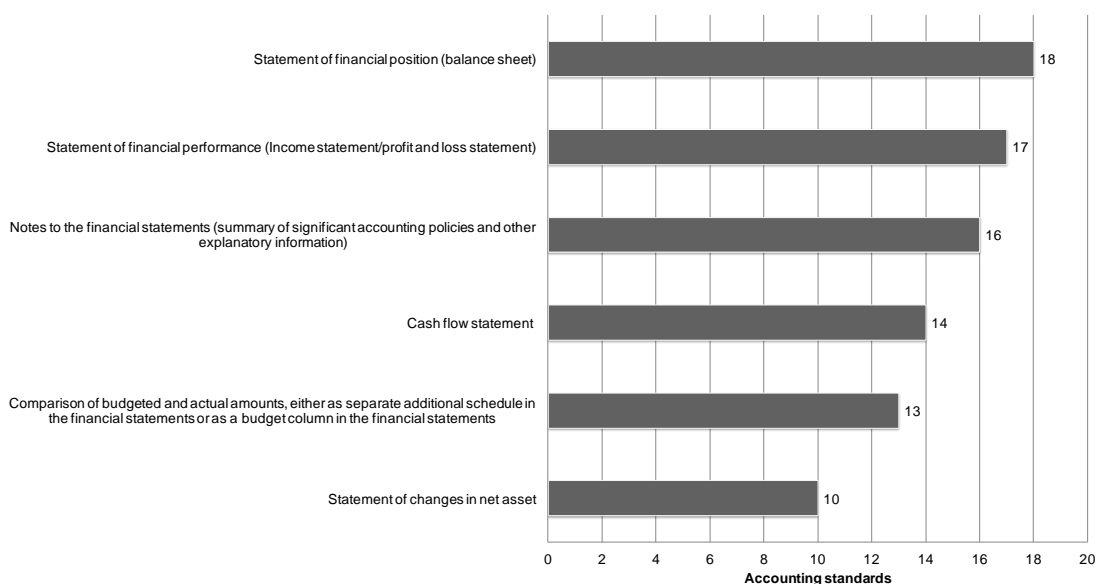
Local government

Figure 20: Local government – Components of the financial statements



Social funds

Figure 21: Social funds – Components of the financial statements



94. As illustrated above, although in general, financial statements provide a statement of financial position and a statement of financial performance; a cash flow statement and a statement of changes in net asset are provided less frequently. This is true for both central and local governments as well as social funds.
95. As illustrated in Table 464 in Annex 1 the approval and reporting deadlines of the budget and financial statements varies greatly across subsectors and countries.
96. Some respondents indicated that the statement of changes in net assets/net equity is only important for consolidation. As their entity does neither perform consolidation nor is consolidated, this statement is deemed to be irrelevant.

2.2.4 Bookkeeping systems

97. This section describes the types of bookkeeping systems in place. Table 7 presents the bookkeeping system used in each subsector of government per Member State. In this table “no general practice” means that there is not a dedicated system for the subsector. As a consequences each entity can potentially be using a different bookkeeping system within one subsector.

Table 7: Bookkeeping systems used by public entities

Country	Central	State	Local	Social funds
Austria	HV system	Kameralistic	Kameralistic	Not provided
Belgium	FEDCOM	Not provided	BBC for Flemish local government FEDCOM for Walloon and Brussels governments	Not provided
Bulgaria	No general practice	Not applicable	No general practice	No general practice
Cyprus	FIMAS	Not applicable	Not provided	Not provided
Czech Republic	No general practice	Not applicable	No general practice	No general practice
Denmark	Navision Stat	Not applicable	No general practice	No general practice
Estonia	No general practice	Not applicable	No general practice	No general practice
Finland	No general practice	Not applicable	No general practice	No general practice
France	CHORUS (SAP)	Not applicable	Helios	No general practice
Germany	Not provided	Not provided	Doppik	Not provided
Greece	Not provided	Not applicable	Not provided	Not provided
Hungary	No general practice	Not applicable	No general practice	No general practice
Ireland	J D Edwards Financial Management System	Not applicable	Agreso	J D Edwards Financial Management System
Italy	No general practice	Not applicable	No general practice	No general practice
Latvia	ERP based system	Not applicable	No general practice	No general practice
Lithuania	No general practice	Not applicable	No general practice	No general practice
Luxembourg	SAP based system	Not applicable	SAP based system	Integrax
Malta	No general practice	Not applicable	No general practice	No general practice
The Netherlands	IBOS	Not applicable	No general practice	No general practice
Poland	No general practice	Not applicable	No general practice	No general practice

Country	Central	State	Local	Social funds
Portugal	A system is defined per entity	Not applicable	A system is defined per entity	A system is defined per entity
Romania	No general practice	Not applicable	No general practice	No general practice
Slovakia	No general practice	Not applicable	No general practice	No general practice
Slovenia	No general practice	Not applicable	No general practice	No general practice
Spain	SIC/SAP based	SIC/SAP based*	SIC/SAP based*	Not provided
Sweden	No general practice	Not applicable	No general practice	No general practice
United Kingdom	No general practice	Not applicable	No general practice	No general practice

2.2.4.1 There is no country with a unique bookkeeping system for all subsectors of government

98. According to Table 7, no country has a unique bookkeeping system for all its subsector of government. However, in some countries there are recommendations regarding the nature of the bookkeeping system. For instance, in Slovakia, in the public sector, a single and uniform accounting information system does not exist for all public entities. However, whichever the accounting information system used, it must meet the substantive requirements for bookkeeping which are defined in the Act on Accounting.
99. Despite the fact that none of the countries has a unique bookkeeping system their transaction systems have similar features. The ERP-based transaction system (i.e. using SAS, SAP and Oracle) seems to be the most prevalent one used.

2.2.4.2 Italy and Germany are the only countries with a single entry bookkeeping system

100. With the exception of some Italian and German central government entities, double-entry bookkeeping is widespread across the EU.

2.2.4.3 Only Denmark, France, and the UK are able to record transaction in real time

101. These systems seem to be the most sophisticated and thus the most able to support accrual accounting.

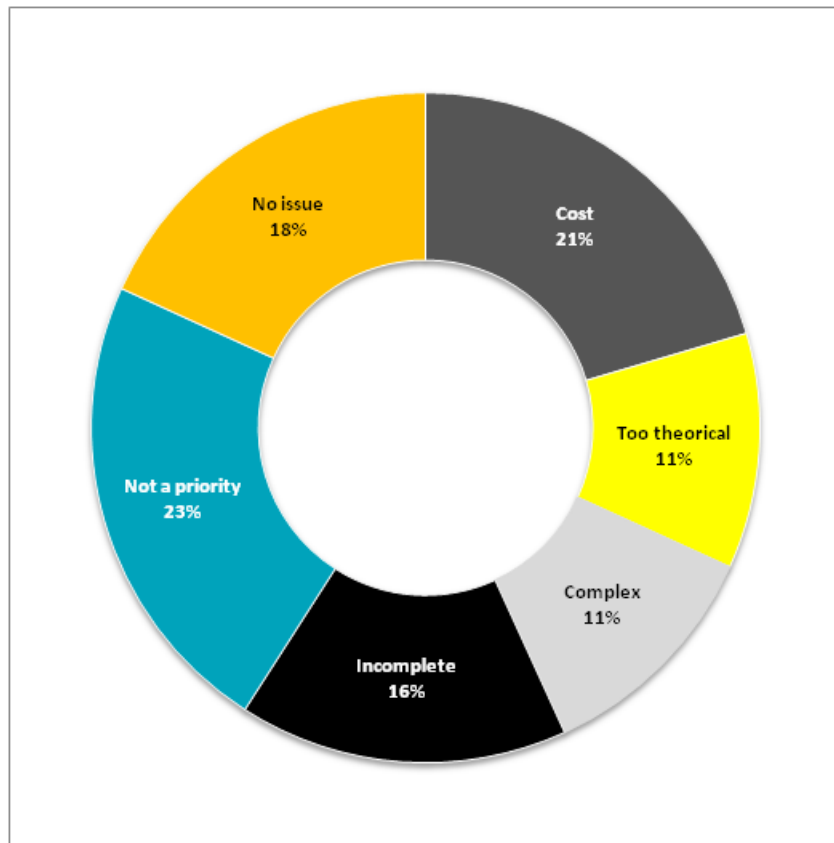
2.2.5 The practical issues relating to the application of IPSAS

102. This section presents the practical issues identified with the application of IPSAS. The respondents were asked to describe these. Their answers were analyzed and categorized as follows:
- ▶ Incomplete. This category accounts for respondents who think that IPSAS does not cover key accounting topics of the government. In particular, respondents reported that IPSAS principles are lacking on the recognition and measurement of pension liabilities, tax revenues and historical cost assets. They also mention that the consolidation principle was hardly adaptable to the public sector context. Replies indicating that IPSAS was not suited for public accounting were added to this category.
 - ▶ Not a priority. In some cases the adoption of IPSAS is not a priority and other accounting issues appears to be more important to address before considering adopting the IPSAS.
 - ▶ Cost. The cost includes not only the cost of training the staff, but also the time needed to implement the accounting model and the need for improvement of the IT systems.

- ▶ ☐ Too complex. For some respondents the IPSAS appear to be too complex. In particular, respondents insisted on the extent of additional information to disclose requested by the IPSAS principles.
- ▶ Too theoretical. IPSAS is deemed by some respondents to be a theoretical and hardly applicable accounting standard. In particular, they point out the treatment of consolidation of general government financial and specific issues on budget and financial management by IPSAS.
- ▶ ☐ No issue. Some respondents did not report any practical issue regarding the application of IPSAS.

103. Figure 22 summarizes the replies made by respondents. The replies have been summarized per country to avoid putting an excessive weight on countries for which more information has been collected. This Figure takes into account twenty five countries²³.

Figure 22: The practical issues relating to the application of IPSAS



104. A majority of the respondents (23%) replied that IPSAS was not a priority. 21% see cost as a major to the implementation of IPSAS. Note that grouped, the majority of respondents deemed IPSAS as incomplete (16%), complex (11%) and too theoretical (11%).

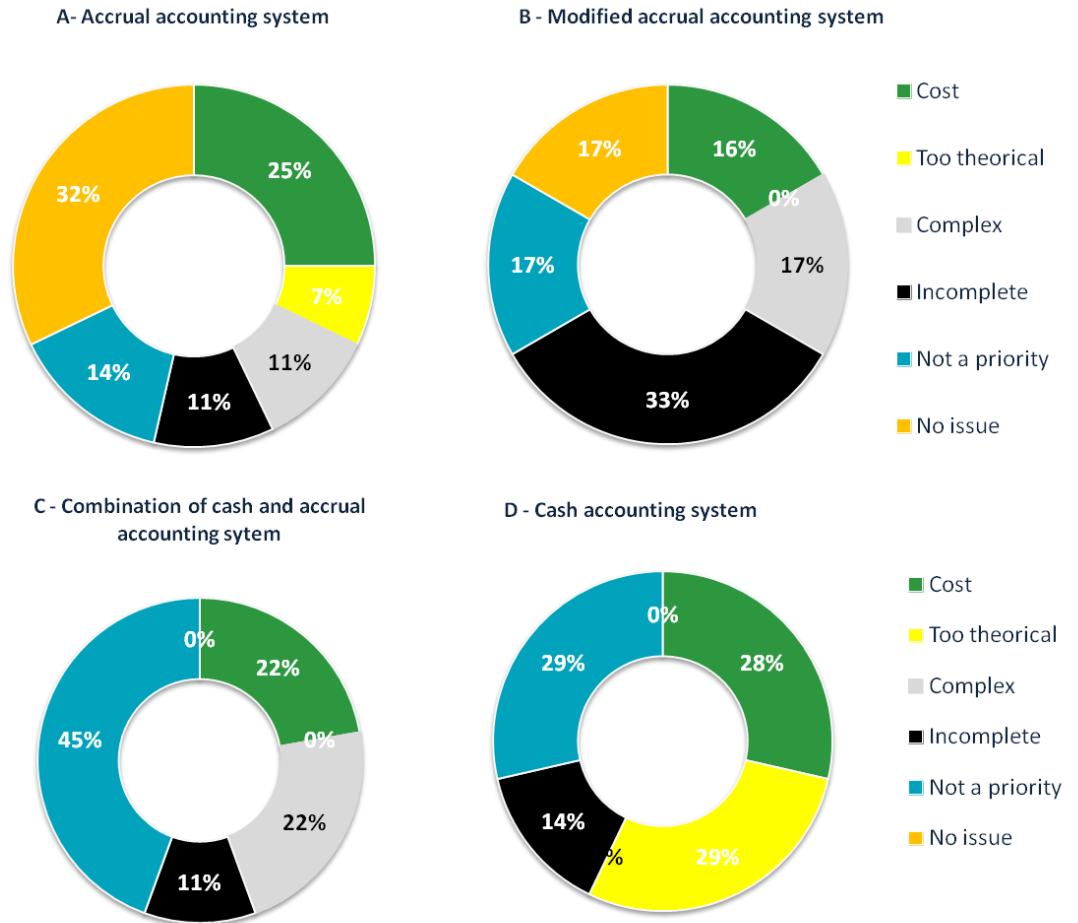
2.2.5.1 Major practical issues with the application of IPSAS

105. The major practical issues with the implementation of IPSAS appear to be the associated costs in training, time and enhancement of IT system. Another impediment seems to be the complexity and the perceived theoretical aspect of IPSAS. Finally, 16% of respondents feel that IPSAS is incomplete.

²³ Although an answer is expected for Greece, Estonia did not answer this question

106. In order to present results per nature of accounting standard, the responses on the practical issues with the application of IPSAS were listed by public entity. Knowing the accounting model of each entity, we were able to produce statistics on this question by accounting model.
107. Figure 23 summarizes the replies provided in Figure 22 pending of the accounting model applied by a given public entity of each Member State.

Figure 23: Practical issues with the application of IPSAS depending on the accounting model



2.2.5.2 There are fewer practical issues with the application of IPSAS for the public entities having an accrual-based accounting model

108. According to panel A of the above figure, for most of the public entities with an accrual-based accounting standard, the adoption of IPSAS does not represent a major issue. It is also interesting to note that the cost seems to be one of the major impediments to the application of IPSAS. This reflects the fact that, given that they already have an accrual accounting model, these public entities deem the cost of moving to IPSAS too high compared to its benefits. Indeed, the cost associated with the implementation of IPSAS is less of an issue for their modified accrual-based counterparts for which the cost could be expected to be higher (Panel B).

2.2.5.3 Public entities with either a cash accounting model or a combination of cash and accrual accounting consider that IPSAS is not a priority

109. However, none of these public entities replied that there was no issue with the application of IPSAS. The prevalence of this reply is due to the fact that these public entities' accounting models need to be substantially improved before considering moving to the IPSAS. Note that some respondents, for the entities on a cash basis, showed a resistance, not necessarily towards IPSAS but towards accrual

accounting. Indeed, a few responses suggest that the cash accounting model is better suited to the public sector accounting needs because it focuses on planning issues.

2.2.6 Findings

110. The comparative analysis reveals that the European government accounting arrangements are greatly heterogeneous.
111. Countries which include a state government have the most complex accounting arrangements. State governments usually follow their own accounting standards, mainly for independence reasons, and these standards can be very different from one state to another. Indeed, in the same country, some state governments follow accrual-based accounting whereas others are cash-based accounting. Thus, the accounting complexity introduced by the presence of a state government appears to be more important than the simple inclusion of an additional layer of government. Furthermore, state government standards show little resemblance to the IPSAS.
112. Countries that have recently joined the European Union are more likely to follow an accrual accounting model than historical members. However, the analysis of the nature of the standards applied reveals again a great heterogeneity.
113. Among the countries having adopted accrual accounting, we found :
- ▶ The Nordic countries and France have implemented an accrual-based accounting model. These countries appear to have modernized their accounting model. Although their accounting arrangements appear to be complex in terms of the number of accounting standards applied, a deeper analysis indicates that these standards are often similar and that the variety is only apparent.
 - ▶ The United Kingdom, which has a simple accounting arrangement and an accrual-based accounting model.
114. Among the historical members of the EU, southern and central European countries still have cash-based accounting models with complex accounting arrangements.
115. Regarding the recognition and measurement of provision, the documents disclosed by the public entities are not as comprehensive as the IPSAS requirements.
116. In terms of financial reporting, the statement of changes in net assets is often missing from the financial statements. Respondents indicated that this statement was only relevant for consolidation.
117. There is generally a great diversity of bookkeeping systems used by the different subsectors of government within a country. Although double-entry bookkeeping systems are widespread, none of the European countries has a unique bookkeeping system for all subsectors of government.
118. Respondents were also asked about the practical issues linked to the implementation of IPSAS. Their replies often point out training costs, time and equipment as the main impediments to the implementation of IPSAS. More interestingly, an argument is made by representatives of accrual-based accounting entities. For these respondents, IPSAS is nothing but another accrual accounting model and, as such, the cost of moving to IPSAS far exceeds the expected benefits.
119. Contrastingly, for representatives of cash-based entities, moving to IPSAS is not a priority. On the one hand, for some respondents other issues must be dealt first before considering IPSAS. On the other hand some express concerns with the use of accrual models for government accounting.
120. Finally, many respondents highlight the fact that IPSAS was either incomplete or too theoretical.

2.3 Comparative analysis of the financial auditing arrangements

121. This section focuses on the financial audit.

2.3.1 The scope of the financial audit

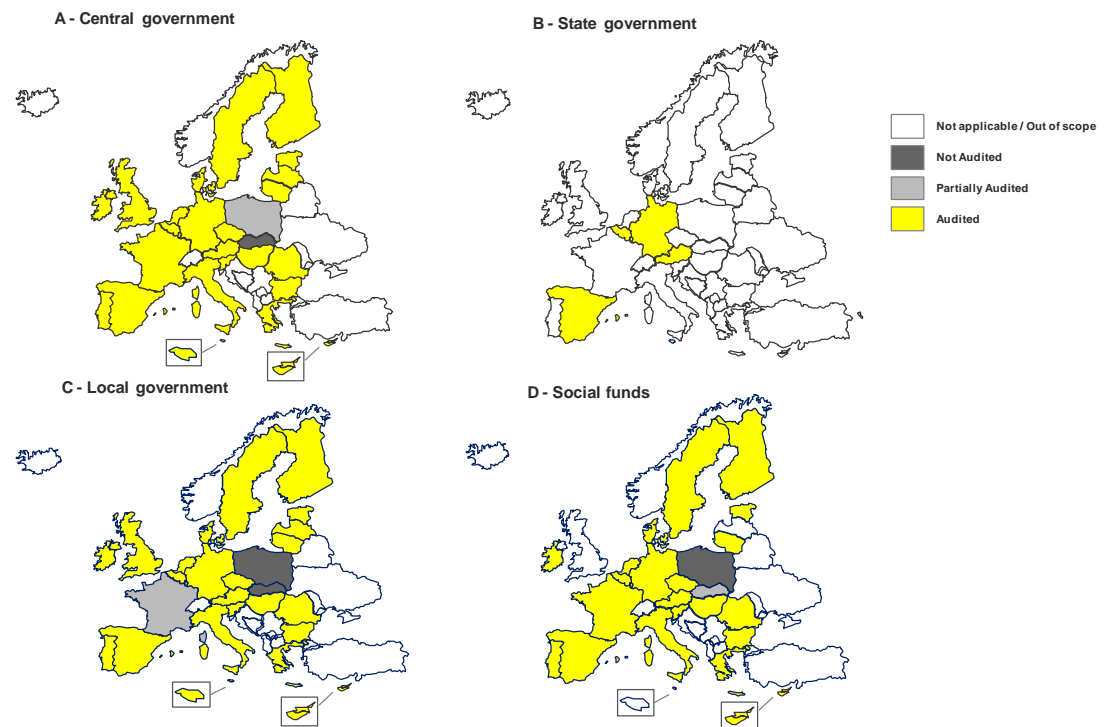
122. Figure 24 illustrates the scope of the financial audit for the central government, state government, local government and social funds, respectively.

123. Financial audit can either cover:

- ▶ All entities. All entities of the subsector are subject to an annual financial audit
- ▶ Some entities. Not all the entities are subject to an annual financial audit
- ▶ No entity. None of the subsector entities is subject to a financial audit

124. These different types of coverage are illustrated in the Figure below.

Figure 24: Scope of financial audits

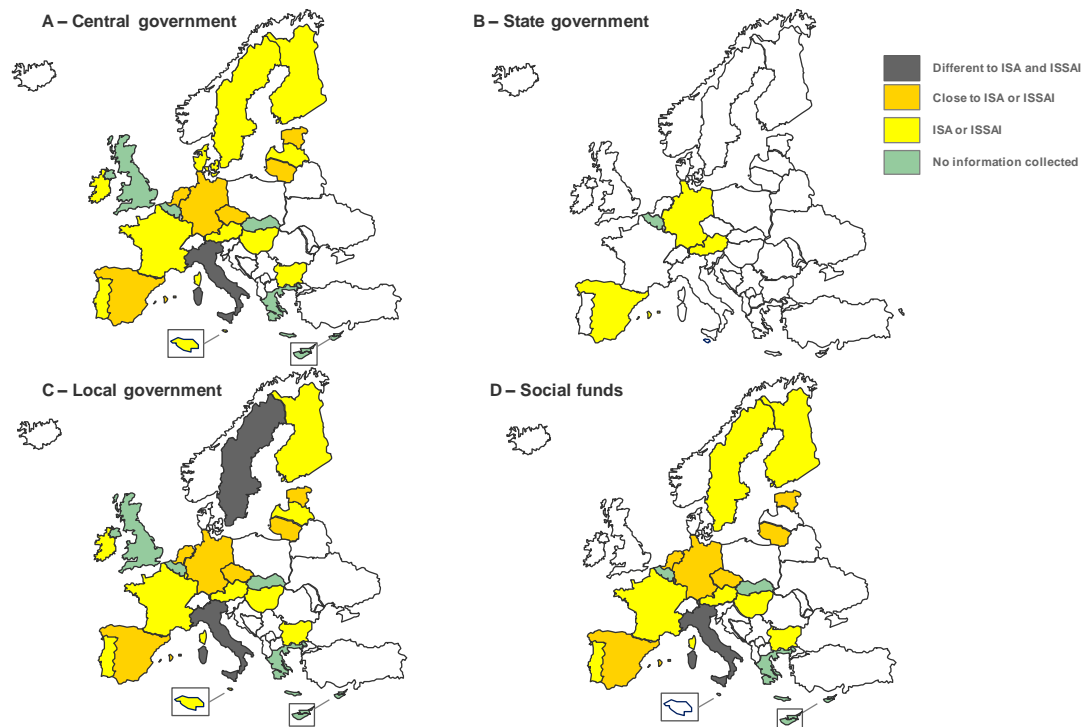


125. As illustrated in the above figures, very few subsectors are not covered by or at least subject to, a financial audit annually.

2.3.2 Applied auditing standards

126. Financial auditors in each Member State were asked whether the auditing standards they applied were either identical or close to or different from, the ISA and ISSAI standards. This section summarizes their replies.

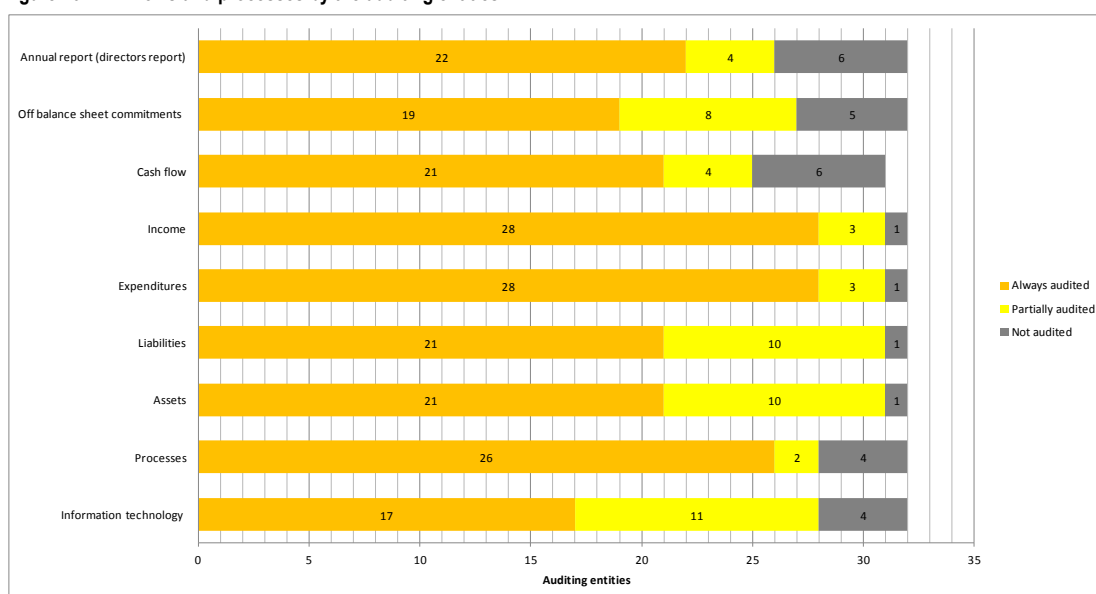
Figure 25: Nature of the auditing standards applied



127. The above figure only considers the standards applied by the court of auditors and their regional chambers. In Sweden, although the Standard is different from ISA, the local government is subject to financial audit from external private firms. These private firms apply auditing standards similar to ISA.
128. The opinion of most of the respondents is that the auditing standards applied by the national Court of Auditors in Europe are close, or identical, to the ISA and ISSAI standards. This appears to be the case for all subsectors of government.

2.3.3 The flows and processes which are audited

129. Figure 26 shows the frequency of financial audit, by the European auditing entities, of the flows and processes which are relevant in the context of the EDP debt and deficit compilation.
130. In terms of frequency, the flows and processes can always be audited, partially audited or not audited.
131. Here, only the public entities are considered. Given that the public sector is also subject to statutory audit, this Figure underestimates the extent of the financial audits for the EDP flows and processes.

Figure 26: EDP flows and processes by the auditing entities

132. The above Figure echoes the previous observations on the scope of financial audits in the sense that the flows and processes relevant for the EDP calculation are frequently audited, if not always.

2.3.4 Findings

133. A very limited number of countries do not conduct financial audits. Most of the public entities in Europe are subject to an annual financial audit.

134. The auditing arrangements appear to be less heterogeneous than the accounting arrangements. Most of the respondents reported that the applied auditing standards were close to ISA or the ISSAI.

2.4 Accounting and auditing reforms

2.4.1 Identification and description of the reforms

135. This section describes countries' reforms. To do so, reforms were divided into three categories:

- ▶ Reforms which aim at implementing accrual accounting
- ▶ Reforms which aim at improving the accrual accounting model in place. These include improvement of the consolidation process or of transparency
- ▶ Audit reforms

136. Table 467 in Annex 4 presents in details the reforms engaged.

Figure 27 and Figure 28 provide an overview of the reforms engaged by Central and local subsectors.

Figure 27: Central government reforms and central accounting model applied

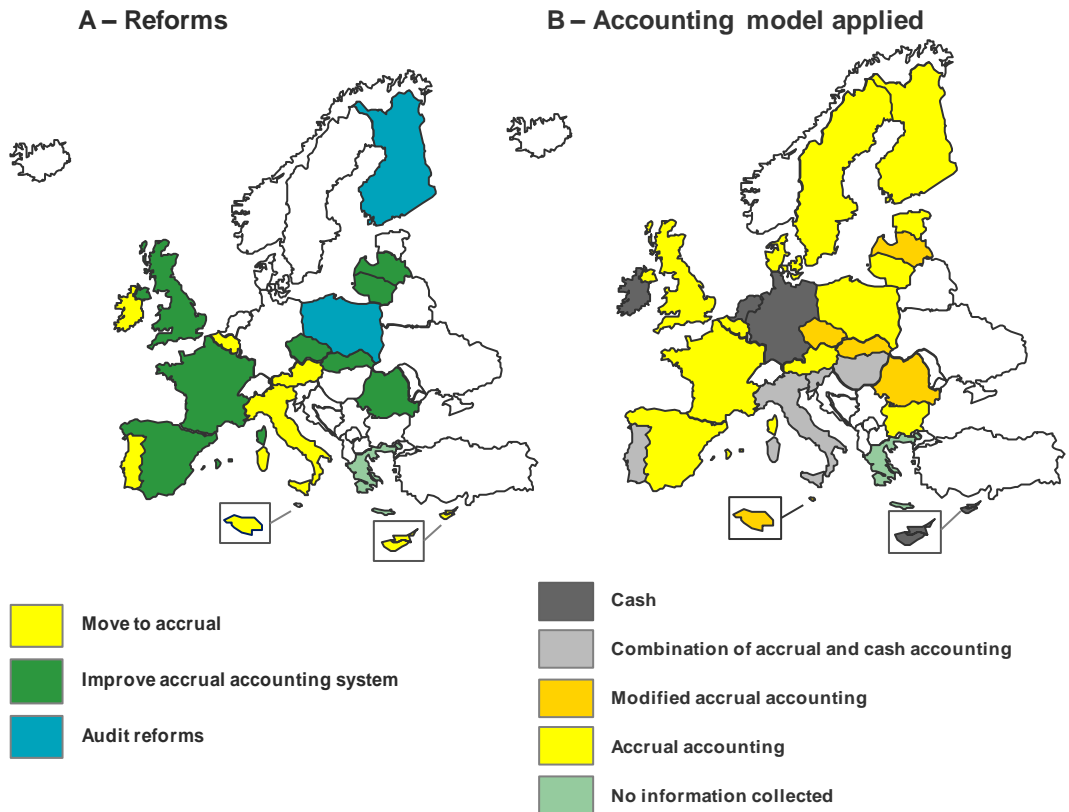
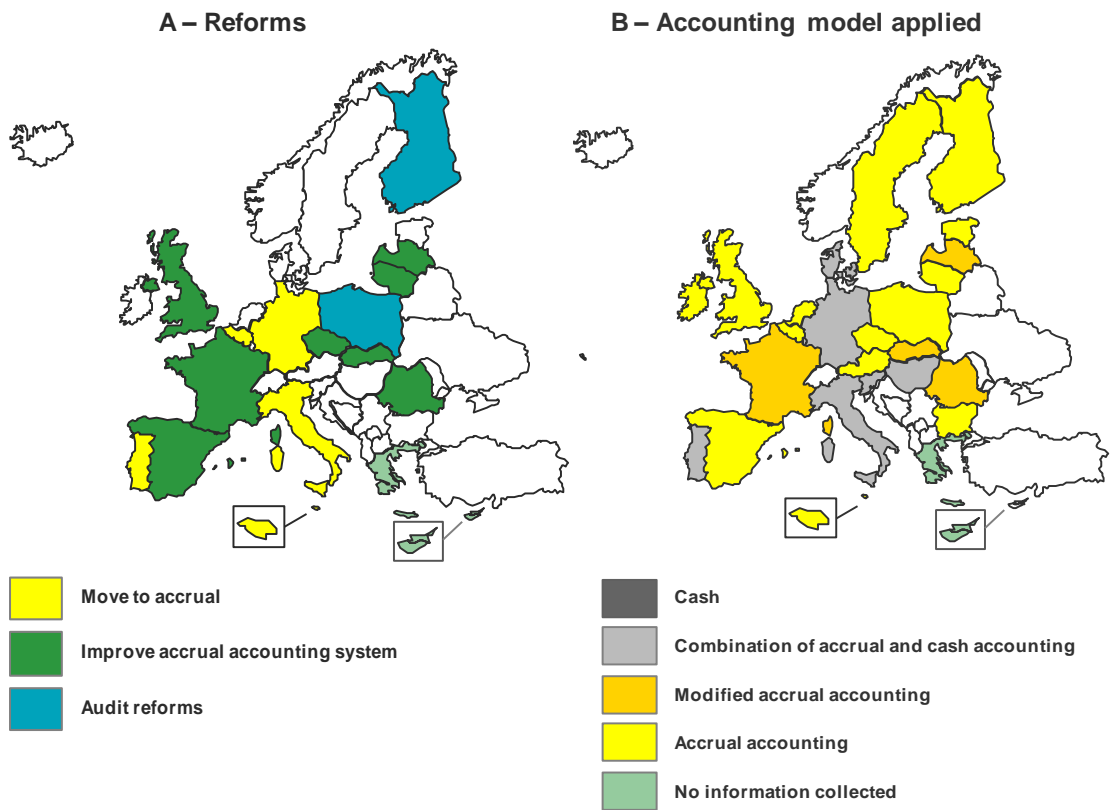


Figure 28: Local government reforms and accounting model applied



137. As illustrated in the above Figures, public entities with cash-based accounting models are, in general, engaged in reforms which aim at moving to accrual. This is especially true at the local level. At the

central government level this relationship is less clear cut. Indeed, the German central government, which applies cash accounting is not planning to move to accrual accounting. Likewise, the Slovenian and Hungarian governments which have some entities which apply cash based accounting, are not planning to move to accrual accounting. This echoes the previous observations that accrual accounting was more likely to be implemented first at the local government level and also that, for cash-based public sector entities, moving to accrual accounting is not a priority.

2.4.1.1 Moving from cash to accrual accounting model

138. European countries have also followed and are following different paths to adopt accrual accounting. Indeed, there can be different way to implement accrual accounting²⁴.
- ▶ A “big bang approach” consists of reforming all subsectors in the same time. Certain countries, such as Lithuania or Spain, have followed this implementation approach and have reformed all their subsectors at once. New entrants seem to follow this approach.
 - ▶ A “step by step” approach aims to introduce accrual accounting gradually. This seems to be the current trend, for historical European countries which are moving from cash to accrual. This gradual approach will start at the local government level. For instance, in Germany, reforms are implemented at the state and local subsectors, while the central government keeps a cash-based accounting model.
 - ▶ A “behind the scenes” approach. In this approach the new accounting model is tested during a certain period in parallel with the former model. For instance, in Italy reforms are experimented with in the local subsector as a pilot phase (around 155 entities are participating). The definitive rules will be defined in 2014 based on the results of the experimentation in force.
139. International experience suggests that implementation timetables also vary and are difficult to compare, given the difference in scope and sequencing of the reforms. Nevertheless, the following activities need to be performed to move to accrual accounting :
- ▶ Establishment of a standard setting/steering committee. The committee should plan and establish the project governance structure; technical advisors and focus groups, consultative groups, project manager, team leaders and team personnel. Austria, Belgium and Italy are on their way to homogenizing their accounting models
 - ▶ Development of the chart of accounts. At this stage, budgetary accounting is restructured by supplementing the cash-based accounting with accrual accounting. A set of regulatory projects seeks to align(create) the chart of accounts of public entities with the private sector chart of account taking into accounts the specificities of the public sector. The tendency towards the harmonization of the accounting models of all subsectors can be highlighted. In Portugal, the present task is completing the dissemination of the accrual accounting model in all public entities; this requires the implementation of adapted bookkeeping systems
 - ▶ Upgrade of bookkeeping systems. Although in theory, cash or accrual accounting can be implemented with either a manual or electronic system, in practice it is advisable to implement accrual accounting with the aid of a modern government financial management information system. Implementation of such a system is a major project which may be run in parallel to the standardization of the balance sheet
 - ▶ Strengthening of the conceptual framework. This corresponds to countries which have fully implemented an accrual accounting model and are enhancing their accounting framework. The UK is now focusing on the performance of accountability and results

²⁴ Accrual Accounting and Budgeting: Key issues and Recent Developments, OECD (2001)

140. All European countries are at heterogeneous stages of accounting reforms, which reflects the status of their accounting arrangements.

2.4.1.2 Implementation issues

141. Replies from respondents reveal that countries that seem to have experienced a “big bang” approach are now finalizing the transition, refining their recently implemented accounting model to make it more effective. Benefits from accrual reforms might be observed after a phase of refinements and review of the planned system. The system may need a few years to work effectively. For instance, in Lithuania, according to respondents, many issues remain unresolved. In particular, many public accountants have difficulties in applying accrual accounting.

142. The survey also underlines that moving from cash to accrual accounting often takes more time than anticipated. It requires a lot of training of the staff and organizational changes. In Portugal, for instance, the move to accrual accounting was decided in the 1990s, and for the moment, accrual accounting is only implemented in a limited number of entities.

2.4.1.3 Improving the accrual accounting model

143. In countries already on an accrual or modified accrual basis, reforms are still underway, and the type of reforms can differ from one country to another.

144. Countries like the United Kingdom are now focusing on the performance of the public sector. This has to be linked with the generalized trend to adapt public sector to private sector rules and to enhance accountability, transparency and a better control of the finances of public entities.

2.4.1.4 Improving the auditing system

145. Finland and Poland are reforming their auditing system but the aims of the reforms are really different. While Poland is implementing an in-depth reform of the auditing process in order to streamline and legally consolidate the audit process, Finland is regulating and coordinating the supervision of the two auditing professions: Authorized Public Accountants and Chartered Public Finance Auditors. In Luxembourg, a project is in development in order to improve the auditing approach of the public entities.

2.4.2 Findings

146. All European countries are at different stages of accounting reforms which reflect the different status of their accounting arrangements. A few countries are engaged in auditing reforms.

147. Countries with a cash-based accounting system are, in general, reforming their accounting model to accrual accounting. This is especially true at the local government level.

148. In general, moving to accrual accounting does not appear to be an easy move for the countries. Those that have recently joined the European Union appears to have moved to accrual accounting following a “big bang” approach – i.e. implementing the new accounting model in all public sector entities at once. As a consequence of the rapid change some of these countries are facing issues in the implementation of accrual accounting. In particular, additional training and cost may need to be incurred to finalize the move to accrual accounting. In countries following a more gradual approach the survey also reveals that moving from cash to accrual accounting may take more time than anticipated.

A person wearing a blue t-shirt is holding a large stack of books. The background is a bright, out-of-focus outdoor setting with greenery. A yellow banner is overlaid on the left side of the image.

Part 2:

Country Reports

3. Country Reports

3.1 Austria

Legal requirements for accounting and auditing

Central government

149. The central Government is composed of the Federal government, extra budgetary units of the central government subsector and chambers on the central government subsector.

Table 8: AT - Overview of the accounting and auditing arrangements for the Central government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Federal government ("Bund")	Federal government accounting	Legal, financial, performance, compliance, IT audit	Variable
Extra budgetary units on central government subsector	Austrian Commercial Code	Legal, financial, performance, compliance, IT audit	Variable
		Financial (private audit firms)	Annually
Chambers on central government level	Internal accounting rules	Legal, financial, performance, compliance, IT audit	Variable

150. The Court of Auditors performs legal, financial performance and IT audits.

State government

151. The state government is composed of the main state government units, the extra budgetary units on state government subsector and chambers on state government subsector.

Table 9: AT - Overview of the accounting and auditing arrangements for the State Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Main state government units ("Länder")	Budgets and Closed Accounts Regulation	Legal, financial, performance, compliance, IT audit	Variable
Extra budgetary units on state government subsector²⁵	Austrian Commercial Code	Legal, financial, performance, compliance, IT audit	Variable
		Financial (private audit firms)	Annually
Chambers on state government subsector	Internal accounting rules	Legal, financial, performance, compliance, IT audit	Variable

Local government

152. The local government is composed of the Vienna capital, the main government units and extrabudgetary units of the local government subsector.

Table 10: AT - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
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²⁵ Extrabudgetary units of the state government subsector are units where the federal government (or the federal government together with other legal entities, which fall under the remit of the Court of Audit) holds at least 50% of the shares, or which are controlled by the federal government (or by the federal government together with other legal entities, which fall under the competence of the Court of Auditors).

Vienna capital	Budgets and Closed Accounts Regulation	Legal, financial, performance, compliance, IT audit	Annually
Main local government units (municipalities)	Budgets and Closed Accounts Regulation	Legal, financial, performance, compliance, IT audit	Annually
Extrabudgetary units on local government subsector	Austrian Commercial Code	Legal, financial, performance, compliance, IT audit Financial (private audit firms)	Variable Annually

153. The local government applies the Budgets and Closed Accounts Regulation and the Austrian Commercial Code.

Social funds

154. The social funds are composed of the main association of social security funds and the social security funds for hospitals and care homes.

Table 11: AT - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Main association of social security funds (ssf)	Accounting Regulation	Legal, financial, performance, compliance, IT audit	Variable
ssf-hospitals and care homes	Accounting Regulation	Legal, financial, performance, compliance, IT audit	Variable

155. The Social Funds apply the Accounting Regulation.

Public corporations

Table 12: AT - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	International Commercial Code and International Financial Reporting Standards	Financial, IT Audit (optional) performed by private audit firms	Annually

Current status of the accounting arrangements

156. In Austria, the different accounting practices are as follow:

- ▶ Federal government accounting (covered by questionnaire)
- ▶ Budgets and Closed Accounts Regulation(covered by questionnaire)
- ▶ Internal accounting rules
- ▶ Austrian commercial code
- ▶ Accounting Regulation

The Federal government applies the "Federal Government Accounting Law". Länder and municipalities apply the "Budgets and Closed Accounts Regulation". Chambers exist in the central and state subsectors, they apply internal accounting rules. Social funds follow the Accounting Regulation which is similar, in a broad perspective to the "Budgets and Closed Accounts Regulation". Other entities and government business entities apply general national/international rules (like Austrian Commercial Code or IFRS).

157. The information below on federal government corresponds to some legal requirements which will come into effect in 2013. It does not represent actual practices. Information on the actual practices is still pending. However, information gathered through informal discussions indicate that as regards state government and local government, there is a mixture of accounting systems. Some state government have been using accrual accounting for many years, others a rather cash-based system. Neither a general description nor a de facto coordination institution is in place. The same situation can be found in the local government subsector.

Statement of financial position of the federal government

Table 13: AT - Statement of financial position for the Federal Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Yes	N/A	Present value
Inventories	Yes	Accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Recoverable from non-exchange transactions (taxes and transfers)	Yes	N/A	Historical cost method
Receivables from exchange transactions	Yes	N/A	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

158. As the federal government accounting is performed on cash basis, few items appear on the federal government's statement of financial position.

Table 14: AT - Statement of financial position for the Federal Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	N/A	Historical cost method
Payable under exchange transactions	Yes	N/A	Historical cost method
Provisions	Yes	Accrual accounting	N/A
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 15: AT - Statement of financial performance for the Federal Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Cash accounting/accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting

159. The statement of financial performance presents mainly accrual accounting but also cash accounting for the finance costs.

Statement of financial position and performance for the entities following the Budgets and Closed Accounts Regulation

160. Statements of financial position are not applicable as no financial position statements are prepared.

Table 16: AT - Statement of financial performance for Länder and Municipalities

Accounting caption	Presented	Time of recording
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Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual Accounting

161. The statement of financial performance is on accrual accounting.

Bookkeeping system

162. All entities of the federal government will use the HV system as their bookkeeping system as of 2013. It is a double entry system, and the transactions will be processed daily. The transaction system is SAP ERP 6.0 (Database Oracle).

163. The länder and municipalities use a double entry system called Kameralistic. Various IT-systems are used as transaction systems. Transactions are recorded on a daily basis.

Consolidation

164. Consolidation is only required for public corporations.

165. The Austrian Commercial Code and the IFRS are the rules applied for consolidation of accounts.

The current financial audit framework

166. In Austria, the Court of Auditors conduct financial audit for all subsectors.

167. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

168. Audit is mandatory and funded by the federal budget.

Description of the scope of the financial audit

Table 17: AT - Description of the scope and nature of the financial audit

Auditing entities	Auditor General
Scope of the audit	All entities
Completeness of the audit	The completeness of the information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is not part of the audit approach. Reconciliation (flows and processes subject to an audit) is available but not part of the audit process.

Reliability of information	The reliability is ensured by Plausibility checks, audit and other checks and balances. However, the Supreme Audit Institution does not audit the reliability of EDP-calculation/deficit compilation.
Frequency	The Austrian Court of Audit audits the financial data concerning the federal government on an annual basis.
Visibility	Audit results are available to the entity, government (or subsector government) and general public.

The auditing process

169. Table 18 describes the auditing process followed by the Court of Auditors. On a voluntary basis, the Court of Auditors seeks to be as close as possible to the ISA standards of auditing.

Table 18: AT - Description of the auditing process

Audited entities	All entities
Auditing standards	The auditing standards applied are the ISA and the ISSAI.
Selection of the audit flows	All flows are subject an audit (required by the board of audit) except IT and annual reports. However, the flows and processes subject to an audit (as specified above) are not part of the EDP inventory reporting
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations)
Feedbacks	<p>The Supreme Audit Institution has the right to impose corrective actions during the audit process.</p> <p>All errors of the financial statement (and/or accounts) have to be corrected by the Ministry of Finance.</p> <p>All findings and recommendations concerning the accounting process and internal control systems are reported to the Ministry of Finance and also the line ministries</p>
Tracking system	<p>The SAI audits the corrections made by the Ministry of Finance.</p> <p>The SAI follows-up on the implementation of recommendations.</p>

Quality framework

170. The Table 19 presents the quality framework of the financial audit.

Table 19: AT - Description of the quality framework

Audited entities	All entities
Independence	An independent review is required; the Court of Audit is responsible for such a review. The SAI is subject to an internal review (no external review). The independence of auditors is embodied in law.
Design	A quality review takes place each year. This review is preventive, is performed retrospectively and is high level review (but is not integral).
Mandate	A quality review mandated by national law. In addition, this institution also has the authority to impose corrective actions.
Follow ups	Follow-up reviews
Education and qualification of the auditors	University degree. Each auditor has to successfully complete an MBA for Public Auditing.
Supervision and evaluation	There is an internal review. Moreover regulatory requirements regarding supervision are embodied in national law and disciplinary power is applicable.

Nature of the accounting practices at the federal government level

Presentation of general purpose financial statements

171. Table 20 summarizes the components of the financial statements for the central government, local governments, social funds and public corporations.

Table 20: AT - Presentation of general purpose financial statements

Financial statement	Federal government	Länder and municipalities
Statement of financial position	Always applies	Does not apply
Statement of financial performance	Always applies	Always applies
Statement of changes in net assets	Always applies	Does not apply
Cash flow statement	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Does not apply
Cash and receipts statement	Does not apply	Always applies
Notes to the financial statements	Does not apply	Does not apply
Other Statements	Does not apply	Does not apply

Time of recording

172. For each component of the financial statements, Table 21 indicates the accounting system applied.

Table 21: AT - Comparison of the accounting system applied

Financial statement	Federal government	Länder and municipalities
Statement of financial position	Accrual accounting	Not applicable
Statement of financial performance	Accrual accounting	Accrual accounting
Statement of changes in net assets	Modified cash accounting	Not applicable
Cash flow statement	Cash accounting	Cash accounting

Property, plant and equipment measurement and recognition

173. This section deepens the understanding of the measurement of assets. In particular Table 22 details and compares the measurement methods for each of the public entities considered. The entities following the Budgets and Closed Accounts Regulation do not measure property, plant and equipment.

Table 22: AT - Comparison of the recognition and measurement of property, plant and equipment

Statement		Federal government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Does not apply
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Does not apply
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	N/A
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	N/A

Provision measurement and recognition

174. This section compares the accounting arrangement for the measurement and recognition of provision in Austria with the IPSAS (IPSAS 19) used as a reference. The comparison highlights the measurement method and the disclosure requirements. The entities following the Budgets and Closed Accounts Regulation do not prepare the statements on provision measurement and recognition.

175. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 23: AT – Comparison of the recognition and measurement of provision

Statement	Federal government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Does not apply
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply
If the entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A
The entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement
The entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement
The entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement
The entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement
The entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A
The entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A
The entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A
The entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A

176. Five statements are not applicable. Most of the applicable statements are in conformity with IPSAS principles.

Practical issues with the application of IPSAS

177. The new accounting system for the federal government takes into account the specific needs of the federal government and is oriented towards the International Public Sector Accounting Standards (IPSAS). This orientation towards the IPSAS principles is necessary to guarantee international comparability.

178. There is no need for implementation of IPSAS, nevertheless there is now a discussion on federal and municipality. The implementation of IPSAS would need financial investments.

Accounting and auditing reforms

Existing reforms

179. The goal of the Austrian Federal Budget Reform is to move to accrual accounting and budgeting. This reform will introduce new principles of budget management in the course of the Budget Reform, such as transparency, true and fair view and efficiency. The new system in federal government budgets includes three main pillars: accrual accounting, cash flow statement and balance sheets.

Table 24: AT - Description of the existing reforms

Reform plan name	Level of government involving	Initiator of the reform	Nature and scope of the existing plans for reform
Austrian Federal Budget Reform	Federal government	Ministry of Finance, Austria's federal parliament decided unanimously on this far-reaching, comprehensive budget reform	Reform of the accounting system in the course of a wide-ranging budget reform. Introduction of a fundamentally new, transparent form of accounting for the federal government, which is structured on the basis of double-entry bookkeeping (accrual accounting). The new system is based on IPSAS (including a few modifications).

Status of the reforms

Table 25: AT - Current status of the reforms

Current status	Impact
The legal base of the wide-ranging budget reform was already been adopted in Parliament. The implementation of the Federal Budget Reform is taking place in two stages – the first stage has been implemented as of 2009; the second stage of the reform which includes the reform of the Accounting system will enter into force in 2013 and is currently implemented technically by the Ministry of Finance.	The federal budget accounting system is switching from traditional cash accounting to accrual accounting. The new budget and accounting system interconnects all elements of planning, execution and annual financial statements and thereby removes the weaknesses in the previous system. There will be more information available: an opening balance sheet, a cash flow statement and an operating statement. One important aim of the new accounting system is to integrate the already existing cost accounting system into the budgetary framework. The cost accounting is the missing link between financial accounting and budgeting and performance accounting. For more information see the questionnaire about accounting standards.

3.2 Belgium

180. This section provides an overview of the accounting and auditing arrangements in Belgium.

Legal requirements for Accounting and auditing

Central government

181. The central government is composed of the federal head of state and parliament, federal ministries and federal public entities.

182. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 26: BE - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Federal head of state and parliament	Federal government accounting & budgeting laws	All types ²⁶ performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annually
Federal ministries	Federal government accounting & budgeting laws	All types performed by the Court of Auditors All types performed by several decentralized IA departments & central Audit committee Performance of audit departments performed by private audit firms	Annually
Federal public entities	Federal public entities accounting & budgeting laws	All types of performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annually

State government

183. The state government is composed of several entities described in the table below.

Table 27: BE - Overview of the accounting and auditing arrangements for the State Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Brussels-Capital Region: parliament	Brussels-Capital Region accounting & budgeting laws	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
Brussels-Capital Region ministries	Brussels-Capital Region accounting & budgeting laws	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Brussels-Capital Region public entities	Brussels-Capital Region accounting & budgeting laws	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
French Community parliament	French Community accounting &	All types performed by the Court of	Annual

²⁶ "All types of audits" refers to legal, financial, performance, compliance, IT audits
The audit of the central government is performed by the Court of auditors

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
	budgeting laws until 2012/ starting from 2013	Auditors Performance of audit departments performed by private audit firms	
French Community ministries	French Community accounting & budgeting laws until 2012/ starting from 2013	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
French Community public entities	French Community accounting & budgeting laws until 2012/ starting from 2013	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Walloon Region parliament	Walloon Region accounting & budgeting laws: ministries	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
Walloon Region ministries	Walloon Region accounting & budgeting laws: ministries	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Walloon Region public entities	Walloon Region accounting & budgeting laws: entities	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Flemish parliament	Flemish accounting & budgeting laws: ministries	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
Flemish ministries	Flemish accounting & budgeting laws: ministries	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Flemish public entities	Flemish accounting & budgeting laws: entities	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
German speaking Community parliament	German-speaking community budgeting laws	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
German speaking Community ministries	German-speaking community budgeting laws	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
German speaking Community public entities	German-speaking community budgeting laws	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Joint Community Commission assembly	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Joint Community Commission ministries	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
French Community Commission assembly	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
French Community Commission ministries	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
French Community Commission public entities	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual
Flemish Community Commission assembly	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors Performance of audit departments performed by private audit firms	Annual
Flemish Community Commission ministries	Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)	All types performed by the Court of Auditors All types performed by IA Performance of audit departments performed by private audit firms	Annual

184. Five accounting laws apply for the entities within the state government subsector:

- ▶ Brussels-Capital Region accounting & budgeting laws
- ▶ French Community accounting & budgeting laws until 2012/ starting from 2013
- ▶ Walloon Region accounting & budgeting laws
- ▶ German-speaking community budgeting laws
- ▶ Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)

Local government

185. The local government is composed of provinces and cities, and of public entities at the province and city level.

Table 28: BE - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Provinces	Province accounting laws Flemish provinces, cities, social assistance centers, public corporations starting from 2014	All types performed by the Court of Auditors	Annual

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Province level: public entities	Province accounting laws Flemish provinces, cities, social assistance centers, public corporations starting from 2014	All types performed by the Court of Auditors	Annual
Cities	Flemish City accounting laws until 2013 Flemish City accounting laws: social assistance centers until 2013 Flemish provinces, cities, social assistance centers, public corporations starting from 2014 Brussels City accounting laws Brussels City accounting laws: social assistance centers German-speaking cities Walloon provinces, cities and their social assistance centers, public corporations	All types performed by private audit firms	Annual
City level : public entities	Flemish City accounting laws until 2013 Flemish City accounting laws: social assistance centers until 2013 Flemish provinces, cities, social assistance centers, public corporations starting from 2014 Brussels City accounting laws Brussels City accounting laws: social assistance centers German-speaking cities Walloon provinces, cities and their social assistance centers, public corporations	All types performed by private audit firms	Annual

Social funds

186. The social funds are composed of the Social security services. They represent 20 entities. These services include pensions, health, family, accidents at work.

Table 29: BE - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social security institutions	Social Security accounting & budgeting laws	All types possible performed by the Court of Auditors	Annual

Public corporations

187. There are 462 entities classified as public corporations.

Table 30: BE - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Other public corporations and non-profit association (except fin. institutions)	Non-financial corporative accounting laws	Financial(external audit)	Annual

Current status of the Belgium accounting arrangements

188. Many accounting laws exist in Belgium:
- ▶ Federal accounting & budgeting laws
 - ▶ Brussels-Capital Region accounting & budgeting laws

- ▶ French Community accounting & budgeting laws until 2012/ starting from 2013
- ▶ Walloon Region accounting & budgeting laws
- ▶ German-speaking community budgeting laws
- ▶ Community Commissions: different systems comparable to other systems (e.g. state budgets, communal accounting)
- ▶ Province accounting laws and Flemish provinces, cities, social assistance centers, public corporations starting from 2014
- ▶ Flemish City accounting laws until 2013, Flemish provinces, cities, social assistance centers, public corporations starting from 2014, Brussels City accounting laws, German-speaking cities and Walloon provinces, cities and their social assistance centers, public corporations laws.

189. This section covers the statement of financial position and performance of the central government, the Flemish local governments and the Walloon and Brussels local governments. The Central government follows the Federal accounting and budgeting laws including the law of 22 May 2003 concerning the organization of the budget and governmental accounting and the Royal Decree on the execution of the law of 22 May 2003 concerning the chart of accounts.

Statement of financial position and performances for the Central government

Table 31: BE – Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Fair value method
Investment property	Yes	Accrual accounting	Replacement cost method
Intangible assets	Yes	Accrual accounting	Present value method
Financial assets	Yes	Accrual accounting	Historical cost and fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost and fair value method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 32: BE – Statement of financial position for the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 33: BE - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual/cash accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Statement of financial position and performances for the Flemish local government

Table 34: BE - Statement of financial position for the Flemish Local Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Fair value method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 35: BE - Statement of financial position for the Flemish Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 36: BE - Statement of financial performance for the Flemish Local Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures	Yes	N/A

Accounting caption	Presented	Time of recording
recognized using the equity method (for current and past year)		
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Statement of financial position and performances for the Walloon and Brussels capital local government

Table 37: BE - Statement of financial position for the Walloon and Brussels Local Government - Assets

Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Fair value method
Inventories	Yes	N/A	N/A
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	N/A	N/A
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method
Property, plant and equipment	Yes	Accrual accounting	Historical cost method

Table 38: BE - Statement of financial position for the Walloon and Brussels Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	N/A	N/A
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 39: BE - Statement of financial performance for the Walloon and Brussels Local Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

190. The bookkeeping system used by the central government entities is 'FEDCOM': it is a double entry system. Transactions are recorded mostly on an hourly basis (some subsystems on a daily or monthly basis).
191. The Flemish local government uses BBC as bookkeeping system. It is a double entry system. There is no general practice concerning the transaction system. Some governments use SAP, others locally developed software. Transactions are mostly recorded on an hourly basis.
192. Walloon and Brussels local governments use double entry bookkeeping system for financial accounting and a single entry system for budgetary accounting. Transactions are recorded on a daily basis.

Consolidation

193. Consolidation is required for central and state subsectors.

Scope and description of the consolidation process

194. All government entities subject to the law of 22 May 2003 which are directly related to the ministries are subject to consolidation; that is about 100 entities. The definition on control as given by IPSAS is not used in Belgium.

Table 40: BE - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Government entities as defined by art 2, 1° of the law of 22 May 2003 : all ministries (federal public services), ministry of Defense and Federal Police	Accrual accounting, close to IPSAS, see those given in the questionnaire on accounting	N/A	At the earliest from fiscal year 2012, hence in 2013	Government entities as defined by art 2, 1° of the law of 22 May 2003: all ministries (federal public services), ministry of Defense and Federal Police	Parliament and hence general public
Government entities as defined by art 2, 2° through 4° of the law of 22 May 2003	Accrual accounting, close to IPSAS, same rules as those used for accounting in the central government and given in the questionnaire on accounting	Social sector excluded, government business entities (GBE) as railway and banks are excluded by the law of 22 May 2003	At the earliest from fiscal year 2014, hence in 2015	Government entities as defined by art 2, 2° through 4° of the law of 22 May 2003	Parliament and hence general public

Proximity of the consolidation process with IPSAS

Table 41: BE - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Central government
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	N/A
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Does not apply

Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Applies sometimes
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	N/A
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	N/A
Minority interests in (c) consist of (d) and (e)	Applies sometimes

195. The consolidation process is different from IPSAS.

Nature of the accounting practice

196. This section presents the identified accounting practice of the central, the Flemish local governments and the Walloon and Brussels local governments, taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

197. Table 42 presents the components of the financial statements for the central, the Flemish local governments and the Walloon and Brussels local governments.

Table 42: BE - Comparison of the presentation of general purpose financial statements

Financial statement	Central government	Flemish local government	Walloon and Brussels local government
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies	Always applies
Statement of changes in net asset	Does not apply	Always applies	Always applies
Cash flow statement	Does not apply	Always applies	Does not apply
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies	Always applies
Cash and receipts statement	Does not apply	Always applies	Does not apply
Other statement(s)	Does not apply	Does not apply	Always applies
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies	Always applies

198. The presentation of financial statements is similar to the IPSAS principles.

Time of recording

199. Table 43 presents the components of the financial statements for the central, the Flemish local governments and the Walloon and Brussels local governments.

Table 43: BE - Comparison of the accounting system applied

Financial statements	Central government	Flemish local government	Walloon and Brussels local government
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting	Accrual accounting

Financial statements	Central government	Flemish local government	Walloon and Brussels local government
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting	Accrual accounting
Statement of changes in net asset	Accrual accounting	Modified accrual accounting	Accrual accounting
Cash flow statement	N/A	Accrual accounting	N/A

200. The accounting system is on an accrual basis at the central government level and for the Walloon and Brussels local government, for each component of the financial statements (except for cash flow statement). It is also true at the Flemish local government level, except for changes in net asset that are recorded on a modified accrual basis.

Property, plant and equipment recognition and measurement

201. This section deepens the understanding of the measurement of assets. In particular Table 44 details and compares the measurement methods for each of the public entities considered.

Table 44: BE - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central government	Flemish local government	Walloon and Brussels local government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	N/A	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	N/A	Applies similar statement	N/A
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Applies similar statement	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	Always applies	Applies similar statement	N/A
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies	Applies sometimes
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies	Applies sometimes
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Applies similar statement	Does not apply

202. According to Table 44, the methods of measurement of plant and equipment are in accordance with the IPSAS principles.

Provision recognition and measurement

203. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 45: BE - Comparison of the recognition and measurement of provision

Statement	Central government	Flemish local government	Walloon and Brussels local government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies	Always applies	Applies different statement
Financial guarantees to bank and corporate entities are not recognized	Always applies	Always applies	Applies similar

Statement	Central government	Flemish local government	Walloon and Brussels local government
in the statement of financial position and are treated as off-balance sheet transactions			statement
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies	Applies similar statement
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	Always applies	Always applies	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies	Always applies	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies	Does not apply
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies	Does not apply
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies	Always applies	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply	Applies similar statement	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Applies similar statement	Always applies	Applies similar statement
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply	Applies similar statement	Does not apply

204. There are few differences between the central government and the Flemish local government when it comes to recognition and measurement of performance. There are several differences with the Walloon and Brussels local governments.

205. According to Table 45, the recognition and measurement of provision are similar to the IPSAS principles.

The practical issues with the application of IPSAS

206. Belgium does not apply entirely the IPSAS principles and the application of IPSAS would be hard to implement. First, it would require a translation of the Dutch and French standards to be available and to be adopted by the Belgian legislator.

207. It would also require training of both the accountancy staff and the functional analysts supporting the SAP System.
208. Some changes to the system might be required and will need careful analysis and thorough testing.
209. Standards on financial instruments will require very special attention. Some standards on typical governmental issues might still be missing by the time IPSAS principles are implemented. This will require good coordination with the EU and Eurostat.
210. Since both economic reporting based on the European statistical system and accrual accounting are integrated in the same accounting system, specific efforts will have to be made to align the accounting rules between IPSAS chart of accounts and national statistics. Indeed, Belgium has its own chart of accounts for accrual accounting. If IPSAS comes with a specific chart of accounts, on the European level, considerable difficulties might arise for adapting the Belgian system to this new chart of accounts. If IPSAS does not impose chart of accounts but limits itself to a naming convention and a description of the contents, a transition might be easier.
211. On the other hand, at the Flemish local government level, IPSAS has served as an important inspiration and guideline for the Flemish accounting legislator in developing the reformed accounting and reporting system for Flemish local governments.
212. Indeed, this 2011-2014 reform is 90% in compliance with IPSAS principles. The major difference concerns the application of IPSAS 6 Consolidation, of which adoption has been postponed mostly for practical reasons. Another difference, which actually is an improvement with respect to IPSAS, is the separate disclosure and accounting valuation policy regarding “community assets”.

The current financial audit framework

213. In Belgium, the Court of Auditors performs financial audits (in addition to all types of audit). This is mandatory and the reports contain findings and recommendations.

Scope and nature of the financial audit

214. Table 46 below summarizes the scope and nature of the financial audit performed by the Court of Auditors.

Table 46: BE - Description of the scope and nature of the financial audit

Auditing entities	Court of Auditors	Several decentralized Institute of Actuaries departments & central	Institute of Actuaries departments	Private audit firms	External audit institution
Scope of the audit	Central, State and local government except cities	Federal ministries and public entities	State level except parliament and assemblies	Cities	Public corporations
Completeness of the audit	N/A	N/A	N/A	N/A	N/A
Reliability of information	N/A	N/A	N/A	N/A	N/A
Frequency	Annual	Annual	Annual	Annual	Annual
Visibility	Audit results are available to general public via internet	Internal use	Internal use	General public	Internal use

The auditing process

215. No information on the auditing process in Belgium has been provided.

Quality framework

216. No information on the quality framework in Belgium has been provided.

Accounting and auditing reforms

217. The initial reform dates back to 1991, where it was decided to use accrual accounting and to create a commission for the standardization of the accounts. This led to a number of laws in 2003 on the organization of the budget and of the accounting systems.

Existing reforms

Table 47: BE - Description of the existing reforms

Reform plan name	Level of government involved	Initiator of the reform	Nature and scope of the existing plans for reform	Objective of this plan
Fedcom	Ministries (Federal public services) Entities directly reporting to Ministries (Federal public services)	Parliament by law	Budget accounting and accrual accounting.	Move to accrual accounting

Status of the reforms

Table 48: BE - Description of the status of the reforms

Current status	Impact	Drawbacks
Fedcom art 2, 1° implemented since 1 January 2012 by all Federal public services (ministries), the ministry of Defence and the Federal Police.	Financial reporting will be accrual based without full disclosure of PPE and accruals on tax income Financial reporting will be accrual based with disclosure of PPE in 2016 Financial reporting will be accrual based with disclosure of accruals on tax income in 2015	Compared to initial plan is one year late in its overall application. Main reason is to align the start of a roll-out with the fiscal year (1 jan-31 dec) A transition period has been added for property, plant and equipment. Tax income remains accounted for on a cash basis till 2015 because new IT applications are not ready.
Many instances are already using accrual accounting but based on company law instead of the governmental accounting rules. This means that mainly their chart of accounts is different and that some accounting rules are not identical.	Financial reporting will be accrual based without full disclosure of PPE and accruals on tax income Financial reporting will be accrual based with disclosure of PPE in 2019	Fedcom art 2, 2° through 4° compared to initial plan is at least two years late plus in its overall application. A transition period has been added for property, plant and equipment. Since the entities include an important number of museums, there still might be problems with accounting for heritage assets

Acronyms

EU: European Union

IFRS: International Financing Reporting Standards

IPSAS: International Public Sector Accounting Standards

IA : Institut des actuaries

3.3 Bulgaria

218. This section provides an overview of the accounting and auditing arrangements in Bulgaria.

Legal requirements for Accounting and auditing

Central government

219. The Central Government is composed of the Presidency, Council of Ministers, National Assembly, Ministries, Supreme Judicial Council, other government bodies (State/Executive Agencies; Commissions and Regulatory Bodies), Universities and Bulgarian Academy of Sciences, other independent bodies (Constitutional Court, National Audit Office, Bulgarian National Television, Bulgarian National Radio, Ombudsman, National Statistics Institute, Electronic Media Council), Extra-Budgetary Funds within the Central Government Sector.

220. The Table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 49: BG - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central Government (Presidency, the Council of Ministers, the National Assembly, Ministries, Supreme Judicial Council, other government bodies, Universities and Bulgarian Academy of Sciences, other independent bodies, Extra-Budgetary Funds within the Central Government Sector	National Accounting Legislation for Budget Entities, stipulated by the Accountancy Act: unified chart of accounts, unified budget classification, accounting standards and guidelines and methodology guidelines	Definition of the role of the Bulgarian National Audit Office (BNAO) in BNAO Act: Financial audit Compliance audit Performance audit	Annual

221. The Central Government applies the requirements of the Accountancy Act in terms of accounting and budget, which requires the Minister of Finance to approve accounting standards and chart of accounts that comply with:

- ▶ EU requirements for public sector reporting, statistics and budgeting;
- ▶ The accounting framework, principles and concepts of the Guidelines for Government Financial Statistics, issued by the International Monetary Fund;
- ▶ International Public Sector Accounting Standards of the International Federation of Accountants(IPSAS);
- ▶ Requirements of the Bulgarian legislation concerning budgeting, reporting of the consolidated fiscal programme and management and control of funds and expenditure in budget entities.

222. The Accountancy Act was enacted by the State Gazette 98, on 16 November 2001, and was effective on 1 January 2002. The last amendment was made in December 2011.

223. The main accounting guidelines followed by all budget entities in Bulgaria were issued by the Ministry of Finance in 2004 and are developed on the basis of the above mentioned requirements. Additional guidelines in subsequent years have been issued to guide on a specific issue/case basis.

224. The annual financial audit missions of the Bulgarian National Audit Office (BNAO) are defined by the BNAO Act, article 53(1). The BNAO audits annual financial statements of budget entities that are first level spending units and budget entities that are second level spending units implementing independent budgets pursuant to specific laws.

225. The Bulgarian National Audit Office expresses audit opinion for certification of the financial statement of the budget-funded entity. The financial audit means expressing an independent opinion as to the degree to which the financial statement gives a true and fair view of the organization's financial position and property in accordance with the identified general financial reporting framework.
226. The reports from the BNAO are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audit is planned in annual audit programmes, done on the budget organization level and on the consolidated State Budget level, and approved by the National Assembly. The financial audits take place each year and the financial audit report is public. Publication is required by law.

Local government

227. The local government is composed of 264 municipalities and Extra-Budgetary Funds within the local government sector.

Table 50: BG - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local Government (Municipalities and Extra-Budgetary Funds within the local government Sector)	National Accounting Legislation for Budget Entities, stipulated by the Accountancy Act: unified chart of accounts, unified budget classification, accounting standards and guidelines and methodology guidelines	Definition of the role of the Bulgarian National Audit Office (BNAO) in BNAO Act: Financial audit Compliance audit Performance audit	Annually

228. The same set of rules as defined in the Accountancy Act and described previously for the "Central Government" apply for the Local Government. Under art. 33 of the Accountancy Act, the reporting of assets, liabilities, income, expenses and transactions of all budget entities shall be consolidated at the Ministry of Finance level on the basis of trial balances and other information submitted under the rules established by the Minister of Finance. In this respect, the reporting to the Ministry of Finance is centralized.
229. As per the requirements of the BNAO Act, the Bulgarian National Audit Office shall carry out financial audits of the annual financial statements of municipalities the budgets of which exceed 10 million Bulgarian Leva (5.1 million EUR). The BNAO shall carry out financial audits of the annual financial statements of municipalities with budgets not exceeding 10 million BGN based on risk assessment and with regularity decided upon by the BNAO.

Social funds

230. The social funds are composed of the National Social Security Institute (pension and social benefits) and the National Health Insurance Fund.

Table 51: BG - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
National Social Security Institute and National Health Insurance Fund	National Accounting Legislation for Budget Entities, stipulated by the Accountancy Act: unified chart of accounts, unified budget classification, accounting standards and guidelines and methodology guidelines	Definition of the role of the Bulgarian National Audit Office (BNAO) in BNAO Act: ▶ Financial audit ▶ Compliance audit ▶ Performance audit	Annually

231. The same set of rules as defined in the Accountancy Act and described previously for both the central and the local governments applies for the Social Funds.
232. The financial statements of the Social funds are audited by the Bulgarian National Audit Office. As per the requirements of the BNAO Act, the BNAO prepares an auditor's report with opinion on the execution of the budget of the National Social Security Institute and the National Health Insurance Fund, which is reported to the National Assembly.

Public corporations

233. The public corporations that are classified and reported under General Government Sector are composed of: 226 Public hospitals, National Railway Infrastructure Company (NRIC) and the Fund for Local Authorities and Governments (FLAG). The public hospitals are budget-funded jurisdiction persons, formed under the Law on Medical Institutions. FLAG was established in March 2007 by the Council of Ministers with funding provided through the Bulgarian National Budget. FLAG is an instrument of the central government policy for regional development.

Table 52: BG - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public hospitals National Railway Infrastructure Company Fund for Local Authorities and Governments	International Financial Reporting Standards (IFRS), as adopted for use by EU, or Bulgarian National Financial Reporting Standards for Small and Medium Enterprises (BNFRSSME)	Financial audit, performed by statutory external auditors: private audit companies and external auditors, members of the Local Institute of Certified Public Accountants (ICPA)	Annually

234. Based on the requirements of the Accountancy Act, the enterprises in Bulgaria have to prepare annual financial statements in accordance with IFRS, as endorsed by the EU, or to meet some provided criteria - in accordance with the Bulgarian National Financial Reporting Standards for Small and Medium Enterprises (BNFRSSME). In accordance with article 40 of the Bulgarian Accountancy Act, the enterprises publish their annual separate and consolidated financial statements and the related management report, as approved by the owners/shareholders or the relevant legal body - by filing in the trade register or the media-economic newspaper/magazine or Internet, based on the jurisdiction form of the entity. The companies which are subject to an audit should publish annual financial statements accompanied by the management and the auditor's reports.
235. The Independent Financial Audit Act provides that an audit should be carried out in compliance with International Standards on Auditing, according to which an auditor should issue an independent opinion on whether the financial statements of a company present fairly, in all material respects, its financial position and the results of operations and changes in cash flows in compliance with the Bulgarian accounting legislation. A statutory audit may be performed by a Bulgarian Certified Public Accountant or by a specialized auditing company registered with the ICPA in Bulgaria.

Current status of the Bulgarian accounting arrangements

236. To understand public sector accounting practices, the public sector was broken down into two broad categories:
- ▶ Central, Local Government and Social Funds,
 - ▶ Public hospitals, National Railway Infrastructure Company and Fund for Local Authorities and Governments – financial statements prepared under IFRS, or BNFRSSME.

Central, Local Government and Social Funds: Statement of financial position

Table 53: BG - Statement of financial position of the Central for the Local Government and Social funds - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method / fair value
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method / fair value
Financial assets	Yes	Accrual accounting	Historical cost method / fair value
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method / fair value
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Cash accounting / Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method / fair value
Cash and cash equivalents	Yes	Cash accounting	Historical cost method / fair value

Table 54: BG - Statement of financial position of the Central for the Local Government and Social Funds - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Present value
Financial liabilities	Yes	Accrual accounting	Historical cost method / fair value / Present value
Minority interests, presented in net assets/equity	N/A	N/A	N/A

Public hospitals, National Railway Infrastructure Company and Fund for Local Authorities and Governments: statements of financial position and performance

Table 55: BG - Statement of financial position for the Public hospitals, National Railway Infrastructure Company and Fund for Local Authorities and Governments - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method / fair value
Investment property	Yes	Accrual accounting	Historical cost method / fair value
Intangible assets	Yes	Accrual accounting	Historical cost method / fair value
Financial assets	Yes	Accrual accounting	Historical cost method / fair value
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method / fair value

Accounting caption	Presented	Time of recording	Measurement
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Cash accounting	Historical cost method / fair value

Table 56: BG - Statement of financial position for the Public hospitals, National Railway Infrastructure Company and Fund for Local Authorities and Governments - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	N/A	N/A	N/A
Payable under exchange transactions	N/A	N/A	N/A
Provisions	Yes	Accrual accounting	Present value
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	N/A	N/A

Table 57: BG - Financial performance for the Public hospitals, National Railway Infrastructure Company and Fund for Local Authorities and Governments

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	N/A	N/A

Bookkeeping system

237. Bulgaria central local level and social fund, and Bulgaria public hospitals have the same policy for bookkeeping system.
238. They all have many different bookkeeping systems, with double entry, principally SAP, CONTO and AJUR. The transactions are mainly processed on a daily basis, and relevant staffs are selected according to the requirements of the Accountancy Act.

Consolidation

239. Based on requirements of the Accountancy Act, reporting data on assets, liabilities, income, expenses and transactions of all budget entities shall be consolidated at the Ministry of Finance level on the basis of trial balances and other information submitted by the budget entities under terms, conditions, frequency periods and rules established by the Minister of Finance.
240. All budget entities are in charge of reporting and they present their reports through their First Level Spending Units (i.e. ministries, agencies, municipalities etc.).

241. The cash and accrual reports consolidation is carried out using uniform principles. In compliance with the regulations of the Ministry of Finance on the methodology of accrual accounting for budget entities, the data reported by the latter are summarized by the hierarchical and organizational level, as well as by economic groups. In the consolidation process, subject to elimination are the operations between the budget entities and reporting groups falling into the relevant consolidation level with respect to providing the information needed to generate government financial statistics data based on the ESA 95 methodology.
242. Consolidation, based on IPSAS requirements, is not performed.

The current financial audit framework

243. In Bulgaria, as previously mentioned, the Bulgarian National Audit Office conducts financial audit for the central government, local government and social funds. The Public hospitals, NRIC and FLAG are audited by statutory auditors, a Bulgarian Certified Public Accountant or by a specialized auditing company registered with the ICPA in Bulgaria. This section presents:
- ▶ The scope of the financial audit
 - ▶ The auditing process
 - ▶ The quality framework

Description of the scope of the financial audit

244. Table 58 below summarizes the scope and nature of the financial audit performed by the Bulgarian National Audit Office.

Table 58: BG - Description of the scope and nature of the financial audit

Auditing entities	Bulgarian National Audit Office
Scope of the audit	Central, Local Government and Social Funds
Completeness of the audit	The consolidated data plus adjustments made to it for Eurostat reporting, reported by the National Statistics Institute is not audited. The audit is planned in annual audit programme and made on budget organization level and on the consolidated State budget, approved by the National Assembly.
Reliability of information	Plausibility checks; the auditors also check the relationships between cash and accrual basis; the main task of BNAO is to control the reliability and truthfulness of the financial statements of budget-funded organizations.
Frequency	Annually - For the April Eurostat reporting – the data for the consolidated state budget is not audited. - For the October reporting – final audit report of the consolidated State budget - by end of June.
Visibility	The Consultative Council to BNAO performs twice a year a review of the quality of completed audits. The report with summarized results from the review performed is reported to the National Assembly for information purposes and published on the Internet site of BNAO. The audit results are provided to the audited entity, the parent of the audited entity, the government, the supervision authority.

The auditing process

245. Table 59 describes the auditing process followed by the Bulgarian National Audit Office. The BNAO follows the International Standards of Supreme Audit Institutions (ISSAI) which are mandatory and legally required.

Table 59: BG - Description of the auditing process

Audited entities	Central, Local Government and Social Funds
Auditing standards	ISSAI
Selection of the audit flows	The selection process of the audit flows is made both through materiality and sampling. Audit tests are based on direct substantive testing, system based approach
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations)
Feedbacks	Audit and certification are preceded by current control of periodic reports.
Tracking system	From draft to final report amendments/changes are often made to the content (findings and/or recommendations). The execution of recommendations given during the current control is checked during certification.

Quality framework

246. Table 60 presents the quality framework of the financial audit.

Table 60: BG - Description of the quality framework

Audited entities	Central, Local Government and Social Funds
Independence	Independence is required by the Bulgarian National Audit Act.
Design	The Consultative Council to the BNAO performs twice a year a review of the quality of completed audits. A review of quality is performed by head of audit team, heads of departments, director of directorate and vice-president of BNAO. The quality review is regulated by BNAO Act and internal guidance.
Mandate	In the event of disclaimer of a financial statement certification, the president of BNAO may propose to the Minister of Finance to impose spending restrictions on an auditee.
Follow ups	Audit and certification are preceded by a current control of periodic reports. The execution of recommendations given during current control is checked during certification.
Education and qualification of the auditors	The auditors have completed a higher level of education, hold a master's degree. The auditors hold a certificate of an auditor. Twice a year there are internal seminars and workshops provided by Methodology Unit of BNAO for monitoring, audit and certification. Methodology Unit issued books of cases resolved in order to uniform the practice.
Supervision and evaluation	The BNAO staff are obliged to abide by the requirements of the Code of Ethics of the BNAO employees and the manual on the implementation of the ISSAI and on the auditing activity of BNAO. In the event of failure to abide by these requirements, the BNAO staff shall be subject to disciplinary measures under the conditions and in accordance with the procedure set out in the Bulgarian Labor Code.
Independence of the auditor	The independence is ensured by law and is stringent.

Nature of the accounting practices at the different levels of government

247. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

248. Table 61 compares the components of the financial statements for the Central government/local government/social funds and Public hospitals/NRIC and FLAG.

Table 61: BG - Comparison of the presentation of general purpose financial statements

Financial statement	Central, Local Government and Social Funds	Public hospitals, NRIC and FLAG
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	N/A	Always applies
Statement of changes in net asset	N/A	Always applies
Cash flow statement	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	N/A
Cash and receipts statement	Does not apply	Does not apply
Other statement(s)	Does not apply	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

249. In comparison with the IPSAS requirements (IPSAS1) for the presentation of financial statements, some components are missing. Indeed, none of the public entities (central government, local government and social funds) provides a statement of changes in net asset and statements of financial performance. The statement of changes in net assets was deemed as irrelevant by respondents and as to be only applied to controlling entities performing consolidation.

250. Cash flow statements for budget entities are designed particularly for the purposes of cash execution of the budget. According to the Bulgarian Organic Budget Law, the reports of cash execution of the budget are presented under the Unified Budget Classification. The layout of these reports are totally different from cash-flow Statement as proposed by IPSAS and one of the main purposes is to measure budget deficit/surplus on a cash basis according to ESA 95 methodology.

Time of recording

251. Table 62 compares the components of the financial statements for the Central government/local government/social funds and Public hospitals/NRIC and FLAG.

Table 62: - BG Comparison of the accounting system applied

Financial statement	Central, Local Government and Social Funds	Public hospitals, NRIC and FLAG
Statement of financial position (balance sheet)	Accrual accounting ²⁷	Accrual accounting

²⁷ In fact the budget entities apply accrual accounting. The only exceptions in the consistency of applying accrual base are: in budget entities depreciation is not accrued at the moment and taxes and social contributions are reported on a cash basis (for the notification purposes the time-adjustment approach is applied).

Financial statement	Central, Local Government and Social Funds	Public hospitals, NRIC and FLAG
Statement of financial performance (Income statement/profit and loss statement)	N/A	Accrual accounting
Statement of changes in net asset	N/A	Accrual accounting
Cash flow statement	Modified cash accounting ²⁸	Accrual accounting

Property, plant and equipment recognition and measurement

252. This section deepens the understanding of the measurement of assets. In particular Table 63 details and compares the measurement methods for each of the public entities considered.

Table 63: BG - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central, Local Government and Social Funds	Public hospitals, NRIC and FLAG
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Applies similar statement	Applies similar statement
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Always applies	Always applies
Depreciation	Depreciation is charged systematically over the useful life	Does not apply	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply	Always applies

²⁸ Cash flow statements for budget entities are designed particularly for the purposes of cash execution of the budget. According to the Organic Budget Law the reports of cash execution of the budget are presented under the Unified Budget Classification.

253. According to Table 63, the method of measurement of plant and equipment are very similar in each public entity and in accordance with IPSAS recommendation, except for the depreciation for the Central government/local government/social funds which is accrued according to a decision of the Council of ministers and the carrying values of the asset is reviewed every two years.

Provision recognition and measurement

254. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 64: BG - Comparison of the recognition and measurement of provision

Statement	Central, Local Government and Social Funds	Public hospitals, NRIC and FLAG
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	N/A
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	N/A
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies	Always applies
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies	Always applies

255. According to Table 64, the measurement and disclosure are similar across the differing subsectors of government.

256. Regarding provisions, budget entities as a whole apply the arrangements of the Bulgarian National Accounting Standards for Small and Medium Enterprises with a few exceptions and modifications, clarified in the main guidelines issued by the Minister of Finance as previously described.
257. The provisions in the Central/Local Government/Social Funds sector do not cover retirement benefit provisions.

Homogeneity of the accounting arrangements

258. The same set of rules as defined in the Accountancy Act as previously described applies for the Central and Local Government and for Social Funds. Under art. 33 of the Accountancy Act, the reporting of assets, liabilities, income, expenses and transactions of all budget entities shall be consolidated at the Ministry of Finance level on the basis of trial balances and other information submitted under the rules established by the Minister of Finance. The reporting to the Ministry of Finance is unified and centralized. According to the Accountancy Act all budget entities in Bulgaria follow the main accounting guidelines, approved by the Minister of Finance, issued in 2004. Additional guidelines in subsequent years have been issued to guide on a specific issue/case basis. The Chart of Accounts and the Unified Budget Classification, compounded of unified structure of accounts, codes and paragraphs, mandatory for all budget entities facilitate the reporting and control process as well as provide the information needed to generate accrual data with a view to preparing government financial statistics based on the ESA 95 methodology.

The practical issues with the application of IPSAS

259. Public corporations use the International Financial Reporting Standards, as adopted for use by the EU or the Bulgarian National Financial Reporting Standards for Small and Medium Enterprises, which are similar and based on IFRS, 2005 version.
260. However, it is different for Central Government, Local Government and Social funds.
261. Having in mind the legislative framework for the structure and organization of public finance in Bulgaria, the budget process in particular, and the Government's commitments to comply with an ESA 95 and GFSM 2001 accounting principles, concepts and requirements, direct application of IPSAS is not deemed optional, especially before the alignment of the existing differences between IPSAS, the ESA 95 and GFSM 2001 framework.

Accounting and auditing reforms

262. There is no plan for reforms in Bulgaria at the moment

Acronyms

BNAO Act: Bulgarian National Audit Office Act

BGN: Bulgarian Leva

NRIC: National Railway Infrastructure Company

FLAG: Fund for Local Authorities and Governments

BNFRSSME: Bulgarian National Financial Reporting Standards for Small and Medium Enterprises

IFRS: International Financing Reporting Standards

ICPA: Institute of Certified Public Accountants

IPSAS: International Public Sector Accounting Standards

ISSAI: International Standards of Supreme Audit Institutions

ESA: European System of Accounts

GFSM: Government Finance Statistics Manual

3.4 Cyprus

263. This section provides an overview of the accounting and auditing arrangements in Cyprus.

Legal requirements for accounting and auditing

Central Government

264. The Central Government is composed of the Ministries and independent authorities, special funds and other not-for-profit organizations.

Table 65: CY - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Ministries and independent authorities	The management of Income and Expenditure and the Accounting of the Republic Law of 2002 Circulars by the Accountant General	Legal, financial, performance, compliance, IT audit	Annually
Special Funds	Covered in the specific law for the founding and operation of each Fund Circulars by the Accountant General	Legal, financial, performance, compliance, IT audit	Annually
Other Not-For-Profit Organizations	Public Corporate Bodies: Covered in the specific law for the founding and operation of each Organization. School Committees: The School Committees Law of 1997 - 2011	Legal, financial, performance, compliance, sustainability, IT audit	Annually

Local Government

265. The Local Government is composed of 33 municipalities and 356 village authorities.

Table 66: CY - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	The Municipalities Law of 1985 – 2011	Legal, financial, performance, compliance, IT audits	Annually
Village Authorities	The Communities Law of 1999 – 2011	Legal, financial, performance, compliance, IT audit	Annually

Social funds

266. The social funds are composed of the National Social Security Institute (pension and social benefits) and the National Health Insurance Fund.

Table 67: CY - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Security Funds	The Social Security Law of 2010	Legal, financial, performance, compliance, IT audit	Annually

Current status of Cyprus' accounting arrangements

267. Only information on the central government was provided. Thus, this section only describes the accounting practices of the central government of Cyprus.

Central Government and social funds: statement of financial position

Table 68: CY - Statement of financial position for Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	N/A	N/A	N/A
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Modified Cash Accounting	Historical Cost
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	N/A	N/A	N/A
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Modified Cash Accounting	Historical Cost

Table 69: CY - Statement of financial position for Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	N/A	N/A	N/A
Payable under exchange transactions	N/A	N/A	N/A
Provisions	N/A	N/A	N/A
Financial liabilities	Yes	Modified Cash Accounting	Historical Cost
Minority interest, presented in net assets / equity	N/A	N/A	N/A
Net Assets, presented in net assets / equity	N/A	N/A	N/A

268. As the central government accountancy is on a cash basis, few items appear on its statement of financial position.

Table 70: CY - Statement of financial performance for Central Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Cash Accounting
Finance costs (for current and past year)	Yes	Cash Accounting

Accounting caption	Presented	Time of recording
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Cash Accounting

Bookkeeping system

269. The central subsector uses FIMAS (Financial Information Accounting System) as bookkeeping system. It is a double entry system for accounting and budgeting. The transaction system is the SunSystems V.4.2.6 accounting system, and the transactions are processed daily.

Consolidation

270. Consolidation is required for the central government. The budgeting and accounting of the Ministries and Independent Authorities are performed through a single accounting system and result in the production of a single Budget Law and a single set of Financial Statements.
271. For all the other entities, there is no legal requirement for consolidation.

Nature of the presentation of general purpose financial statements

Presentation of general purpose financial statements

272. Table 71 presents the components of the financial statements for the central government.

Table 71: CY - Comparison of the presentation of general purpose financial statements

Financial statements	Central Government
Statement of financial position	Always applies
Statement of financial performance	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Does not apply All the disclosure requirements of cash flow statements are covered in the Income Statement since it is presented on a cash basis
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies
Cash and receipts statement	Does not apply
Other Statements	Always applies
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

273. The other statements include a Statement of Loans, Statement of Guarantees, Statement of Arrears of Revenues, Statement of Outstanding Liabilities, Statement of Subscriptions or Membership to International Organizations etc.

Time of recording

274. Table 72 presents the components of the financial statements for the central government.

Table 72: CY - Comparison of the accounting system applied

Financial statements	Central Government
Statement of financial position	Modified Cash Accounting
Statement of financial performance	Cash Accounting
Statement of changes in net assets	Modified cash Accounting
Cash flow statement	N/A

Measurement of assets and liabilities

275. This section deepens the understanding of the measurement of assets. In particular, Table 73 details and compares the measurement methods for each of the public entities considered.

Table 73: CY - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central Government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Does not apply
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	N/A
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	N/A
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Does not apply
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A
Depreciation	Depreciation is charged systematically over the useful life	Does not apply
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply

276. The measurement of property, plant and equipment is not recognized in the Statement of Financial Position.

Provision recognition and measurement

277. This section presents the accounting arrangement for the recognition and measurement of provision.

Table 74: CY - Comparison of the recognition and measurement of provision

Statements	Central government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	N/A
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A
Provisions are recognized for net deficits from future operating activities*	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A
Your entity discloses for each class of provision unused amounts reversed during the period	N/A
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A

278. Most of the statements are not applicable. This is expected as Cyprus is using a cash based accounting system.

The practical issues with the application of IPSAS

279. The Treasury of the Republic is in the process of conducting a study to identify the necessary changes and effects of a move to accruals accounting following IPSAS. Some of the major issues are: the recognition and valuation of property, the valuation and disclosures of employee retirement benefits, the valuation of financial assets and liabilities and the consolidation of government entities.

Current financial Audit framework

280. The audit is mandatory for all subsectors. All of them are audited by the Auditor General. Furthermore very few of the special funds are also subject to a statutory audit by private audit firms. In addition, the auditor general may conduct any further audit work (financial, performance or other)

281. The audit includes the financial situation, findings and recommendations.
282. The auditor general has no jurisdiction to impose any penalties on the audited entity. However, he is in liaison with the Attorney General of the Republic and when an issue may constitute a criminal offence, it is forwarded to the latter with appropriate actions.
283. The results of the audit are made available to the general public.
284. Findings are discussed on the several parliamentary committees' meetings, in the presence of the audited entity's representative(s). Annual Audit Reports are submitted to the President.

Table 75: CY - Description of the scope and nature of the financial audit

Auditing entities	Auditor General		
Scope of the audit	Central government	Local government	Social security funds
Completeness of the audit	N/A		
Reliability of information	N/A		
Frequency	Annually		
Visibility	Separate reports are prepared and submitted to the Ministry/Organization concerned and a summary of the main findings is included in the Annual Report which is submitted to the President and is also available to the public.	Separate reports are prepared and submitted to the Authority and Ministry concerned and a summary of the main findings is included in the Annual Report which is submitted to the President and is also available to the public.	Separate reports are prepared and submitted to the Fund and Ministry concerned and a summary of the main findings is included in the Annual Report which is submitted to the President and is also available to the public.

Accounting and Auditing Reforms

Table 76 and Table 77 summarize the reform in progress and its current status

Existing reforms

Table 76: CY - Description of the existing reform

Subsector involved	Initiator of the reform	Nature and scope of the existing plans for reform	Objective of this plan	Reason for implementing a new accounting system
Central Government: Ministries and Independent Authorities	Accountant General	The plan will cover the accounting (not the budgeting) and includes regulatory reforms and IT system changes.	Move to accrual accounting and adoption of IPSASs	Provision of better information to the users of the financial statements as well as better management information

Current status

Table 77: CY - Description of the current status of the reform

Current status	Impact
In the process of identifying the necessary reforms and effects of the move to accrual accounting and the adoption of IPSASs.	Improvement of the quality and quantity of information provided to the users of financial reports.

3.5 Czech Republic

Legal requirements for accounting and auditing

285. This section provides an overview of the accounting and auditing arrangements in the Czech Republic.

Central government

286. The central government is composed of Government, Ministries, Central Offices, extra-budgetary organizations, semi budgetary organizations, non for profit organizations and other units.

287. Table 78 below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 78: CZ - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Government (Parliament)	Act on Accounting (amended); Act on Budgetary Rules; Accounting decree (amended)	Internal audit Legal compliance audit	Annually
Budgetary organizations (Ministries and Central Offices)	Act on Accounting (amended); Act on Budgetary Rules; Accounting decree (for BO and SBO)	Internal audit Legal compliance audit	Annually
State extra-budgetary funds	Act on Accounting (amended); Act on Budgetary Rules; Accounting decree (for BO and SBO)	Internal audit Legal compliance audit	Annually
Semi budgetary organizations	Act on Accounting (amended); Accounting decree (for BO and SBO)	Internal audit Legal compliance audit	Annually
Non-profit institutions (Public universities and public research institutions etc.)	Act on accounting (amended); Accounting decree for non-profit institutions	Internal audit Legal compliance audit	Annually
Other central government units – public entities	Act on Accounting (amended); Accounting decree for entrepreneurs	Internal audit Legal compliance audit	Annually

288. All the central government entities apply the Act on Accounting. This law was enacted the 12/12/1991 and the last amendment goes back to 2011.

289. The institution in charge of enforcing this law is the internal audit for budgetary organizations through penalties in compliance with the law. The Act on Budgetary Rules was enacted the 27/06/2000 and amended in 2011. Finally there are accounting decrees specific to different public sector units (for entrepreneurs – enacted 2002, amended 2011, non-profit institutions – enacted 2002, amended 2008, and for special accounting units – enacted 2009, amended 2011). These three law or rules refer to national standards based on IPSAS except the Act on Budgetary Rules which only refers to national standards.

Local government

290. The local government is composed of Regional offices, Municipalities, Town Councils, Regional Councils of Cohesion Regions, semi budgetary organizations, non for profit institutions and other local governments units.

291. Table 79 below summarizes the entities belonging to the local government and presents the accounting and auditing arrangements for the local government.

Table 79: CZ - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local budgetary organizations (LBO) (Regional Offices, Municipalities and Town Councils, Voluntary associations, Regional Councils of Cohesion Regions)	Act on Accounting (amended); Act on Budgetary Rules (local BO); Accounting decree (amended) for BO and SBO	Financial Audit	Carried out as partial in the course of the calendar year and at the end of the year for remaining part of the calendar year
Local Semi budgetary organizations (LSBO)	Act on Accounting (amended); Accounting decree (amended) for BO and SBO	Financial Audit	Annually
Non-profit institutions (schools)	Act on Accounting (amended); Accounting decree (amended) for NPI	Financial Audit	Annually
Other local government units – public entities	Act on Accounting (amended); Accounting decree for entrepreneurs (amended)	Financial Audit	Annually

292. These entities have to apply the same laws or rules as central government entities. However, other rules are taken into account. The Accounting Decree for non-profit institutions (NPI) was enacted on the 06/11/2002 and amended in 2011. The institution able to enforce this law is the internal audit by corresponding founders. This decree can be applied through penalties. The Accounting decree for entrepreneurs was also enacted on the 06/11/2002 and amended in 2002. An official auditor is in charge of enforcing this decree, in line with the Act on Accounting.

Social funds

293. The social funds are composed of health insurance companies and non-profit institutions.

Table 80: CZ - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Health insurance companies	Act on Accounting (amended); Special accounting decree for health insurance companies	Financial Audit	Annually
Non-profit institutions (Associations)	Act on Accounting (amended); Accounting decree for non-profit institutions	Financial Audit	Annually

294. The Special Accounting Decree for health insurance companies was enacted on the 06/11/2002 and amended in 2011. This decree is enforced by the Ministry of Health in cooperation with the Ministry of Finance. These institutions also benefit from penalties to get the decree applied.

Current status of the Czech Republic's accounting arrangements

295. To understand public sector accounting practices, the public sector was broken down into two categories:

- ▶ “Special accounting units” are the Government and/or Parliament, Budgetary organizations (ministries and central offices), State extra-budgetary funds, Semi budgetary organizations and local budgetary organizations (regional offices, municipalities...) which applies the Act on accounting.
- ▶ “Non-enterprise units” stand for No-profit institutions (public universities, public research institutions, Vine-grower Funds, schools, associations ...) which applies a different standard.

Statement of financial position and performance for the Special Accounting Unit

Table 81: CZ - Statement of financial position for Special Accounting Unit - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual Accounting	Historical cost method Fair value Replacement cost
Investment property	Yes, included in property, plant and equipment	Accrual Accounting	Historical cost method Fair value Replacement cost
Intangible assets	Yes	Accrual Accounting	Historical cost method Fair value Replacement cost
Financial assets	Yes	Accrual Accounting	Historical cost method Fair value
Investments recognized using the equity method	Yes	Accrual Accounting	Historical cost method Fair value
Inventories	Yes	Accrual Accounting	Historical cost method Replacement cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual Accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Receivables from exchange transactions	Yes	Accrual Accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual Accounting	Historical cost method

Table 82: CZ - Statement of financial position for Special Accounting Unit - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual Accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual Accounting	Historical cost method
Provisions	Yes	Accrual Accounting	Historical cost method
Financial liabilities	Yes	Accrual Accounting	Historical cost method Fair value
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual Accounting	Historical cost method

Table 83: CZ - Statement of financial performance for Special Accounting Unit

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual Accounting	Identical
Finance costs (for current and past year)	Yes	Accrual Accounting	Identical
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A	N/A
Surplus or deficit (for current and past year)	No	N/A	N/A

Statement of financial position and performance for the Non enterprise Unit

Table 84: CZ - Financial statement of non-enterprise unit - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Modified accrual accounting	Historical cost method Replacement cost
Investment property	Yes	Modified accrual accounting	Historical cost method Replacement cost
Intangible assets	Yes	Modified accrual accounting	Historical cost method Replacement cost
Financial assets	Yes	Modified accrual accounting	Historical cost method Fair value
Investments recognized using the equity method	Yes	Modified accrual accounting	Historical cost method Fair value
Inventories	Yes	Modified accrual accounting	Historical cost method Replacement cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Modified accrual accounting	Historical cost method

Table 85: CZ - Financial statement of non-enterprise unit - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Modified accrual accounting	Historical cost method Fair Value
Minority interests, presented in net assets/equity	No	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 86: CZ - Financial performance of non enterprise unit

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting
Finance costs (for current and past year)	Yes	Modified accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	N/A
Pre-tax gain or loss recognized on the disposal of assets	No	N/A

Accounting caption	Presented	Time of recording
or settlement of liabilities attributable to discontinued operations (for current and past year)		
Surplus or deficit (for current and past year)	No	N/A

Bookkeeping system

296. Special accounting units use Accrual, a double entry bookkeeping system. The non enterprise PS units use different systems which are double entry bookkeeping system.
297. In both cases, the transaction system for accounting practices is ERP and transactions are recorded daily.

Nature of the accounting practices at the different levels of government

298. This section compares the identified accounting practices taking IPSAS as a benchmark.

Comparison of the presentation of the general purpose financial statements

299. Table 87 describes the components of the financial statements for the “Special Accounting Units” and “Non-enterprise Units”.

Table 87: CZ - Comparison of the presentation of general purpose of financial statements

Financial statement	Special accounting units	Non-enterprise units
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies
Statement of changes in net asset	Always applies	N/A
Cash flow statement	Always applies	N/A
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	N/A	N/A
Cash and receipts statement	Always applies	N/A
Other statement(s)	Always applies	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

300. While the presentation of the financial statements for the Special Accounting Units in Czech Republic is in line with the IPSAS principles, the Non-enterprise Units provide neither a statement of changes in net asset nor a cash flow statement.

Time of recording

301. Table 88 presents the components of the financial statements for the “Special accounting units” and “non-enterprise units”

Table 88: CZ - Comparison of the accounting system applied

Financial statement	Special accounting units	Non-enterprise units
Statement of financial position (balance sheet)	Accrual accounting	Modified accrual accounting

Financial statement	Special accounting units	Non-enterprise units
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Modified accrual accounting
Statement of changes in net asset	Accrual accounting	N/A.
Cash flow statement	Cash and accrual Accounting	N/A.

Property, plant and equipment recognition and measurement

302. This section deepens the understanding of the measurement of assets. In particular, it details the measurement methods of property, plant and equipment.

Table 89: CZ - Comparison of the recognition and measurement of property, plant and equipment

Statements		Special accounting units	Non-enterprise units
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Applies sometimes	Applies sometimes
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Applies sometimes	Applies sometimes
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Applies sometimes	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Applies sometimes	Applies sometimes
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Applies sometimes	Applies sometimes
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Applies sometimes
	The residual value of an asset is reviewed at least at each annual reporting date	Applies sometimes	Applies sometimes

303. According to Table 89, both units (Special Accounting and Non-enterprise) are rather similar to IPSAS principles concerning the measurement of property plants and equipments. Moreover, the statements are all conform to IPSAS principles.

304. The main differences are:
- ▶ While special accounting units sometimes determine the price of an asset by using the fair value method at the time of acquisition, the non-enterprise units do not.
 - ▶ While special accounting units always change the depreciation rate over the useful life, it is not systematically done by non-enterprise units.

Provision recognition and measurement

305. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 90: CZ - Comparison of the recognition and measurement of provision

Statements	Special accounting units	Non-enterprise units
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Applies similar statement	Applies similar statement
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Applies similar statement	Applies similar statement
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Applies similar statement	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Applies similar statement	Applies similar statement
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Applies similar statement	Applies similar statement
Provisions are recognized for net deficits from future operating activities*	Applies similar statement	Applies similar statement
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Applies similar statement	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Applies similar statement	Applies similar statement

306. According to Table 90, the measurement and disclosure of provision is rather similar to IPSAS principles.

Practical issues with the application of IPSAS

307. The Czech Republic's current accounting system is already accrual (close to IPSAS). From the accounting point of view, the implementation of IPSAS would be ineffective and its application not easy or useful. Indeed, there are some inner complications to its application in the Czech Republic due to the very nature of IPSAS. Being an "Anglo-Saxon" type of standards, IPSAS standards are very different from the continental European type of standards applied in the Czech Republic. Complying with IPSAS principles would require a lot of efforts for most of the accounting staff to understand the new paradigm. The cost of trainings, software changes and legislation process would be extremely high.

Current financial audit framework

Scope of the financial audit

Table 91: CZ - Description of the scope and nature of the financial audit

Auditing entities	Ministry of finance
Scope of the audit	All sectors
Completeness of the audit	
Reliability of information	The reliability of this information is ensured through an audit
Frequency	Yearly for most units; As to local budgetary organizations, the auditing process is carried out twice during the calendar year: once partially then completed during the rest of the calendar year. The last auditing process is done the following year by the end of June
Visibility	Public entities' management and its government bodies

The auditing process

308. Table 92 describes the auditing process followed by the court of auditors.

Table 92: CZ - Description of the auditing process

Audited entities	All of the government
Auditing standards	Standards close to ISA. Audits are Mandatory
Selection of audit flows	N/A
Assertions covered	Completeness Accuracy and valuation Presentation and disclosure Right and Obligations Lawfulness/rightfulness
Assertions covered	N/A
Feedbacks	N/A
Tracking system	N/A

Quality framework

Table 93 presents the quality framework of the financial audit.

Table 93: CZ - Description of the quality framework

Audited entities	All of the government units
Independence	N/A
Design	N/A
Mandate	N/A
Follow ups	N/A
Education and qualification of the auditors	Upon request the Chamber of Auditors of the Czech Republic shall issue an audit authorisation to a natural person who has graduated from a university with an accredited Bachelor's or Master's study programme or graduated from a study programme recognised by the relevant Member State as a forming part of its university system and graduation from which grants the student a university qualification;
Independence of the auditor	<p>1) When performing audit activity the auditor shall be independent of the audited entity and shall not be involved in its decision making. When performing audit activity the auditor shall be bound by law and also obligated to observe auditing standards under Section 18, the Ethics Code and other internal regulations of the Chamber.</p> <p>(2) If there is any direct or indirect financial, business, employment or other relationship, including the provision of additional non-audit services, between the auditor or persons constituting a network and the audited entity, from which it can be concluded that the auditor's independence is compromised, the auditor cannot perform a statutory audit.</p> <p>(3) If the auditor's independence in relation to the audited entity is affected by threats, such as self-review, self-interest, prioritisation of certain persons, property management or other facts referred to in the Ethics Code, then the auditor shall be obligated to apply measures in order to mitigate those threats. If the significance of the threats compared to the measure applied is such that his/its independence is compromised anyway, the auditor shall not perform the statutory audit.</p> <p>(4) The auditor shall not perform audit activity in an entity if he/it is dependent, in the long term, on income from services provided to that entity.</p> <p>(5) If the statutory auditor performs audit activity on behalf of an audit firm, then members or partners or managing employees of that audit firm, members of governing, management and supervisory bodies of that audit firm or affiliates cannot intervene in the perform of audit activity in a way which jeopardises the independence and objectivity of the statutory auditor when carrying out such an audit.</p> <p>(6) When performing audit activity in a public-interest entity and where necessary for the safeguarding of the statutory auditor's or audit firm's independence, the auditor shall not perform such an activity in cases of self-review or self-interest.</p> <p>(7) The auditor shall be obligated to document in the audit file all significant threats to his/its independence, as well as measures applied to mitigate those threats.</p> <p>mitigate those threats.</p>
Supervision and evaluation	Auditors are supervised

Accounting and auditing reforms

309. The Public Finance Accounting Reform was initiated in the Czech Republic in 2010 by the Central Government in order to move toward accrual accounting. The objective of this reform is to provide accurate, timely, complete and consolidated information regarding the country's public finances. This reform will impact all the levels of government and aims to implement qualitative characteristics of modern accrual accounting to all subsectors of government.
310. Major impacts hoped for are: avoiding insolvencies, obtaining timely information, supporting information, monitoring indebtedness, a more effective cash management, prospecting information for management, etc.

311. Accrual accounting system implementation is going to be completely finished in 2 – 3 years. However this project is very time consuming for current staff, need for new software, education, lecturing, methodological support, etc.

3.6 Denmark

312. This section provides an overview of the accounting and auditing arrangements in Denmark.

Legal requirements for Accounting and auditing

Central government

313. The central government (central level) is composed of the central government (“budget government”) and of separate “extrabudgetary” funds and other legal entities that provide services supervised by the central government. The central government encompasses the Government, the Ministries and Public entities. The extrabudgetary units include the Public Church, Universities, High Schools, private schools etc.

314. The Table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 94: DK - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Government	Government accounting law	Financial audit Performance audit Compliance audit	Annually
Ministries	Government accounting law	Financial audit Performance audit Compliance audit	Annually
Public entities	Government accounting law	Financial audit Performance audit Compliance audit	Annually
Extrabudgetary funds – Public Church	Government accounting law	Financial audit Performance audit Compliance audit	Annually
Other extra budgetary units – Universities, high schools, private schools etc.	Government accounting law	Financial audit Performance audit Compliance audit Some units are audited by private audit firms under instruction of and review by the National Audit Office.	Annually

315. The central government applies the Law on the State Budget in terms of accounting, preparation and presentation of annual Financial Statements and budgeting and reporting.

316. The National Audit Office audits the financial statements. For some units such as universities and high schools parts of the audit is made by private audit firms but under instruction from the National Audit Office, who also reviews the working papers filed by the private audit firms.

317. The reports from the National Audit Office and if relevant from the Private audit firms are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audits take place each year and the financial audit report is available to the public. Reporting is required by laws.

Local government

318. The local government (local subsector) is composed of the local administrations of the municipalities and the regions.

319. The local government applies the Budget, Accounting and Auditing Order. The annual financial statements are audited by private audit firms. However, the National Audit Office audits state refunds. The private audit firms prepare separate audit reports for certain state refund areas for the different ministries. These reports are being reviewed by the authorities in charge and follow ups can be required.
320. The Table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the local government.

Table 95: DK - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Budget, Accounting and Audit Order for municipalities	Financial, legal, performance and compliance audit by private audit firms	Annually
Regions	Budget, Accounting and Audit Order for regions	Financial, legal, performance and compliance audit by private audit firms Performance audit by the national audit office	Annually
Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency

Social funds

321. The social funds are composed of the Unemployment insurance funds and Danish Employees' Fund. These services include pensions, unemployment benefits etc.
322. The Social security services apply the Order on the supervision of recognized unemployment insurance funds economics and accounting and Manual to accounting form (for unemployment insurance funds).
323. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the social funds.

Table 96: DK – Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Unemployment insurance funds and Danish Employees' Funds	Order on the supervision of recognized unemployment insurance funds economics and accounting Manual to accounting form (for unemployment insurance funds)	Financial, compliance and performance audit by private audit firms Performance audit by the National Audit Office	Annually

324. The Unemployment insurance funds and the Danish Employees' Funds are audited by private audit firms through financial audits, but the National Audit Office performs performance audit.
325. The reports from the private audit firms and from the National Audit Office are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audits take place each year and the audit reports will normally be reported directly to the audited unit and may only be published in a more generalized form in the annual report. Annual report is mandatory.

Current status of Denmark's accounting arrangements

326. To understand general government accounting practices, the general government was broken down into three categories:
- ▶ The central government and extra budgetary entities applying Government accounting law²⁹,
 - ▶ Regions applying Budget, accounting and auditing Order for Regions and some municipalities,
 - ▶ Municipalities applying Budget, accounting and auditing order for Municipalities
327. Social funds were not considered as they follow private sector standards. The Unemployment funds' financial statements are prepared based on the Danish Act on Commercial Enterprises Presentation of Financial Statements – the legislation that private held companies follow if not using IAS/IFRS.

Statements of financial position and performance for the central government

Table 97: DK - Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost
Financial assets	Yes	Accrual accounting	Present value
Investments recognized using the equity method	Yes	Accrual accounting	Equity method
Inventories	Yes	Accrual accounting	Historical cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost and Fair Value

²⁹ Some deviations to the government's accounting law exist for different institutions and have not been presented in the Tables below. For instance, the National Bank accounts for financial assets and debt based on fair value, market value, discounted cash flows etc. Infrastructure assets and palaces and other cultural properties for instance are not accounted for under the accrual based method. All investments and maintenance are listed and are evaluated that the plant and buildings are not impaired. Accordingly, the methods described below are the "normal" methods applied but significant areas as mentioned above have different accounting methods, due to their special circumstances.

Accounting caption	Presented	Time of recording	Measurement
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost and Fair Value
Cash and cash equivalents	Yes	Accrual accounting	Historical cost

Table 98: DK - Statement of financial position for the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost
Payable under exchange transactions	Yes	Accrual accounting	Historical cost
Provisions	Yes	Accrual accounting	Historical cost and Fair Values
Financial liabilities	Yes	Accrual accounting	Present value ³⁰
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost and Fair Values
Net assets/equity attributable to owners of the controlling entity	N/A.	N/A	N/A

Table 99: DK - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost and Fair values
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Statements of financial position and performance for regions

Table 100: DK - Statement of financial position for the Regions - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost
Financial assets	Yes	Accrual accounting	Historical cost + present value
Investments recognized using the equity method	Yes	Accrual accounting	Equity method
Inventories	Yes	Accrual accounting	Historical cost

³⁰ The exact method is face value but it was not a possible answer

Accounting caption	Presented	Time of recording	Measurement
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost + present value
Cash and cash equivalents	Yes	Accrual accounting	Historical cost

Table 101: DK - Statement of financial position for the Regions - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost
Payable under exchange transactions	Yes	Accrual accounting	Historical cost + present value
Provisions	Yes	Accrual accounting	Historical cost + present value
Financial liabilities	Yes	Accrual accounting	Historical cost + fair value
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 102: DK - Statement of financial performance for Regions

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost

Statement of financial position and performances for municipalities

328. Table 103 to Table 105 present the financial statements for the municipalities which use a cash accounting system.

Table 103: DK - Statement of financial position for Municipalities - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost
Financial assets	Yes	Accrual accounting	Historical cost + present value
Investments recognized using the equity method	N/A	Accrual accounting	Equity method

Accounting caption	Presented	Time of recording	Measurement
Inventories	Yes	Accrual accounting	Historical cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Cash accounting	Historical cost + fair value
Receivables from exchange transactions	Yes	Cash accounting	Historical cost + fair value
Cash and cash equivalents	Yes	Cash accounting	Historical cost

Table 104: DK - Statement of financial position for Municipalities - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Cash accounting	Historical cost
Payable under exchange transactions	Yes	Cash accounting	Historical cost
Provisions	N/A	N/A	N/A
Financial liabilities	Yes	Cash accounting	Present value + fair value
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 105: DK - Statement of financial performance for Municipalities

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Cash accounting	Historical cost
Finance costs (for current and past year)	Yes	Cash accounting	Historical cost
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Cash accounting	Historical cost
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Cash accounting	Historical cost

Bookkeeping systems

329. The central government uses Navision Stat, a double entry bookkeeping system. The transaction system is Navision and transactions are recorded on going.
330. The municipalities and regions use several different bookkeeping systems which are double entry and double accounting for budget systems. The transaction systems are different in the various region and transactions are recorded in real time.

Nature of the accounting practices at the different levels of government

331. This section compares the identified accounting practices taking IPSAS as a benchmark.

Comparison of the presentation of the general purpose financial statements

332. Table 106 compares the components of the financial statements for the central government, the regions and the municipalities.

Table 106: DK - Comparison of the presentation of general purpose of financial statements

Financial statements	Central government	Regions	Municipalities
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies	Always applies
Statement of changes in net asset	Does not apply	Does not apply	Does not apply
Cash flow statement	Does not apply	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies	Always applies
Cash and receipts statement	Does not apply	Always applies	Always applies
Other statement(s)	Does not apply	Does not apply	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies	Always applies

Time of recording

333. Table 107 below compares the accountancy system applied by the central government, the regions and the municipalities. The Central Government and the Regions use an accrual based accounting whereas the Municipalities use cash based accounting.

Table 107: DK - Comparison of the accounting system applied

Financial statements	Central government	Regions	Municipalities
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting	Modified cash and Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting	Modified cash and Accrual accounting
Statement of changes in net asset	N/A	N/A	N/A
Cash flow statement	N/A	Accrual accounting	Cash and Accrual accounting

Property, plant and equipment recognition and measurement

334. This section deepens the understanding of the measurement of assets. In particular Table 108 details and compares the measurement methods for each of the public entities considered. Municipalities use either a cash based or an accrual based accounting system. Only the municipalities using a cash based accounting system are considered in the rest of this section. For the accrual based financial statements the methods are very much like those for Regions.

Table 108: DK - Comparison of the recognition and measurement of property, plant and equipment

Statement	Central government	Regions / Accrual based municipalities	Cash based municipalities
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Statement		Central government	Regions / Accrual based municipalities	Cash based municipalities
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies	N/A
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies	N/A
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies	N/A
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Does not apply	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	No	No	N/A
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies except for impairment that differs	Always applies except for impairment that differs	N/A
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply	N/A
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies	N/A
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Always applies	N/A

335. According to Table 108, the method of measurement of plant and equipment are very similar for central government and regions and are mainly in accordance with IPSAS principle. Finally, the Municipalities using a cash based accountancy system are very different.

Provision recognition and measurement

336. This section compares the accounting arrangements for the recognition and measurement of provision. The comparison highlights the measurement method and the disclosure requirements.

Table 109: DK - Comparison of the recognition and measurement of provision

Statement	Central government	Regions / Accrual based municipalities	Cash based municipalities
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Does not apply	N/A
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies	N/A

Statement	Central government	Regions / Accrual based municipalities	Cash based municipalities
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies	N/A
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies	N/A
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies	N/A
Provisions are recognized for net deficits from future operating activities*	Does not apply	Does not apply	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	N/A	N/A
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision unused amounts reversed during the period	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Does not apply	Does not apply	N/A
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply	Does not apply	N/A

337. According to Table 109, the measurement and disclosure of the central government, regions and accrual based municipalities are similar. The cash based financial statements of Municipalities are very different.
338. Furthermore while the IPSAS provision measurement principles are well followed, the information disclosed is limited in comparison to the IPSAS recommendations.

Practical issues with the application of IPSAS

339. For the central government authorities the application of IPSAS is an issue that has been and is being discussed. The Danish accounting standards were implemented prior to the development of IPSAS, but

when changes are planned for certain standards IPSAS are used as an inspiration. If the methods in IPSAS make sense for Danish purposes they are implemented in line with these other changes. A significant challenge in implementing IPSAS is that some valuation principles differ from historical cost and gives rise to steering challenges. Further, the IPSAS framework lacks management view.

340. Accrual basis of accounting as requested by IPSAS requires:

- ▶ A specific organization of the accounting function
- ▶ A specific computing system to record the transaction
- ▶ A legal framework
- ▶ Lots of training.

Current financial audit framework

341. All Public sector entities in Denmark have a mandatory audit requirement of their annual financial statements. There are three separate audit systems for public sector entities:

- ▶ Central government is audited by the National Audit Office (NAO);
- ▶ Governmental institutions such as universities, high schools etc. is audited by Authorized Public Accountants but under instruction and review by the NAO
- ▶ Regions, Municipalities and other public entities such as private schools, public corporations etc. are audited by authorized public accountants

342. Certain entities may have the requirement to appoint two Authorized Public Accountants.

343. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Scope of the financial audit

344. Table 110 below summarizes the scope and nature of the financial audit performed by the court of auditors.

Table 110: DK - Description of the scope and nature of the financial audit

Name of controlling entity	National Audit Office	Authorized Public Accountants and National Audit Office	Authorized Public Accountants
Scope of the audit	Financial statements of the central government entities (budgetary entities)	Financial statements of Governmental institutions such as Universities, High Schools, Public owned companies	Financial statements of other publicly fully or partly financed entities such as private schools, municipalities, regions
Completeness of the audit*	The information that is included in the Financial Statements of the entity and should be part of the EDP/deficit compilation is part of the audit approach and as such indirectly audited	The information that is included in the Financial Statements of the entity and should be part of the EDP/deficit compilation is part of the audit approach and as such indirectly audited	The authorized public accountants audit the entire financial statements. The National Audit Office is entitled to receive information on the accounts that are part of the EDP/deficit compilation and as

Name of controlling entity	National Audit Office	Authorized Public Accountants and National Audit Office	Authorized Public Accountants such indirectly audited.
Reliability of information	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit
Frequency	Annually	Annually	Annually
Visibility	Public	Public	Public

The auditing process

345. Table 111 describes the auditing process followed by the NAO. On a voluntary basis the NAO seeks to be as close as possible to the ISA standards of auditing.

Table 111: DK - Description of the auditing process

Audited entities	Central government	Regions and Municipalities
Auditing standards	National Audit Office has issued audit guidelines that follow ISSAI standards.	Regions Budget and accounting system. ISA is followed and good public auditing practice
Selection of the audit flows	The selection process of these flows is made both through materiality and sampling.	The selection process of these flows is made both through materiality and sampling according to ISA standards.
Assertions covered	Existence and occurrence Completeness Accuracy and validation Rights and obligations Presentation and disclosure Lawfulness/rightfulness (compliance with laws and regulations)	Existence and occurrence Completeness Accuracy and validation Rights and obligations Presentation and disclosure Lawfulness/rightfulness (compliance with laws and regulations)
Feedbacks	Intermediary missions report plus audit observations The auditee reply Final report and audit opinion.	Intermediary missions report plus audit observations The auditee reply Final report and audit opinion.
Tracking system	From draft to final report amendments changes are often made to the content (findings and/or recommendations). The follow up of findings and implementation are monitored.	From draft to final report amendments changes are occasionally made to the content (findings and/or recommendations). The follow up of findings and implementation are monitored.

Quality framework

346. Table 112 presents the quality framework of the financial audit.

Table 112: DK - Description of the quality framework

Audited entities	Central government and entities audited by National Audit Office	Regions and Municipalities
Independence	Independence of the National Audit Office is stipulated by law. National Audit Office is organized as a separate entity under the direct supervision of the Parliament. Parliament and National Audit Office are audited by private audit firm (Authorized Public Accountant) appointed by the Parliament.	Independence of the auditor is stipulated by law.
Design	Internal quality reviews take place at each step of the auditing process. This review is a permanent ongoing process. Peer reviews conducted by another country's Supreme Audit Institutions are performed from time to time, but are voluntary and not regulated. Last review was in 2006.	Review of audit firm that audit PIEs every 3rd year and for audit firms NOT auditing PIEs every 6th years.
Mandate	No legislation	Part legislation – and mandates authority to impose penalties both for the audit firm and for the individual auditor.
Follow ups	Self assessment by the National Audit Office.	Individual follow up based on need.
Education and qualification of the auditors	The auditors have academic training. Professional examination is not required, but all auditors in the National Audit Office are offered a comprehensive education in public audition that may lead to certification (COR).	The signing auditors have master degrees and must pass a practical test to obtain license. Normally the auditors performing the work are studying for master degree or the practical test.
Supervision and evaluation	The independence is insured by law and by its status. The followings insure its independence: There is no payment made to the auditor by the auditee. No advice is provided by the auditor to the auditee.	The independence is insured by law and required for every assurance opinion of an auditor. Independence is stringent and covers personal and financial (as required by the IESBA Code)
Independence of the auditor	An internal review is made to monitor the auditing process.	Regulatory body manages peer review.

Accounting and auditing reforms

347. No reforms are planned in Denmark in the nearest future.

3.7 Estonia

348. This section provides an overview of the accounting and auditing arrangements in Estonia.

Legal requirements for Accounting and Auditing

Central government

349. The central government is composed of the state government, the ministries, public entities and public agencies and other public corporations, agencies, non-for-profit institutions under central government control.

350. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 113: EE - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Government	State Budget Act, Annual Budget Acts, Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function
Ministries (including subordinate establishments)	State Budget Act, Annual Budget Acts, Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function
Public entities, public agencies (subordinate establishments of ministries)	State Budget Act, Annual Budget Acts, Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function
Other public corporations, agencies, non-for-profit institutions under central government control (subordinates of ministries not included)	Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board Alternatively IFRS for profit-oriented corporations can be chosen. Differences between IFRS/Est.GAAP are eliminated in consolidation process	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function

351. The Government, Ministries, entities and agencies under ministries apply the State Budget Act together with Annual Budget Acts. This law was enacted by the parliament and the latest amendment goes back to 07/12/2011. Annual budget acts are passed every year, 2012 year's budget act was passed on 19/12/2011.

352. In addition all central level entities apply Estonian GAAP, which are based on Accounting Act, General Rules for State Accounting (based on IPSAS) and Guidelines of the Accounting Standards Board

(based on IFRS). Alternatively profit-oriented corporations can choose IFRS. Differences between IFRS/Est.GAAP are eliminated in consolidation process.

353. General Rules for State Accounting focuses on accounting and refers to IPSAS. It was enacted by Ministry of Finance and the latest amendment goes back to 12/12/2011. Accounting Act was enacted by the parliament and the latest amendment goes back to 02/05/2012. Guidelines of the Accounting Standards Board were enacted by the Accounting Standards Board.
354. National Audit Office (further also NAO) is responsible for auditing Estonian consolidated annual report (covering all ministries with their agencies, constitutional institutions, enterprises and non-profit organizations under control of the state) and ministries' stand-alone annual reports level (covering the whole area of governing, e.g. ministry with agencies under the ministry). Audit is performed annually and is funded from the State budget.
355. The auditor's report including all the findings is transmitted to the legislative level. These reports, which are mandatory at state and ministries level, are available to the general public.
356. The financial audit of entities/agencies which are subordinate establishments of ministries is not covered by NAO separately, but is covered within an audit of the ministry. Audit plan of ministry can then include auditing different subordinate establishments. Agencies/entities which are subordinate establishments of ministries can voluntarily purchase separate financial audit from private auditing companies but this option is rarely used.
357. Other public corporations, agencies, non-profit institutions under central government control are audited by private audit firms and funded by the entities.
358. The internal audit in internal function or in smaller entities can be outsourced to private firms. The report includes findings and advices and is only transmitted to the executive level. It is for internal use only.

Local government

359. The local government includes all the municipalities of the country.

Table 114: EE - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board Financial Management Act for Municipalities	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function
Other public corporations, agencies, non-profit institutions under local government control	Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function

360. The Municipalities apply the same accounting principles as central government entities.

361. Financial statements (annual report) are audited by private audit firms. This audit is funded by the audited entity. The result of this audit is an independent auditor's report on financial statement. This report is mandatory and must be available to the general public (included in annual report).

362. There are two other optional audits conducted:

- ▶ The National Audit Office (NOA) has a right to carry out audits in municipalities for internal use only. These audits are funded with central government budget and its findings are transmitted to the legislative level. A final report is available to the general public.
- ▶ The internal audit in internal function or in smaller entities can be outsourced to private firms. The report is only transmitted to the executive level; it includes findings and advices. Internal audit function is voluntary.

Social funds

Table 115: EE - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Health Care Insurance Fund Unemployment Insurance Fund	Estonian GAAP which is based on: Accounting Act General Rules for State Accounting Guidelines of the Accounting Standards Board	Financial audit Internal audit	Annually for the Financial audit The internal audit is an ongoing internal function

363. Concerning social funds, the same accounting laws are applied than at the central and local levels. Financial audit is conducted by a private audit firm and a final report is mandatory and made available to the public.

Public corporations

Table 116: EE - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central Bank	Law of Estonian Bank	Financial audit Internal audit	Annually for the Financial audit

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
	Internal accounting rules of Estonian Central Bank, which are based on European Central Bank's (ECB) guidelines for accounting financial instruments. The accounting of other assets and liabilities is based on Estonian GAAP. Accounting Act		The internal audit is an ongoing internal function

364. Financial audit is performed by private audit firms. The internal audit is confidential. The report is only transmitted to the executive level; it is for internal use only. It includes findings and advices.

Current status of Estonia's accounting arrangements

365. All the general government entities apply the same accounting system taking IPSAS as a benchmark.

Statement of financial position and performances for all subsectors

Table 117: EE - Statement of financial position for all subsectors of the Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method / fair value method
Investments recognized using the equity method	Yes	Accrual accounting	For affiliates (significant control, usually 20-50% of votes)
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method / fair value method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method/fair value method

Table 118: EE - Statement of financial position for all subsectors of the Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method/fair value method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Fair value at acquisition, accounting value later
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 119: EE - Statement of financial performance for all subsectors of the Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

- 366. Estonian entities use double entry system only.
- 367. Recording frequency depends on the size of the entities. Accounting function records transactions daily.
- 368. Accounting software can be chosen by the entity - there is no standard software in use.

Consolidation

Scope and description of the consolidation process

Table 120: EE - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Any entity of the public sector having control over other entities	Control approach	Consolidation row by row*, All inter-group balances eliminated	No exceptions	6 months after the year-end	All information is for public use

Proximity of the consolidation process with IPSAS

Table 121: EE - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Estonia
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always applies
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always applies
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always applies
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Does not apply
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Do not apply
Minority interests in (c) consist of (d) and (e)	Always applies

369. The consolidation process is close to IPSAS principles

The current financial audit framework

Scope of the financial audit

Table 122: EE - Description of the scope and nature of the financial audit

Auditing entities	National audit office	Private auditing firms
Scope of the audit	Central government	Local government (municipalities) Social funds Public corporation entities
Completeness of the audit ³¹	The flows and processes subject to an audit are partially part of the EDP inventory reporting. Results may be used for EDP audit	Financial statement audit according to International Standards on Auditing (ISA)
Reliability of information	The reliability of this information is ensured through an audit and plausibility checks	ISA principles applied

³¹ *The completeness of the information that should be part of the EDP/deficit compilation is not part of the audit approach.

Auditing entities	National audit office	Private auditing firms		
Frequency	Financial audit regarding State's annual report performed annually	Annually		
Visibility	All audit reports, conclusions, decisions and other relevant information are available to public (presented on NAO's website)	Auditor's report on financial statements is available to public (presented in municipality's annual report)	Auditor's report on financial statements is available to public (presented in Fund's annual report)	Auditor's report on financial statements is available to public (presented in Entity's annual report)

The auditing process

Table 123: EE - Description of the auditing process

Audited entities	Central Government	Local governments	Social funds	Public corporations
Auditing standards	INTOSAI – not required but followed		ISA (if audited by private audit firms) INTOSAI (if audited by NAO)	
Selection of the audit flows	There are 2 selection methods. The first one is based on materiality (usually 0,5-2% of appropriations / expenditures) or by context		Same as for central government	
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Lawfulness / rightfulness (compliance with laws and regulations) 		Same as for central government	
Feedbacks	The auditee has a right to give feedback on draft report. Accounting staff or other staff can provide comments during the audit. The Head of the auditee provides written comments on the draft report.		Same as for central government	
Tracking system	<ul style="list-style-type: none"> 1) From the draft to the final report, amendments/ changes are made occasionally. 2) Amendments/ changes of the report affect essential findings/ recommendations occasionally. 		Same as for central government	

Quality framework

370. Table 124 below presents the quality framework of the financial audit. Note that in Estonia there is no specific training to become a public auditor. However the educational background and experience of the auditor is generally of a high level. Finally a supervisory council monitors the implementation of audit.

Table 124: EE - Description of the quality framework

Audited entities	Central government	Local government	Social funds	Public Corporation
Independence	An internal independence review is carried out.	Same as above, if audited by NAO	Same as if audited by NAO	Same as if audited by NAO
		Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed

Audited entities	Central government	Local government	Social funds	Public Corporation
Design	An internal quality review is carried out afterwards. A high level review is done by an auditor. An integral review is performed during audit for all audits by audit group manager/ director of audit department who signs opinion (internal review). Finally a peer review done by external experts, when needed.	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
		Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed
Mandate	NAO accountable directly to Parliament.	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
	As long, as reviews are done mainly within National audit office (internally), it is not set in the law, but rather regulated by ISA and other applicable standards.	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed
	National audit office is accountable to Parliament.			
Follow ups	Follow up are monitored and by follow up-review or under supervision of government. It is also monitored During next year's audit at the audit planning stage	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
		Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed
Education and qualification of the auditors	A university degree or equivalent education is required. No study program.	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
		Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed
Independence of the auditor	Declaration of private interests, income and assets for auditor and his/her family members	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
		Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed
Supervision and evaluation	To ensure the supervision, a internal review is carried out.	Same as above, if audited by NAO	Same as above, if audited by NAO	Same as above, if audited by NAO
	The enforcement is embedded in national laws	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed	Private audit firms – ISA should be followed

Nature of the accounting practices at different levels of government

Presentation of the general purpose financial statements

371. Table 125 summarizes the components of the financial statements for the central government, local government, social funds and public corporations.

Table 125: EE - Comparison of the presentation of general purpose financial statements

Financial statements	All levels of government
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies

Financial statements	All levels of government
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies
Cash and receipts statement	Does not apply
Other statement(s)	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

372. The presentation of financial statements is similar to the IPSAS principles. Moreover, the statements are the same at each level of government.

Time of recording

373. Table 126 indicates for each component of the financial statements the accounting system applied.

Table 126: EE - Comparison of the accounting system applied

Financial statements	All levels of government
Statement of financial position (balance sheet)	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting
Statement of changes in net asset	Accrual accounting
Cash flow statement	Accrual accounting

374. For each of the component of the financial statement, the accounting system is on an accrual basis, and at all levels of government.

Property, plant and equipment recognition and measurement

375. This section deepens the understanding of the measurement of assets. In particular, Table 127 details and compares the measurement methods for each of the public entities considered.

Table 127: EE - Comparison of the recognition and measurement of property, plant and equipment

Statement		All subsectors
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies (exception- VAT collected by the state of Estonia is not included in purchase price)
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Dismantling and removing costs are usually capitalized in the cost of new building or reconstruction
	The price of an asset is determined at the fair value at the time	Applies similar statement

Statement		All subsectors
	of acquisition.	
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies

376. According to Table 127, the method of measurement of plant and equipment are in accordance with the IPSAS principles.

Provision recognition and measurement

377. This section compares the accounting arrangement for the recognition and measurement of provision With the IPSAS (IPSAS 19) used as a reference. The comparison highlights the measurement method and the disclosure requirements.

378. In the table below, all statements except three, marked with (*), are in conformity with IPSAS principles.

Table 128: EE - Comparison of the recognition and measurement of provision

Statement	All subsectors
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies

Statement	All subsectors
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies

379. According to Table 128, the recognition and measurement of provision is similar to the IPSAS principle.

Accounting and auditing reforms

380. Estonia already has an accrual accounting and auditing procedures in place. There are no upcoming reforms. Reforms regarding accounting and auditing principles are already in place.

3.8 Finland

381. This section provides an overview of the accounting and auditing arrangements in Finland.

Legal requirements for accounting and auditing

Central government

382. The central government is composed of the central government (“budget government”) and of separate “extra budgetary” funds and other legal entities that provide services supervised by the central government. The central government encompasses the Presidency, the Parliament, the Ministries and their agencies. The extra budgetary funds and other government entities include certain government funds, pension and social security institutions, universities and other.

Table 129: FI - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State budgetary units	Law on the State Budget (13.5.1988 /423), Degree on the State Budget (11.12.1992 / 1243), Government Accounting Board resolutions	Definition of the role of the National Audit Office: Financial audit Performance audit Compliance audit	Annually
Extra budgetary funds	Law on the State Budget (13.5.1988 /423) and specific laws on separate legal entities (this may include Accounting Act (30.12.1997 / 1336)), Government Accounting Board resolutions	Financial audit by private sector auditors (Authorized Public Accountants) and/or Chartered Public Finance Auditors	Annually
Universities	Accounting Act (30.12.1997 / 1336), Universities Act 24.7.2009 / 558), Accounting Board resolutions	Financial audit by private sector auditors (Authorized Public Accountants)	Annually

383. The central government applies the Law on the State Budget in terms of accounting, preparation and presentation of annual Financial Statements and budgeting and reporting.

384. All Public sector entities in Finland are required from 1997/1998 to prepare annually financial statements based on accrual principle and consisting of the Income Statement (or equivalent statement of performance, including all income and all expenses) and the balance sheet demonstrating the financial position of the entity at year end; and the relevant Notes to the financial statements.

385. The National Audit Office (hereafter NAO) reviews the management of the central government. The National Audit Office may also control the use of public funds that are allocated to private organizations. The NAO assesses the quality and consistency of the management and reviews the efficiency and effectiveness of the actions performed against the objectives set by the government. The reports from the NAO are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audits take place each year and the financial audit report is public. Reporting is required by the law.

Local government

386. The local government is composed of the local administrations of the cities, the departments, the regions and the public agencies for inter-cities cooperation, such as hospitals, schools etc.

387. The local government applies the accounting Act in General accounting. The annual financial

statements are audited by chartered public finance Auditors. Chartered Public Finance Auditor refers to an auditor licensed to audit government sector entities. Note that Authorized Public Accountant (APA) or Certified Public Accountant is an auditor licensed to audit private sector.

Table 130: FI - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's Municipal sub-committee resolutions	Financial audit by Chartered Public Finance Auditors	Annually
Joint municipal boards	Municipalities Act (17.3.1995 / 365), Accounting Act (30.12.1997 / 1336), Accounting Board's sub-committee resolutions	Financial audit by Chartered Public Finance Auditors	Annually
Government of Åland	Law on the State Budget (13.5.1988 /423), Degree on the State Budget (11.12.1992 / 1243), Government Accounting Board resolutions	Definition of the role of the Court of Accounts: Financial audit Performance audit Compliance audit	Annually
Länsimetro Oy (West Metro Ltd)	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Annually
Municipal Guarantee Board	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Annually
Association of Finnish Municipalities and Local Authority Employers Finland	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Annually

Social funds

388. The social funds are composed of the Social security services, the Local social security services and National Public Agencies. These services include statutory pension providers for public and private sectors, as well as national social insurance and welfare systems.
389. The Social security services apply the Accounting Act in General accounting. The annual Financial Statements are audited by Certified Public Accountants.

Table 131: FI - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Statutory earnings-related pension providers	Specific legislation on pension providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions, Financial Supervisory Authority's resolutions	Financial audit by Authorized Public Accountants	Annually
Other Social Security Funds	Specific legislation on Social Security providers, Accounting Act (30.12.1997 / 1336), Accounting Board resolutions, Financial Supervisory Authority's resolutions	Financial audit by Authorized Public Accountants	Annually

Public corporations

390. The Public corporations (limited liability companies providing public services) apply the Accounting Act in General accounting. The annual Financial Statements are audited by Certified Public Accountants.

Table 132: FI - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Solidium Oyj	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Annually
Länsimetro Oy (West Metro Ltd)	Accounting Act (30.12.1997 / 1336), Accounting Board resolutions	Financial audit by Authorized Public Accountants	Annually

391. Solidium is a limited liability company fully owned by the state. Solidium is a holding company that holds government's shares in listed Finnish industrial companies previously fully owned by the state. Lansimetro is a limited liability company owned by the cities of Helsinki and Espoo and to build and own the underground rail track from Helsinki to Espoo.

Current status of Finland's accounting arrangements

392. The Accounting framework for the public sector consists of two separate standards: either
- ▶ Law on the State Budget for the Central Government (except Universities) and the government of Åland ; or
 - ▶ The Accounting Act for all other public sector entities. The Accounting Act is the financial framework stipulating the private sector and is in compliance with the EU 4th and 7th company directives regarding the preparation and presentation of Financial Statements.

State budgetary units, extra budgetary funds and the government of Åland applying Law on State Budget: statement of financial position

Table 133: FI - Statement of financial position for the Central Government (except universities) and the Government of Åland - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Cost and Fair Value
Investment property	Yes	Accrual accounting	Cost and Fair Value
Intangible assets	Yes	Accrual accounting	Cost and Fair Value
Financial assets	Yes	Accrual accounting	Cost and Fair Value
Investments recognized using the equity method	Yes	Accrual accounting	Cost and Fair Value
Inventories	Yes	Accrual accounting	Cost and Fair Value
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Cost and Fair Value
Receivables from exchange transactions	Yes	Accrual accounting	Cost and Fair Value
Cash and cash equivalents	Yes	Accrual accounting	Cost and Fair Value

Table 134: FI - Statement of financial position for the Central Government (except universities) and the Government of Åland - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Cost
Payable under exchange transactions	Yes	Accrual accounting	Cost
Provisions	Yes	Accrual accounting	Cost and Fair Value

Accounting caption	Presented	Time of recording	Measurement
Financial liabilities	Yes	Accrual accounting	Cost
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 135: FI - Statement of financial performance for the Central Government (except universities) and the Government of Åland

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Modified accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Other public sector entities applying accounting act

Table 136: FI - Statement of financial position for other Public sector entities - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 137: FI - Statement of financial position for other Public sector entities - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 138: FI - Statement of financial performance of other Public sector entities

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Modified accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Bookkeeping systems

393. Public sector is using similar bookkeeping systems to that of the private sector. Actual systems may be commonly used international systems such as SAP and Oracle, as well as locally developed and specially tailored to the entity systems.
394. There is a trend both in Central Government as well as among municipalities to set up common platforms and shared service centers to provide more uniform, more cost efficient and higher quality financial information to management and other stakeholders.

Nature of the accounting practices at the different levels of government

395. This section seeks to compare the identified accounting practices taking IPSAS as a benchmark.
396. Presentation of the general purpose financial statements
397. *Table 139* compares the components of the financial statements for the central government, the local government and other public sector entities.

Table 139: FI - Comparison of the presentation of general purpose financial statements

Financial statement	Central government(except universities) and the government of Åland	Other entities
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies
Statement of changes in net asset	Always applies	Always applies
Cash flow statement	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies

Financial statement	Central government(except universities) and the government of Åland	Other entities
Cash and receipts statement	Does not apply	Does not apply
Other statement(s)	N/A	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

398. Table 140 compares the accounting system applied by the central government, the local government and other public sector entities.

Table 140: FI - Comparison of the accounting system applied

Financial statement	Central government (except universities) and the government of Åland	Other entities
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting
Statement of changes in net asset	Accrual accounting	Accrual accounting
Cash flow statement	Accrual accounting	Accrual accounting

Property, plant and equipment recognition and measurement

399. This section deepens the understanding of the measurement of assets. In particular Table 141 details and compares the measurement methods for each of the public entities considered.

Table 141: FI - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central government (except universities) and the government of Åland	Other entities
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies

Statement	Central government (except universities) and the government of Åland	Other entities
The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Always applies

400. According to Table 141, the method of measurement of plant and equipment are very similar in each public entity and similar to IPSAS principle.

Provision recognition and measurement

401. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except three, marked with (*), are in conformity with IPSAS principles.

Table 142: FI - Comparison of the recognition and measurement of provision

Statement	Central government (except universities) and the government of Åland	Other entities
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Does not apply	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	N/A	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	Applies sometimes
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for	Always applies	Does not apply

Statement	Central government (except universities) and the government of Åland	Other entities
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that expected reimbursement

402. According to Table 142 , the measurement and disclosure of provision are different for the central government and the other public entities.

403. While the other entities follow the IPSAS principle; the central government does not comply with it.

Practical issues with the application of IPSAS

404. Accounting principles are now based on generally accepted accounting principles such as substance over form, accrual and prudence. Acquisitions and investment are accounted for at cost and valued at year end at lower of cost or market value.

405. Key questions remain:

- ▶ To whom and why the financial statements of the government are prepared?
- ▶ Recognition of tax revenue (central and local government) is now based on cash / prudent estimate of receivable
- ▶ Impairment not comprehensively exercised
- ▶ Valuation and depreciations on “national heritage assets” such as museums and other cultural real estate
- ▶ Accrual for pension liability – only partially funded
- ▶ Valuation of long period liabilities and provisions: budgetary entities do not account for provisions, all others: now nominal but should be discounted at net present value
- ▶ No consolidation within the central government (budgetary entities) below the national level

The current financial audit framework

406. All public sector entities in Finland have a mandatory audit requirement of their annual financial statements. There are three separate audit systems for public sector entities:

- ▶ Central Government is audited by the National Audit Office;
- ▶ Municipalities and relevant entities are audited by Chartered Public Finance Auditors (public sector, supervised by the Ministry of Finance)
- ▶ All other public sector entities, such as social funds and public corporations are audited by private sector auditors (Authorized Public Accountants).

407. Certain entities may have the requirement to appoint two auditors; a Chartered Public Finance Auditor and an Authorized Public Accountant (private sector auditors, Institute is member of IFAC, profession is supervised under Ministry of Ministry of Employment and the Economy). And certain entities may have the option to choose between a Chartered Public Finance Auditor and an Authorized Public Accountant.

408. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Scope of the financial audit

Table 143: FI - Description of the scope and nature of the financial audit

Auditing entities	National Audit Office	Chartered Public Finance Auditors	Authorized Public Accountants and/or Chartered Public Finance Auditors
Scope of the audit	Financial Statements of the Central Government entities (budgetary entities)	Financial Statements of the Municipalities	Financial Statements of the all other public sector entities
Completeness of the audit	The information that is included in the Financial Statements of the entity and should be part of the EDP/deficit compilation is part of the audit approach		
Reliability of information	The reliability of this information is ensured through an audit		
Frequency	End of March.	End of April.	End of April.
Visibility	Public		

The auditing process

409. Table 144 describes the auditing process followed by the court of auditors. The court of auditors seeks to be as close as possible on a voluntary basis to the ISA standards of auditing.

Table 144: FI - Description of the auditing process

Audited entities	Central government	Municipalities	All other public sector entities
Auditing standards	National Audit Office has issued Audit Guidelines that follow ISSAI standards.	Municipalities Act and Law on Chartered Public Finance Auditors. The Finnish Institute of Chartered Public Finance Auditors has issued recommendations that follow ISA and ISSAI standards.	Auditing Act and ISA. Specific laws governing the entity in question. The Finnish Institute of Chartered Public Finance Auditors has issued recommendations that follow ISA and ISSAI standards.
Selection of the audit flows	The selection process of these flows is made both through materiality and sampling according to ISSAI (ISA) standards.		
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and validation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations) 		
Feedbacks	<p>The following reporting occurs:</p> <p>Intermediary missions report plus audit observations</p>		

Audited entities	Central government	Municipalities	All other public sector entities
	The auditee reply		
	Final report and audit opinion		
Tracking system	From draft to final report amendments changes are sometimes made to the content (findings and/or recommendations). The follow up of findings and implementation are often monitored.		

Quality framework

410. Table 145 presents the quality framework of the financial audit.

Table 145: FI - Description of the quality framework

Audited entities	Central government	Municipalities	All other public entities
Independence	<p>Independence of the National Audit Office is stipulated by law and stems from the Finnish Constitution. National Audit Office is organized as a separate entity under the direct supervision of the Parliament.</p> <p>Parliament and National Audit Office are audited by private audit firm (Authorized Public Accountant) appointed by the Parliament.</p>	Independence of the auditor is stipulated by law.	Independence of the auditor is stipulated by law (Auditing Act)
Design	<p>Internal quality reviews are occurring for each step of the auditing process. This review is a permanent ongoing process.</p> <p>Peer reviews conducted by another country's Audit Office are planned</p>	External Quality reviews every six years: Peer reviews conducted by other Chartered Public Finance Auditors under the supervision of the Regulatory Board	External Quality reviews every three to six years conducted by the Regulatory Board (Auditing Board of the Central Chamber of Commerce)
Mandate	Internal quality reviews take place at each step of the auditing process	Law on Chartered Public Finance Auditors. The Regulatory Board of Chartered Public Finance Auditors under the supervision of the Ministry of Finance	Auditing Act. The Regulatory Board under the supervision of the Ministry of Employment and Economy
Follow ups	Self assessment by the National Audit Office	Quality review (max) every six years. Follow-up review next year if needed	Quality review (max) every six years. Follow-up review next year if needed
Education and qualification of the auditors	The auditors have University training. Professional examination is not required	The auditors have University training, minimum three years experience in business and a professional examination controlled by the Regulatory Board of Chartered Public Finance Auditors	The auditors have University training, minimum three years experience in business and a professional examination controlled by the Regulatory Board of Chartered Public Finance Auditors
Independence of the auditor	<p>The independence is ensured by law and by its status. The followings insure its independence:</p> <p>There is no payment made to the auditor by the auditee.</p> <p>No advise are provided by the auditor to the auditee</p>	The independence is ensured by law and ISA standards	The independence is ensured by law and ISA standards
Supervision and evaluation	An internal process to monitor the auditing process.	Regular Quality reviews and ad hoc inspections by Regulatory Board of Chartered Public Finance Auditors	Regular Quality reviews and ad hoc inspections by Regulatory Board

Accounting and auditing reforms

Prospect

411. The only current reform initiative in Finland relates to the planned consolidation of public sector auditors (Chartered Public Finance Auditor) and private sector auditors (Authorized Public Accountants).

412. No active plan exists to implement IPSAS in Finland. However, the subject is discussed within the National Audit Office and the Ministry of Finance.

3.9 France

413. This section provides an overview of the accounting and auditing arrangements in France. The government is divided into 3 subsectors, central and local governments, social funds which corresponds to the ESA 95 definitions of the government subsectors.

Legal requirements for Accounting and auditing

Central government

414. The central government is composed of the State and of national public agencies (ODAC). The State encompasses the Presidency, the Parliament and the Ministries. The national public agencies execute public policies on behalf of the State (Universities, Museums, Research centers ...)

415. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 146: FR - Overview of the accounting and auditing arrangements for the Central government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State (Presidency, Parliament, Ministries)	Central Government Accounting Standards	Legal/Compliance audit Financial audit (Article 58-5 of the Constitutional Bylaw issued the first august 2001) Performance audit Operational audit	Annually
National Public Agencies including the Employment agency (Pôle Emploi), some other public corporations and a few private entities.	Depends on the creation decree of each public agency: Public Accounting and Budget National Standard M9 (Public agencies) French private sector accounting standard	Financial audit – Some public agencies have to appoint an external statutory auditor (Financial security law "Loi de Sécurité Financière" (art.135 and 136) – August 1st 2003) and Education code Performance audit Legal/ Compliance audit Operational audit	Annually
Public corporation with a public accountant	Public Accounting and Budget National Standard M9.5	Financial audit – Some public agencies have to appoint an external statutory auditor (only when they produce consolidated financial statements or if the entity decides to have its financial statements audited) (Financial security law "Loi de Sécurité Financiere" (art.135 and 136) – August 1st 2003) Performance audit Legal audit Operational audit	Annually (for financial audit, the frequency of the other types of audit varies)
Public corporation without a public accountant	French Private Sector Accounting Standard and IFRS for consolidation	Financial audit (external mandatory auditor) (Financial security law "Loi de Sécurité Financiere" (art.135 and 136) – August 1st 2003) Legal audit Performance audit Operational audit	Annually (for financial audit, the frequency of the other types of audit varies)

416. The State applies the Central Government Accounting Standards in terms of accounting. These accounting standards are in fact a set of Orders following the Constitutional Bylaw on Budget Acts 2001-692 of 1 August 2001. The initial set was enacted in May 2004 and the last amendment was

made in August 2012. This text makes reference to the French Private Sector Accounting Standards (Plan Comptable General - PCG), IFRS, IPSAS and other specific standards applied to specific issues such as social benefits, tax revenues and heritage assets.

Most of³², the national public agencies apply the M9 order in terms of general accounting and budget, which is the order for the national public establishment. This order was enacted by the Directorate General for Public Finances (last updated on December 2011) and also makes references to the French Private Sector Accounting Standard. ODAC also encompasses some public corporations: There are two kinds of public corporation industrial and commercial bodies (EPIC): public corporations with a public accountant and public corporations without a public accountant. While the formers are following the M9.5 guidance the latter apply the French Private Accounting Standards or IFRS (for the corporation issuing public debt or partially listed according to the European Regulation).

417. The missions of the Court of Auditors are defined by the Constitution in paragraph 1 of article 47-2. The Court of Auditors conducts the certification of the State accounts. It is in charge of certifying the lawfulness (i.e. compliance with rules), the faithfulness (i.e. application of rules in good faith) and the truthfulness (i.e. true to the reality) of the accounts of the State. The Court of Auditors was entrusted with this mission by the above mentioned Constitutional Bylaw enacted in 2001.
418. The reports from the Court of Auditors are sent to the audited executive level and are composed of opinions on financial statements and findings. Recommendations are issued in the interim phase. The audits take place each year and the financial audit report is made public. The audit is conducted in accordance with International Standards on Auditing (ISA). Reporting is required by laws.
419. The national public agencies appoint a statutory external auditor, when they either produce consolidated accounts or apply French private sector accounting standard. These audits comply with the private sector auditing standard.

Local government

420. The local government is composed of the local administrations of the cities, the departments, the regions and the local public entities (in particular for inter-cities cooperation).
421. The table below summarizes the entities belonging to local government and presents the accounting and auditing arrangements for local government.

Table 147: FR - Overview of the accounting and auditing arrangements – Local government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Cities	M14 Order	Definition of the role of the Regional Court of Auditors : Code of financial jurisdictions (article L 211-1) Legal audit	Mid-term (4-5 years)
Departments	M 52 Order	Definition of the role of the Regional Court of Auditors : Code of financial jurisdictions (article L 211-1) Legal audit	Mid-term (4-5 years)
Regions	M71 Order	Definition of the role of the Regional Court of Auditors : Code of financial jurisdictions (article L 211-1)	Mid-term (4-5 years)

³² Some national public agencies such as the City of Architecture and National Heritage apply the French private accounting standards. As a consequence these National Public Agencies are subject to a statutory audit.

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
		Legal audit	
Public local entities	M4, M14, M31, M21, M52, M71... Order	Definition of the role of the Regional Court of Auditors : Code of financial jurisdictions (article L 211-1) Legal audit	Mid-term (4-5 years)

422. All the local government entities follow the M Orders (M4, M14, M52, M71...). These accounting standards are enacted by the concerned Ministries. The main accounting rules refer to the French Private Sector Accounting Standard.
423. The accounting of local administration of the departments, regions, communes and local public entities are subject to legal audits from the Regional Chamber of auditors described in Code of financial courts (article L 211-1)³³. The Public fund is funding the audits (Budget of the Regional Chamber of auditor is voted by the Parliament).
424. Note that, in matter of frequency, the 4 to 5 years frequency is only indicative, it may vary across entity. Furthermore, the legal audit performed will cover the period from the day the last audit was performed up to the current date. The legal audit checks whether the accountant properly recorded the bookkeeping.

Social funds

425. The scope of Social funds is divided into two main groups:
- ▶ Social security schemes including mandatory health insurance, supplementary pensions, unemployment pensions' schemes, and funds involved in financing these entities (CADES and FRR).
 - ▶ Bodies depending on social security authorities (organismes dépendant des assurances sociales –ODAS), including public and private hospitals taking part in the public hospital service and welfare provided by social security schemes.

Table 148: FR - Overview of the accounting and auditing arrangements – Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Compulsory healthcare and pension schemes French pension reserve fund (FRR)	PCUOSS (plan comptable unique des organismes de sécurité sociale)	Financial audit by the court of auditors performance audit	Annually
Supplementary Pension	adapted PCUOSS	Financial audit (according to ISA)	Annually
Unemployment welfare schemes	PCG (plan comptable general)	Financial audit (according to ISA)	Annually

³³ Note that the regional Chamber of auditors does not perform financial audits. The regional chamber of auditors judges the lawfulness of all of public local authorities and their public accountants. If it falls on that occasion on irregularities committed by managers or accountants, the courts notify the relevant administrative and legal authorities. The regional chambers of auditors review judges the regularity of the acts of management, economy of means used and the evaluation of results achieved against objectives set by the deliberative assembly or the legislative body.

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social security debt reimbursement fund CADES	PCEC (Plan comptable des établissements de crédits)	Financial audit (according to ISA)	Annually
ODAS – Public hospitals Nonprofit hospital bodies	M21	Financial audit – The largest public agencies and private bodies have to appoint an external statutory auditor (Public health code and specific law 'Loi HPST' 2009-879 July 21 st 2009) Performance audit	Annually

426. The compulsory health care and pension schemes General system are subjects to audits from the Court of Auditors, in accordance with the constitutional bylaw on Social security financing laws (LOLFSS) of 2nd August 2005. The other entities of the Social funds are certified by statutory auditors who apply the International standards of auditing (ISA) in accordance with the European audit directive (L114-8 social security code and other specific provisions). The Public fund finances the audit (Budget of the Court is voted by the Parliament). Like the State, the Court is in charge of certifying the lawfulness, the faithfulness and the truthfulness of the accounts of national entities depending on the Social security general system; i.e. the combined accounts of the branches of this system, and of the collection of the Social security general system. The Court of Auditors³⁴ was entrusted with this mission by the constitutional by law enacted in 2005 for the Social security.
427. All systems and entities apply accounting rules embedded in the French Private Sector Accounting Standards - PCG - (reference applicable to entities in the competitive sector) and are on the whole similar.
428. Concerning specifically social security schemes, unlike the State and the local sector there is only one type of accounting (accrual accounting; no budget accounting) and the specific accounting standards derived from the private sector accounting standards (Plan comptable unique des organismes de sécurité sociale - PCUOSS) were adopted in 2001

Current status of the French accounting arrangements

429. To understand public sector accounting practices, the public sector was broken down into four broad categories for this report:
- ▶ Central government (that is 'state' as defined in Table 146)
 - ▶ Local government (M14, M22, M52, M71...),
 - ▶ EPN national public establishments. This includes most of the entities ruled by the M9 based Orders.
 - ▶ Social funds

Statement of financial position and performance for the Central government

Table 149: FR - Statement of financial position - Central government - Assets

Accounting caption	Presented	Time of recording	Measurement
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³⁴ The reports from the Court of auditors are sent to the audited executive level and are composed of opinions on financial Statements, findings and recommendations. The audits take place each year and the financial audit report is public. Reporting is required by laws.

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes and other tangible assets	Accrual accounting	The most frequent measurement method is the historical cost. Nevertheless the fair value (market value, e.g. buildings), replacement cost (e.g. roads and jails) are also used.
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	The most frequent measurement method is the historical cost. Nevertheless present value is also used (spectre hertzien/wireless spectrum).
Financial assets	Yes	Accrual accounting	Historical cost method or present value (most frequent measurement method)
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	The most frequent measurement method is the historical cost. Nevertheless fair value (market value) is also used.
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 150: FR - Statement of financial position - Central government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method and present value (e.g. financial debt arising from service concession arrangements)

Table 151: FR - Statement of financial performance - Central government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting
Finance costs (for current and past year)	N/A	N/A
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Statement of financial position and performance for National Public Establishments

Table 152: FR - Financial statement of the National Public Establishments - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A (Consolidation)
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 153: FR - Financial statement - National Public Establishments - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 154: FR - Financial performance of the public establishments

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes		Modified accrual accounting
Finance costs (for current and past year)	Yes		Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes, if consolidated financial statements	Yes, if consolidated financial statements	Yes, if consolidated financial statements
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A		N/A
Surplus or deficit (for current and past year)	Yes		Accrual accounting

Statements of financial position and performance for Local government

Table 155: FR - Financial statement of the local government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Modified accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Modified accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Financial assets	Yes	Modified accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Modified accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Modified accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Modified accrual accounting	Historical cost method

Table 156: FR - Financial statement of the local government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Modified accrual accounting	Historical cost method
Provisions	Yes	Modified accrual accounting	Historical cost method
Financial liabilities	Yes	Modified accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	N/A	N/A

Table 157: FR - Financial performance of the local government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting
Finance costs (for current and past year)	Yes	Modified accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Modified accrual accounting
Surplus or deficit (for current and past year)	Yes	Modified accrual accounting

430. The respondents deemed that the share of the surplus/deficit and the pre-tax gain/loss items are not relevant for the local government and are therefore not reported.

Statements of financial position and performance for social funds:

Table 158: FR - Financial statement of the social funds - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 159: FR - Financial statement of the social funds - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 160: FR - Financial performance of the social funds

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Bookkeeping system

431. The central government invested in a new bookkeeping system: the system CHORUS. This is described in further details below. This system represents an investment of 1 billion EUR and involved considerable training and reorganization of the accounting function. The advantages of Chorus are twofold:

- ▶ With this system, the expense decision maker and the accountant transactions are fully integrated

- ▶ Transactions are simultaneously recognized at the budget (cash based) and accounting level (accrual based) at each step

432. Helios is the bookkeeping system of the Public accountant of the local government. While the Authorising officer of the local governments may use other software to record their bookkeeping, they have to be able to transfer data to Helios. The underlying transaction system of Helios is an in house system. It is mandatory to record legal transaction on a daily basis on this system.

Consolidation

Scope and description of the consolidation process

433. Social services are organized in a network (mandatory scheme) or federation (complementary scheme).

434. Consolidation is mandatory only for National Public Establishments which prepare consolidated financial statements in accordance with Article 136-1 of the Financial Security Act and for the social security scheme. The scope for consolidation is adjusted to the organization (financial and legal control for mandatory schemes) and associated to their respective federation for entities supporting complementary schemes.

Table 161: FR - Description of the consolidation process for social security schemes

Auditing entities	Social funds (CNAMTS)	General Accounting Office
Scope of the audit	All social services' entities are included in the consolidation but some else services. The nature of their activities are quite different, that is why they are not included	Control approach
Accounting rules	Public Accounting -standard for Social Security	Yes, balances, transactions, revenues and expenses between entities are eliminated in the consolidated accounts
Exceptions	See scope above	No
Timetable	January and February: Draft of consolidation March: Consolidation	Annual consolidation : 30 June
Availability/Recipients	Government, Public	Published online, twice a year, June and September consolidation is presented to General accounting office, ministries. The aim is to give the trend

Proximity of the consolidation process with IPSAS

Table 162: FR - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Social funds
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Does not apply
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Does not apply
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Does not apply
Minority interests in (c) consist of the amount of the minority interests at the date of the original	Does not apply

combination	
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Does not apply
Minority interests in (c) consist of (d) and (e)	Does not apply

435. The consolidation process is very different from IPSAS.

Nature of the accounting practices among the differing subsectors of government

436. This section compares the identified accounting practices.

Presentation of the general purpose financial statements

437. Table 163 compares the components of the financial statements for the central government, national public establishments and the local government and Social funds.

Table 163: FR - Comparison of the presentation of general purpose financial statements

Financial statement	Central government	National public establishments	Local government	Social funds
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies	Always applies	Always applies
Statement of changes in net asset	Always applies	Always applies	N/A	Always applies
Cash flow statement	Always applies	Always applies	Does not apply	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies	Always applies	Does not apply
Cash and receipts statement	Always applies	Does not apply	Always applies	Does not apply
Other statement(s)	Reconciliation between budget (modified cash basis) and accrual basis	N/A	N/A	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies	Always applies	Always applies

438. In comparison with the IPSAS requirements (IPSAS1) for the presentation of financial statements, some components are missing.

Time of recording

439. Table 164 compares the accounting system applied for the central government, national public establishments, and the local government and Social funds.

Table 164: FR - Comparison of the accounting system applied

Financial statements	Central government	National public establishments	Local government	Social funds
Statement of financial position (balance	Accrual accounting	Accrual accounting	Modified accrual	Accrual

Financial statements	Central government	National public establishments	Local government	Social funds
sheet)			accounting	accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting	Modified accrual accounting	Accrual accounting
Statement of changes in net asset	Accrual accounting	Accrual accounting	N/A	Accrual accounting
Cash flow statement	Accrual accounting	Accrual accounting	N/A	Accrual accounting

440. Most of the government entities follow an accrual based system except the local government using modified accrual accounting for both the balance sheet and the statement of financial performance.

Property, plant and equipment measurement and recognition

441. This section deepens the understanding of the measurement of assets. In particular Table 165 details and compares the measurement methods for each of the public entities considered.

Table 165: FR - Comparison of the measurement and recognition of property, plant and equipment

Statement		Central government	National Public Establishment	Local Government	Social funds
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies	Always applies	Always applies	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Applies similar statement	Does not apply	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Applies similar statement (when relevant)	Applies similar statement	Applies similar statement	Applies similar statement (when relevant)
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Always applies	Always applies	Always applies

442. According to Table 165, the method of measurement of plant and equipment are very similar in each public entity and as proposed by IPSAS.

Provision measurement and recognition

443. This section compares the accounting arrangement for the measurement and recognition of provision.

Table 166: FR - Comparison of the measurement and recognition of provision

Statements	Central government	National Public Establishment	Local Government	Social funds
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Statements	Central government	National Public Establishment	Local Government	Social funds
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Does not apply	Does not apply	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Applies similar statement	Applies similar statement	Applies similar statement	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Does not apply	Does not apply	Does not apply	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	N/A	N/A	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement	Applies similar statement	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement	Applies similar statement	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply	Does not apply	Does not apply	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always applies	Always applies	Always applies

444. According to Table 166, the measurement and disclosure are similar across the differing subsector of government.

445. Furthermore while the IPSAS provision measurement principles are well followed, except for three statements marked with (*), the information disclosed is limited in comparison to the IPSAS recommendations.

Homogeneity of the accounting arrangements

446. While the accounting arrangement may seem complex in terms of number of accounting laws, the current root of all these laws are the French Private Sector Accounting Standards except when characteristics of the public sector require to adapt the standards. Even if all the orders and accounting laws stem from the Chart of Account so they could be considered very similar, there are key differences between them on some essential issues.

The practical issues with the application of IPSAS

447. Respondents (Court of Auditors, the CNoCP, the ministries of finance and of social security) acknowledge the needs for a global harmonization of public accounting standards and believe that the development and promotion of a European accounting standards will be a good initiative to harmonize public sector accounting.
448. However, IPSAS is not perceived as appropriate to reference public sector accounting. According to respondents the IPSAS principles do not cover key accounting topics for the government. In particular the IPSAS principles do not provide sufficient (if any) guidance on the following topics:
- ▶ Social benefits. This item is not addressed by IPSAS. This is viewed as a major drawback as most of public expenses concern social benefits.
 - ▶ Tax revenue. IPSAS principles are not operational for the central government and part of Social funds revenues.
 - ▶ Consolidation. While IPSAS 6 deals with government, this is hardly applicable to the government sector. No guidance is provided on the definition of the controlling entity and controlled entities from a government perspective. This IPSAS is not adapted considering the specificities of the public sector: absence of capital-intensive links, absence of shareholdings and thus minority interests.
 - ▶ In the component of the financial statement, while some important items for government such as intangible assets or expenses are missing, other items irrelevant for the government functioning are present.
 - ▶ Recognition of the historical heritage. There is no IPSAS principle on the recognition of monument and work of art. While this might not be an issue for “young countries”, for European countries which have an important historical real estate this is an important issue. In France it represents 50% of the real estate asset of the central government.
449. Because of this lack in the IPSAS principles, others accounting standards or the French Private Sector Accounting Standards have been used or accommodated to deal with these accounting topics.

The current financial audit framework

450. In France the Court of Auditors conduct financial audit for the central government and Social funds (only the general security system, others systems are subject to statutory audits). The other accounts are not subject to a financial audit.

This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Description of the scope of the financial audit

451. Table 167 below summarizes the scope and nature of the financial audit performed by the Court of Auditors.

Table 167: FR - Description of the scope and nature of the financial audit

Auditing entities	Court of Auditors	
Scope of the audit	Central government	Social funds (general security system only)
Completeness of the audit	The information that should be part of the EDP/deficit compilation (including social funds, central government owned entities, etc.) is part of the audit approach	
Reliability of information	The reliability of this information is ensured through an audit	
Frequency	End of February for the tentative accounts and end of May for the final account. The court opinion should be delivered before the 31 st of May.	The 10 march for the tentative accounts and the 15 of April for the final account. The court opinion should be given before the 30 of June.
Visibility	<p>Article 58-5 of the LOLF: The Parliamentary assistance task assigned to the State Audit Office by the last paragraph of Article 47 of the Constitution comprises, in particular: Certification that the Central government's accounts are lawful, faithful and present a true and fair view. This certification is appended to the budget review bill and is accompanied by the report on the audits conducted.</p> <p>There is no legal requirement for the publication of the audit results. The Court of Auditors publishes them on a voluntary basis. Its findings are provided to the audited entity, the parent of the audited entity, the government, the supervision authority and to the press.</p> <p>In general these publications led to internal action and follow up by the audited entity, action by the government and the supervisory authority.³⁵</p>	

The auditing process

452. Table 168 describes the auditing process followed by the Court of Auditors. On a voluntary basis the Court of Auditors seeks to be as close as possible to the ESA standards of auditing.

Table 168: FR - Description of the auditing process

Audited entities	Central government	Social funds
Auditing standards	The Court of Auditors seeks to be as close as possible to the ISA standards of auditing.	
Selection of the audit flows	Although many flows are not required to be audited, they are based on the ISA recommendations. The selection process of these flows is made both through materiality and sampling	
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/Rightfulness (compliance with laws and regulations) 	
Feedbacks	The following reporting occurs:	

³⁵ These comments on LOLF only concerns the Central government, but the same principles are used for social funds.

Audited entities	Central government	Social funds
	<p>Intermediate engagement reports plus audit remarks The auditee never gives feedback on the findings and/or recommendations in the final report, but does it in intermediate reports. Reports are the mean to insure the traceability of the audit. The different versions of the reports are available. Not only the changes made in each version can be found but also who requested the changes. These amendment changes from draft to final report occur rarely</p>	
Tracking system	<p>There is a systematic monitoring from one year to the next, in particular for Follow up of findings and implementations internal monitoring is realized on TEAMMATE, an archiving and monitoring system</p>	

Quality framework

453. Table 169 presents the quality framework of the financial audit. Note that in France there is no specific initial training to become a financial public auditor. However the educational background and experience of the auditor is generally of a high level. Finally a supervisory council monitors the implementation of audit (in accordance with European audit directive).

Table 169: FR - Description of the quality framework

Audited entities	Central government	Social funds
Independence	<p>Independence is guaranteed by Status of the Court of Auditors and through an internal review made by an Attorney General's office and review by Supreme Audit Institution for ISA standards</p>	
Design	<p>A quality review takes place each campaign, at all stages of the procedure The Attorney General's office monitors each phase of the procedure. This review is a permanent ongoing process</p>	
Mandate	<p>Quality review is mandate embedded in national law, in particular into Code of Financial Jurisdiction. In addition, This institution have also the authority to impose corrective actions</p>	
Follow ups	<p>The Chamber of auditors follows and request for the application of the court findings.</p>	
Education and qualification of the auditors	<p>While there are two population of auditors both have with a high level of education in accounting: The magistrates from the Court of Auditors. Their educational background corresponds to ENA degree (public administration) with an accounting qualification. They can also be detached from regional chambers or other administrations Auditors. They are usually in temporary work contract. They are usually accountant and CAC. To guarantee the expertise of the auditor, the recruitment follows several steps. In addition there exists an internal training program. There is no study program in France for becoming a public auditor. This is not a legal requirement. While training programs are becoming available, there does not exist a specific educational program and institution.</p>	
Supervision and evaluation	<p>Supervision of audit is internal. The High Council of the Court of Auditors monitors the audit process and have a specific oversight on it.</p>	
Independence of the auditor	<p>The independence is ensured by law by its status of Magistrates who is irremovable</p>	

Accounting and auditing reforms

Existing reforms

454. The Public Sector Accounting Standards Council was established by the annual Budget Act on the 30th December 2008. The Council is in charge of setting the accounting standards of all entities with a non-

market activity and primarily funded by public funding, including contributions. Its work plan differs according to the three domains/three commissions of the CNOCP, as follow:

- ▶ The Central government. For the central government, the work consists of review and in-depth analysis focusing on the accrual accounting approach (provisions, details on the operative event, social obligations) to strengthen the consistency of the conceptual framework. For public establishments, an objective was defined at the end of 2011 with the aim, by 2013/2014, of converging the sets of standards into central government standards by transposing the central government's standards into a freestanding "replica".
- ▶ Regional and local authorities. For regional and local authorities, the CNOCP is working on the enhancement of accounting and the financial statements, notably the notes to the accounts. In particular, efforts are being made to improve information on debt. The M 14, 52, 71 instructions reflect the standards. It should be noted that these changes in terms of presentation should not be major, as the current system enables tight control of the finances of regional and local authorities that no-one wants to call into question. Work started on fixed assets, liabilities and off balance sheet commitments, notably in a practical manner with the DGFIP (Direction générale des finances publiques, the Directorate General for Public Finances). The idea is to upgrade the balance sheet based on the reality of assets and liabilities.

However, the current accounting of the regional and local authorities was not designed to meet a true-and-fair-view objective but rather one of security. This can be illustrated by the example of fixed assets: budgetary flows are recorded without revaluation and according to a predefined amortization plan. Therefore, the accounting is more of a budgetary nature.

The current reform attempts to give a true and fair view of liabilities, fixed assets and bad loans. It is as much an exercise of awareness-raising as of standard-setting.

- ▶ The Social Security accounts. The objective of the CNOCP is to improve the notes to the accounts, in particular the off balance sheet items, bearing in mind that these are pay-as-you-go systems and that there is a short step between sustainability and real commitment. The construction of a conceptual framework remains to be undertaken. The main question to be addressed concerns the characterization of the commitments of social security schemes funded by distribution and translation accounting, with respect to the first objective of social security accounts which is to account for the annual implementation of laws financing of social security (under the LOLFSS August 2, 2005, the consolidated regimes and social security for the year ended are presented annually in aggregate form in section 1 of the LFSS in order adoption by Parliament)

Prospects

455. Changes are to be expected in the budgetary and general accounting of the National Public Establishments (e.g., the Louvre, the CNRS and Universities) due to a new decree.

Acronyms

ANC: Autorité des Normes Comptables

CAC: Commissaire aux comptes

CNoCP: Conseil de normalisation des comptes publics (the French public sector accounting standards board)

DGCP: Direction générale de la comptabilité publique - Directorate-General of Public Accounts

DGFIP: Directory General for Public Finance

EPN: Etablissements publics nationaux

IFRS: International Financing Reporting Standards

IPSAS: International Public Sector Accounting Standards (IPSAS)

LOLF: loi organique relative aux lois de finances

ODAC: Organisme Divers d'Organisation Central

3.10 Germany

456. This section provides an overview of the accounting and auditing arrangements in Germany.

Legal requirements for Accounting and auditing

Central government

457. The central government is composed of the state, special purpose entities and foundation.

458. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 170: DE - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central Government (Ministries, Federal Parliament, etc.)	Germany's constitution (Grundgesetz, GG): (Section 114 para. 1 GG, see http://www.gesetze-im-internet.de/gg/): Cash Accounting on current revenue and expenditure ("Haushaltsrechnung") Balance Sheet („Vermögensrechnung“). Laws: Haushaltsgrundsatzgesetz (HGrG) Bundshaushaltsordnung (BHO)	The audit institution is the Federal Court of Auditors ("Bundesrechnungshof"). According to § 42 HGrG the following audits are performed: Regularity Legal Compliance Efficiency The Federal Court of Auditors prepares an annual audit report on the government level. However, there is no explicit auditor's report on the "Haushaltsrechnung" and "Vermögensrechnung" of the central government.	Annually
Special purpose entities (Sondervermögen) of the central government	The special purpose entities are presented separately within "Haushaltsrechnung" and "Vermögensrechnung" of the central government. Furthermore, some of them prepare their own financial statements according to the German Commercial Law (Handelsgesetzbuch, HGB).	Please see above (Central Government)	Annually
Mittelbare Bundesverwaltung (several corporations, institutions and foundations)	The entities of the so called "Mittelbare Bundesverwaltung" are not presented within "Haushaltsrechnung" and "Vermögensrechnung" of the central government. The reporting depends on the individual case.	Please see above (Central Government)	Annually

459. At the central and the state government levels, the "Haushaltsgrundsatzgesetz" (HGrG, Budgetary Principles Law) obliges the Federation and the 16 states to regulate their budget law in accordance with certain principles which it sets out. The HGrG was issued in August 1969 and was last amended in May 2010. Some of its provisions (Sec. 49 et seqq.) are generally and directly valid for both levels of government. Any amendment to the Budgetary Principles Law requires the consent of the Bundesrat (the representation of the 16 states at federal level). According to that the law, governmental accounting may follow a cash-based approach ("kamerale Haushaltswirtschaft") or an accrual-based approach ("Standards für die staatliche doppelte Buchführung"). In order to ensure uniform procedures and data, a standard-setting body called "Gremium zur Standardisierung des staatlichen Rechnungswesens" has been established (see Sec. 49a HGrG).

460. In the “Bundeshaushaltsordnung” (BHO, Federal Budget Code) the Federation has discharged its obligations to regulate its budget law in accordance with the “Haushaltsgrundsatzgesetz” (German Budgetary Principles Law). The Code also incorporates some supplementary regulations. The BHO was issued in 1969 and was last amended in December 2010. The 16 states, in turn, have fulfilled their obligations by each adopting a “Landeshaushaltsordnung” (LHO). The sequence of provisions in all budget codes is largely identical.
461. The supplementary administrative regulations include in particular the administrative regulations pertaining to the BHO and the administrative regulations relating to the structure of the budget system (classification by object and function, technical budget directives of the Federation). Particular mention should be made of the following:
- ▶ The mandatory draft regulation governing bookkeeping and accounting for federal assets “Buchführungs- und Rechnungslegungsordnung für das Vermögen des Bundes (VBRO)“ dated 16 March 1953 provides guidelines regarding recognition and measurement in the statement of financial position (“Vermögensrechnung”).
 - ▶ The annual circular issued by the Federal Ministry of Finance “Rechnungslegungsgrundschriften des BMF“ provides technical details regarding the preparation of the statement of financial performance (“Haushaltsrechnung”) and the statement of financial position (“Vermögensrechnung”) of the federal government
462. The above-mentioned special purpose entities (Sondervermögen) are presented separately in the statement of revenue and expenditure of the federal government. However, these are non-incorporated entities.
463. Corporations, foundations and institutions (“Mittelbare Bundesverwaltung”) under public law (or public bodies) were created and are supervised by the federal state governments. They act on behalf of the government throughout the country. Examples, including in the “Mittelbare Bundesverwaltung”, are the Federal Labor Office, public universities, professional associations or the public broadcasting corporations. Other entities perceive scientific and cultural purposes, such as “Stiftung Preußischer Kulturbesitz” or “Deutsche Bibliothek”. The reporting requirements for these entities depend on the individual case. Some of them have a similar accounting system as the central government’s. Other entities apply to the German Commercial Code which is applicable to private sector entities.
464. The Federal Court of Audit audits federal financial management. This includes audits of both revenue and expenditure. Its audit mandate also includes social security institutions and the activities of the Federation in private-law enterprises of which it is a shareholder. The legal bases are Secs. 53-56 HGrG, Secs. 88-104 BHO and the “Bundesrechnungshofgesetz” (BRHG, Act governing the Federal Court of Audit). The Federal Court of Audit may at any time submit special reports on matters of major significance to both houses of parliament and to the federal government. For instance, concerning the necessity of modernizing the public sector financial management and accounting on 17 August 2006, the Court submitted a report to parliament and the federal government.

State government

465. The state government is composed of the 16 states of the Federal Republic of Germany. They are autonomous by law and mutually independent in their accounting and budget management.

Table 171: DE - Overview of the accounting and auditing arrangements for the State Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Sixteen independent states	Haushaltsgrundsatzgesetz	The audit institutions are 16 autonomous and independent	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
governments	(HGrG; federal law) A separate " Haushaltsordnung (HO)" for each state ³⁶	state courts of audit ("Landesrechnungshöfe"). According to Sec. 42 HGrG the following audits are performed: Regularity Legal Compliance Efficiency	
Special purpose entities (Sondervermögen) of the state governments	The reporting depends on the individual case.	Same as above	Annually

466. Although the 16 states follow the Federal Budgetary Principles Law (HGrG), as does the federal government, the situation at state level is very diverse because each state applies a different Budget Code (HO).

Local government

467. The local government is composed of the municipalities of 13 out of the 16 states, excluding Berlin, Bremen and Hamburg.

468. The city states of Berlin, Bremen and Hamburg have a special role as they are a state and a municipality at the same time. Therefore, no special accounting regulations exist for municipalities in these states.

469. As mentioned above, the Federal Republic of Germany consists of 16 independent states. Each of these states has the power to regulate the accounting system for the municipalities located in its own territory. This being said, the state parliaments are the accounting standard setting bodies for the local level. The different state laws of the individual states are regularly called "Gemeindeordnung" (Local Government Code).

470. The following table discloses the above-mentioned 13 states and their accounting laws or standards in use in their municipalities. However, there are only ten of these thirteen states which have introduced mandatory accrual accounting in their municipalities. In two states (Bavaria and Thuringia), there is an option to use either the cameral system (cash accounting) or accrual accounting. In an other state (Schleswig-Holstein), there is a choice between a modified cameral system (modified cash accounting) and accrual accounting.

Table 172: DE - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities in Baden-Württemberg	Accrual accounting (introduced at the latest as of 2016) (Law: Gemeindeordnung)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Bavaria	Choice between cameral system (cash accounting) and accrual accounting (Law: Gemeindeordnung für den Freistaat Bayern)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Brandenburg	Accrual accounting (introduced since 2011) (Law: Kommunalverfassung des	Local and regional audit institution:	Annual

³⁶ Landeshaushaltsordnung (LHO) of each state

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
	Landes Brandenburg)	Legal audit Financial audit Performance audit	
Municipalities in Hesse	Accrual accounting (introduced at the latest as of 2016) (Law: Hessische Gemeindeordnung)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Lower Saxony	Accrual accounting (introduced at the latest as of 2012) (Law: Niedersächsische Gemeindeordnung)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Mecklenburg-Western Pomerania	Accrual accounting (introduced at the latest as of 2012) (Law: Kommunalverfassung für das Land Mecklenburg-Vorpommern)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in North Rhine-Westphalia	Accrual accounting (introduced since 2009) (Law: Gemeindeordnung für das Land Nordrhein-Westfalen)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Rhineland-Palatinate	Accrual accounting (introduced since 2009) (Law: Gemeindeordnung)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Saarland	Accrual accounting (introduced since 2010) (Law: Kommunalselbstverwaltungsgesetz)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Saxony	Accrual accounting (introduced at the latest as of 2013) (Law: Gemeindeordnung)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Saxony-Anhalt	Accrual accounting (introduced at the latest as of 2013) (Law: Gemeindeordnung für das Land Sachsen-Anhalt)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Schleswig-Holstein	Choice between modified cameral system (modified cash accounting) and accrual accounting (Law: Gemeindeordnung für Schleswig-Holstein)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual
Municipalities in Thuringia	Choice between cameral system (cash accounting) and accrual accounting (Law: Thüringer Gesetz über das Neue Kommunale Finanzwesen)	Local and regional audit institution: Legal audit Financial audit Performance audit	Annual

471. Although there are specific laws for the municipalities, in each state many local governments are substantially follow the German Commercial Code (HGB). The reason for this is that the Standing Conference of the Ministers of Interior of the States passed guidelines on local government accounting in 2003 (“Leittext Gemeindehaushaltsverordnung für ein doppisches Haushalts- und Rechnungswesen verabschiedet am 17./18. Juni 2003“), which were derived from the HGB. Although the guidelines are not applicable, they are the lowest common denominator across each state.

Social funds

472. The social funds are composed of statutory pension insurance funds, statutory accident insurance funds, statutory health insurance funds, statutory nursing insurance funds and statutory unemployment insurance funds.

Table 173: DE - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Statutory health insurance funds / nursing care insurance funds (about 155 entities)	Applying the regulations of the German Commercial Code (HGB) by analogy (Sec. 77 (1a) SGB IV)	Financial statements audit performed by public auditors (Wirtschaftsprüfer) (see Sec. 77 (1a) Sentence 4 SGB IV).	Annual
Statutory pension insurance funds	Individual guidance, as specified by regulations (see Sec. 78 SGB IV)	The annual accounting is audited by the Federal Court of Audit (Bundesrechnungshof).	Annual
Statutory accident insurance funds	Individual guidance, as specified by regulations (see Sec. 78 SGB IV)	Depends	Annual
Statutory unemployment insurance (Bundesagentur für Arbeit - Federal Labor Office)	The general bases of budgetary administration of the federal government must be adhered to and the regulations of the Federal Budget Code (BHO) apply by analogy to the preparation and execution of the budget as well as to other budgetary administration of the Federal Labor Office. (see Sec. 77a SGB IV).	The annual accounting is audited by the Federal Court of Audit (Bundesrechnungshof).	Annual

473. The health insurance funds (more than 150 entities) prepare accrual-based financial statements. The regulations are inspired by the German Commercial Code and therefore present major similarities with this private-law standard.
474. The unemployment insurance uses cash accounting. Its standard is inspired by the federal government’s accounting law.
475. The pension insurance uses modified cash accounting. Its guidance is designed specifically for this entity.
476. The accident insurance (about 13 entities for private sector employees and about 27 entities for public sector employees) also use a modified cash basis of accounting (with slightly different guidance for the two sectors).
477. High level principles are regulated through the “Sozialgesetzbuch (SGB) Viertes Buch (IV)” (German Social Code). Based on the authorization in Sec. 78 SGB IV the details are regulated in regulations. Particular mention should be made of the following:

- ▶ Verordnung über das Haushaltswesen in der Sozialversicherung (SVHV)
- ▶ Sozialversicherungs-Rechnungsverordnung (SVRV)

- ▶ Allgemeine Verwaltungsvorschrift über das Rechnungswesen in der Sozialversicherung (SRVwV)

Public corporations

Table 174: DE - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public Corporation (e.g., Deutsche Telekom AG, Deutsche Bahn AG)	German Commercial Code (Handelsgesetzbuch) or if applicable International Financial Reporting Standards (IFRS): Accrual Accounting	Financial statements audit and performance audit (Sec. 53 HGrG) performed by public auditors (Wirtschaftsprüfer) (see Sec. 316 HGB) Furthermore, the Courts of Audit have the right to conduct audits if they deem it necessary.	Annual

478. Information about the investments at federal level, the 16 states and the municipalities is provided in annually published investment reports (“Beteiligungsberichte”).

Current status of the German accounting arrangements

479. The German accounting arrangements breaks down into:
- ▶ Cash-based accounting
 - ▶ Accrual-based accounting
480. As mentioned before, the Haushaltsgrundsätzegesetz (which is valid for the central and the state subsector) allows both the cash based approach as well as an accrual based accounting approach. The situation at the state level is rather diverse, because the sixteen states have taken different approaches in governmental accounting.
481. Only a minority of states (4 out of 16) favour a full accrual based approach:
- ▶ The city state of Hamburg already completed its opening statement of financial position as of 1 January 2006. The first consolidated financial statements were presented for fiscal year 2007.
 - ▶ The state of Hesse presented an opening statement of financial position as of 1 January 2009. The first consolidated financial statements were presented for fiscal year 2009.
 - ▶ The city state of Bremen recently presented an opening statement of financial position as of 1 January 2010.
 - ▶ The state of North Rhine-Westphalia plans to prepare consolidated financial statements from the year 2017.
482. These four states have to apply the “Standards für die staatliche doppelte Buchführung” (see Sec. 7a HGrG). The standard setting body is the “Gremium zur Standardisierung des staatlichen Rechnungswesens”, which has been established to ensure uniform procedures and data to some extent.
483. The majority of the states (12 out of 16 states), however, apply a cash basis approach. Due to the guidance of the German Budgetary Principles Law (which is generally and directly valid for the central and the state subsector), the statements of financial performance for the state governments (statement of revenue and expenditure, “Haushaltsrechnung”) are substantially comparable with the statements of financial performance for the central government. This being said, the description above in section 2.1 is also valid for the “Haushaltsrechnung” of these twelve states. Regarding the statement of financial position (“Vermögensrechnung”) it has to be noted, that there are huge differences between the different states. As the states do not have to prepare such a statement most of them do not prepare a statement comparable to that of the central government. While some states recognize only their

financial liabilities (e.g., Lower Saxony), others intend to prepare a more sophisticated statement in the future (e.g., Baden-Württemberg).

484. As mentioned above, there are specific laws for the municipalities in each state, and in three states, the municipalities have the option of using a cash-based accounting system. However, most of the municipalities have already introduced accrual accounting in the last few years or will do so in the near future. Even though the accounting standards differ between the individual states, the local governments that prepare accrual-based financial statements essentially all follow the German Commercial Code (HGB). The reason for this is that the Standing Conference of the Ministers of Interior of the States passed non-mandatory guidelines on local government accounting in 2003, which were derived from the HGB. Although these guidelines are not applicable in any state, they are the lowest common denominator and are therefore referred to.

Statement of financial position and performance for the central government

Table 175: DE - Statement of financial position for the Central Government - Assets ("Vermögensrechnung")

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	No	N/A	N/A
Investment property	N/A	N/A	N/A
Intangible assets	No	N/A	N/A
Financial assets	Yes	Accrual accounting	Historical cost method/Market value
Investments recognized using the equity method	Yes	Accrual accounting	Equity method if market value is not available
Inventories	No	N/A	N/A
Recoverable from non-exchange transactions (taxes and transfers)	No	N/A	N/A
Receivables from exchange transactions	Partly	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Nominal value

Table 176: DE - Statement of financial position for the Central Government - Liabilities (“Vermögensrechnung”)

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	No	N/A	N/A
Payable under exchange transactions	Partly	Accrual accounting	Market value
Provisions	Yes	Accrual accounting	Statistically calculated amount
Financial liabilities (excluding amounts shown under other positions)	Yes	Accrual accounting	Nominal value
Minority interests, presented in net assets/equity	No	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	No	N/A	N/A

Table 177: DE - Statement of financial performance for the Central Government (statement of revenues and expenditures, “Haushaltsrechnung”)

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year, compared with budget)	Yes	Cash Accounting	Historical cost method
Finance costs (for current and past year, compared with budget)	Yes	Cash Accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A	N/A
Surplus or deficit (for current and past year, compared with budget)	Yes	Cash accounting	Historical cost method

485. The accrual-based statement of financial position is not systematically linked with the cash-based statement of financial performance. As mentioned before, the relevant guidance for recognition and measurement of assets and liabilities has been published in the draft “Buchführungs- und Rechnungslegungsordnung für das Vermögen des Bundes (VBRO)”³⁷.

Statements of financial position and performance for the State governments

Table 178: DE – Statement of the financial position for the States (“Vermögensrechnung”) - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	If Acquired	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Consolidated F/S	Accrual accounting	Equity-method

³⁷ In the last few years efforts have been made to improve and expand the statement of financial position. For example, in the statement of financial position as of 31 December 2010, provisions for pensions have been recognized for the first time; these provisions have been measured with a statically determined value calculated by the “Statistisches Bundesamt” (Federal Statistical Office) (i.e. the principle of item-by-item valuation is not applied). In addition, for the first time provisions for final payments on inflation-indexed bonds have been recognized.

Accounting caption	Presented	Time of recording	Measurement
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Nominal amount (if enforceable)
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Nominal amount

Table 179: DE - Statement of the financial position for the States (“Vermögensrechnung”) - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Nominal amount (if enforceable)
Payable under exchange transactions	Yes	Accrual accounting	Amount repayable
Provisions	Yes	Accrual accounting	Conservatively calculated present value of the best estimate of the expenditure required to settle the liability
Financial liabilities	Yes	Accrual accounting	Amount repayable
Minority interests, presented in net assets/equity	Consolidated F/S	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 180: DE - Statement of financial performance for the States (“Erfolgsrechnung”)

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual	Historical cost method
Finance costs (for current and past year)	Yes	Accrual	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual	Equity-Method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual	N/A

Statements of financial position and performance for the Local government

Table 181: DE - Statement of the financial position for the Local Government (“Vermögensrechnung”) - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	If Acquired	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Consolidated F/S	Accrual accounting	Equity-method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Nominal amount (if enforceable)
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Nominal amount

Table 182: DE - Statement of the financial position for the Local Government (“Vermögensrechnung”) - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Nominal amount (if enforceable)
Payable under exchange transactions	Yes	Accrual accounting	Amount repayable
Provisions	Yes	Accrual accounting	Conservatively calculated present value of the best estimate of the expenditure required to settle the liability
Financial liabilities	Yes	Accrual accounting	Amount repayable
Minority interests, presented in net assets/equity	Consolidated F/S	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 183: DE - Statement of financial performance for the Local Government (“Ergebnisrechnung”)

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual	Historical cost method
Finance costs (for current and past year)	Yes	Accrual	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual	Equity method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No		
Surplus or deficit (for current and past year)	Yes	Accrual	

486. Bearing in mind that both the “Standards staatlicher Doppik” (accrual-based accounting standards applicable at state level) and the non-mandatory guidelines on local government accounting issued by

the Standing Conference of the Ministers of Interior of the States (substantially applicable at local level) are derived from the German Commercial Code (HGB), it is not surprising that at a high level analysis no deviations arise. Although there are different variations in many details, both will be considered below as common standards.

Bookkeeping system

487. For central government entities:

- ▶ Different transactions recording system
- ▶ Cash basis of accounting (Kamerale Hauswirtschaft)
- ▶ Single entry system
- ▶ Transactions recorded on a daily basis

488. For local government entities:

- ▶ Different transactions recording systems, depending on state or municipality (many of them use SAP systems)
- ▶ Accrual accounting (Doppik)
- ▶ Double entry system
- ▶ The recording frequency depends on state or municipality

489. This task is carried out by the qualified accountants, with experience in public administration.

Consolidation

Scope and description of the consolidation process

Table 184: DE - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
At central government level there is no consolidation process. Neither the special purpose entities of the central government, the "Mittelbare Bundesverwaltung" nor the lower state levels are consolidated. However, the unconsolidated data from the special purpose entities is presented separately in the "Haushaltsrechnung" (see section 1.1).	N/A	N/A	N/A	N/A	N/A
Likewise, the state governments that apply the cash basis accounting do not perform any consolidation.	N/A	N/A	N/A	N/A	N/A
The state governments that apply accrual accounting (Grundsätze staatlicher Doppik) have to prepare consolidated financial statements. So far only the states of Hamburg and Hesse have published consolidated financial statements.	Control approach, i.e. special purpose entities and controlled entities (not upper territorial units and municipalities)	Aggregation of F/S Consolidation of balances, transactions, revenues and expenses	Non-material controlled entities do not have to be consolidated. The subsidiaries which are held for the purpose of disposal do not have to be consolidated.	Depends	Publicly available (Internet)
The local governments that apply accrual accounting have to prepare consolidated financial statements. However, due to long-term transition rules only a minority of municipalities has published consolidated financial statements to date. Depending on the state there are transitional periods up to the year 2018.	Control approach, i.e. special purpose entities and controlled entities	Aggregation of F/S Consolidation of balances, transactions, revenues and expenses	Non-material controlled entities do not have to be consolidated The subsidiaries which are held for the purpose of disposal do not have to be consolidated.	Depends	Regularly publicly available (Internet)

Proximity of the consolidation process with IPSAS

Table 185: DE - Evaluation of the proximity of the consolidation process with IPSAS

Statement	State governments / local governments (accrual based)
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always
If the minority interests in the net assets/equity is presented in the consolidated statement separately this item comprises:	
a) Minority interests in the net assets/equity consist of the amount of the minority interests at the date of the original combination	No
b) Minority interests in the net assets/equity consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	No
c) Minority interests in the net assets/equity consist of (a) and (b)	Yes

490. The consolidation process appears to be in line with IPSAS principles.

Nature of the accounting practices among the differing subsectors

491. This section qualifes and compares the accounting practices based on four dimensions:

- ▶ Presentation of general purpose financial statements
- ▶ Time of recording
- ▶ Measurement of assets and liabilities
- ▶ Provision recognition and measurement

Presentation of the general purpose financial statements

Table 186: DE - Comparison of the presentation of general purpose financial statements

Financial statement	Central government / State governments (cash based)	State governments / local governments (accrual based)
Statement of financial position (balance sheet)	Applies similar statement (Vermögensrechnung)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Does not apply	Always applies
Statement of changes in net asset	Does not apply	Does not apply
Cash flow statement	Does not apply	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies (Haushaltsrechnung)	Does not apply
Cash and receipts statement	Always applies	Does not apply

Financial statement	Central government / State governments (cash based)	State governments / local governments (accrual based)
	(Haushaltsrechnung)	
Other statement(s)	Does not apply	Management Commentary (Lagebericht)
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

492. As expected, there are discrepancies between the cash based public entities and the accrual-based ones in their financial statements. While accrual based entities use policies similar to the IPSAS principles, the cash-based policies are very different.

Time of recording

Table 187: DE - Comparison of the accounting system applied on the different subsectors

Financial statement	Central government / State governments (cash based)	State governments / local governments (accrual based)
Statement of financial position (balance sheet)	Accrual accounting (only a few and incomplete)	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Cash accounting	Accrual accounting
Statement of changes in net asset	N/A	N/A
Cash flow statement	N/A	cash accounting

Property, plant and equipment recognition and measurement

Table 188: DE - Comparison of the recognition and measurement of property, plant and equipment

Statement	Central Government / State governments (cash based)	State governments / local governments (accrual based)
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost	N/A	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply

Statement		Central Government / State governments (cash based)	State governments / local governments (accrual based)
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	N/A	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	N/A	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	N/A	Always applies

493. According to the table above, there are two key aspects regarding the measurement method for property, plant and equipment (PPE):

- ▶ The central government and the cash based state governments do not recognize PPE at all.
- ▶ The accrual based state governments and the local governments recognize PPE and use the cost model for measurement. The revaluation model is not permitted.

Provision recognition and measurement

Table 189: DE - Comparison of the recognition and measurement of provision

Statement	Central government / State governments (cash based)	State governments / local governments (accrual based)
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies	Depends on the probability of outflow
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions*	Always applies	Does not apply
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Does not apply	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Does not apply	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Does not apply	Does not apply
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Does not apply	Does not apply
Your entity discloses for each class of provision unused amounts reversed during the period	Does not apply	Always applies (if material)
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Does not apply	Does not apply
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Does not apply	Does not apply
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply	Does not apply

Heterogeneity:

494. The system appears to be very heterogeneous in terms of accounting practices.
495. Indeed, the federation and the 16 states are autonomous and mutually independent in their budget management, because the German constitution accords budgetary autonomy to both the federal government and the states. This means that each of these seventeen entities drafts, adopts and independently implements a budget of its own and has its own external audit institution.

496. Therefore, different systems are in use between the levels, but also within the three levels. This means that entities from the same level do not automatically have the same accounting system.

The practical issues with application of IPSAS

497. In Germany the federal government level uses cash basis accounting, as do most of the different states (Bundesländer) of the Federal Republic of Germany. So far the adoption of the International Public Sector Accounting Standards (IPSAS) is not an objective either at federal level or state level. Direct implementation of accrual-based IPSAS would require financial resources, knowledge transfer and an appropriate timetable.

498. However, further developments of the accounting systems seem to be necessary in order to meet the requirements of a modern and adequate accounting system.

The current financial audit framework

499. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

500. Description of the scope of the financial audit Table 190 below summarizes the scope and nature of the financial audit performed by the Court of Auditors.

Table 190: DE - Description of the scope and nature of the financial audit

Auditing entities	Federal Court of Auditors ("Bundesrechnungshof")	State Court of Audit (each state has a "Landesrechnungshof")	Regional audit offices	Local audit office (Rechnungsprüfungsamt, Rechnungsprüfungsausschuss)
Scope of the audit	Central government, including special purpose entities and legally independent entities controlled or financed by the central government (see Sec. 52 (1) HGrG)	The respective state government, including special purpose entities and legally independent entities controlled or financed by the respective state government	Local governments	Local governments
Completeness of the audit	The Federal Court of Auditors examines federal financial management (covers regularity, legal compliance and efficiency); its audit missions cover annual federal revenues and expenditures (see § Sec. 42 (2) HGrG, Sec. 90 BHO). The Court carries out both financial audits and performance audits. In its audit of regularity and compliance the Court examines whether the laws, the budget and pertinent regulations, provisions and rules have been observed.	While details depend on the respective state law, the essential aspects are similar to those of the central government.	While details depend on the respective state law, the essential aspects are similar to those of the central government.	While details depend on the respective state law, the essential aspects are similar to those of the central government.

Auditing entities	Federal Court of Auditors ("Bundesrechnungshof")	State Court of Audit (each state has a "Landesrechnungshof")	Regional audit offices	Local audit office (Rechnungsprüfungsamt, Rechnungsprüfungsausschuss)
Reliability of information	The members of the German Court of Auditors are independent in relation to the government and in relation to the parliament. The Federal Court of Audit is organized on collegiate principles, i.e., no single member of the Federal Court of Audit is empowered to take final decisions. The aim is to ensure objective decision-making.	While details depend on the respective state law the essential aspects are similar to those of the central government.	The regional audit office is controlled by the states, which are responsible for the control of legality.	The local audit office is part of the local administration. However, the auditors are independent.
Frequency	The time of the audit process is defined by the German Federal Court of Audit itself (see Sec. 94 BHO).	While details depend on the respective state law the essential aspects are similar to those of the central government.	While details depend on the respective state law the essential aspects are similar to those of the central government.	While details depend on the respective state law the essential aspects are similar to those of the central government.
Visibility	There is no legal requirement or possibility for the publication of audit opinions. However, an annual report is submitted to parliament and to the federal government. It serves the need to inform the legislative bodies in a timely manner of deficiencies identified in the federal government's budget and economic management. Furthermore, special reports can be published (Sec. 46 HGrG). The annual reports and selected special reports are published (see http://www.bundesrechnungshof.de)	While details depend on the respective state law the essential aspects are similar to those of the central government.	While details depend on the respective state law the essential aspects are similar to those of the central government.	While details depend on the respective state law the essential aspects are similar to those of the central government.

The auditing process

Table 191: DE - Description of the auditing process

Audited entities	Central government	Other entities
Auditing standards	Audit Rules of the Federal Court of Auditors (Prüfungsordnung des Bundesrechnungshofes, PO-BRH). The guidelines developed by INTOSAI are not mandatory, but accepted as a consensus of "best practices"	
Selection of the audit flows	The Bundesrechnungshof is free to set audit priorities and arrange for sample audits and free to determine the timing and nature of audit work. Audit matters are selected when drawing up annual audit programs.	
Assertions covered	Depends on the individual case	
Feedbacks	Depends on the individual case	
Tracking system	Depends on the individual case	

Quality framework

501. Note that there is no specific quality framework for the audit institutions. However, the individual audit institutions have created such guidance as part of their self-government.

Table 192: DE - Description of the quality framework

Audited entities	All subsectors
Independence	Independence is guaranteed by law for each audit institution.
Design	No general guidance applicable
Mandate	No general guidance applicable
Follow ups	No general guidance applicable
Education and qualification of the auditors	There is no study program for becoming a public auditor.
Supervision and evaluation	No general guidance applicable
Independence of the auditor	Independence is guaranteed by law for each auditor.

Accounting and auditing reforms

Introduction

502. The situation of governmental accounting reforms in Germany can be described as rather manifold and diverse. Whereas at local level, reforms towards accrual accounting have already been decided and are ongoing, at federal level there is a commitment towards reforming the cameral accounting system but to stay with the cash basis of accounting. At state level, no clear picture can be determined with respect to accrual accounting. The states of Bremen, Hesse and Hamburg have introduced accrual accounting and the state of North Rhine-Westphalia is in a reform process. However, the other twelve states have not committed to reforms yet. Nevertheless, in some states there is commitment towards reforming the cash-based accounting system although the adoption of IPSAS principles is not an objective at the moment.

Reforming local government budgeting and accounting (local level, since 2000)

503. In 2000, the Standing Conference of the Ministers of Interior of the States passed guidelines on local government accounting. This was a general agreement between the 16 states. Nevertheless, each state had to transpose these guidelines into its own state law. This reform suggested two alternative accounting models instead of the cash accounting applied so far. One was the full accrual accounting model and the other one was what is referred to as "erweiterte Kameralistik", which is a modified cash accounting system. In the meantime all states have approved the necessary laws and regulations. However, due to long-term transition rules only a minority of municipalities have published consolidated financial statements to date. Depending on the state there are transitional periods up to the year 2018.

Table 193: DE - Description of the accounting framework for the Local Government

Municipalities located in	Separate financial statements	Consolidated financial statements
Baden-Württemberg	Accrual accounting (introduced at the latest as of 2016)	At the latest as of 2018
Bavaria	Choice between cameral system (cash accounting) and accrual accounting	
Brandenburg	Accrual accounting (introduced since 2011)	At the latest as of 2013
Hesse	Accrual accounting (introduced at the latest as of 2015)	At the latest as of 2021
Lower Saxony	Accrual accounting (introduced at the latest as of 2012)	At the latest as of 2012
Mecklenburg-Western Pomerania	Accrual accounting (introduced at the latest as of 2012)	At the latest as of 2015
North Rhine-Westphalia	Accrual accounting (introduced since 2009)	Since 2010
Rhineland-Palatinate	Accrual accounting (introduced since 2009)	At the latest as of 2013
Saarland	Accrual accounting (introduced since 2010)	At the latest as of 2014
Saxony	Accrual accounting (introduced at the latest as of 2013)	At the latest as of 2016
Saxony-Anhalt	Accrual accounting (introduced at the latest as of 2013)	At the latest as of 2013
Schleswig-Holstein	Choice between modified cameral system (modified cash accounting) and accrual accounting	
Thuringia	Choice between cameral system (cash accounting) and accrual accounting	

Reform of the Budgetary Principles Law (federal and state level, since 2009)

504. Due to the tendency of diverging developments in governmental accounting, the Budgetary Principles Law (HGrG) was modernized in 2009. The aim of this reform was to harmonize governmental accounting on the national and state level. Nevertheless, the different states and the federal government have the choice of implementing accrual accounting or a cash-based cameral accounting

system. According to Sec. 49a HGrG a standard setting board for the standardization of governmental accounting at state and federal level has been installed. The main tasks of the board are to guarantee a minimum level of comparability. Therefore the board sets “principles for governmental accrual accounting” and “principles for governmental cash accounting”.

Acronyms

BHO Bundeshaushaltsordnung (Federal Budget Code)

BMF Bundesfinanzministerium (Federal Ministry of Finance)

BRHG Bundesrechnungshofgesetz (Law governing the Federal Court of Audit)

HGB Handelsgesetzbuch (German Commercial Code)

HGrG Haushaltsgrundsätzegesetz (German Budgetary Principles Law)

IFRS International Financing Reporting Standards

INTOSAI International Organization of Supreme Audit Institutions

IPSAS International Public Sector Accounting Standards

PPE Property, Plant and Equipment

SGB Sozialgesetzbuch (German Social Code)

VBRO Buchführungs- und Rechnungslegungsordnung für das Vermögen des Bundes (Regulation governing bookkeeping and accounting for federal assets)

3.11 Greece

505. This section provides an overview of the accounting and auditing arrangements in Greece.

Legal requirements for Accounting and auditing

Central Government

506. The Central Government is composed of the state and public entities.

507. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 194: EL - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State	Public Accounting, Expenditure, Auditing and other clauses Content and enactment date of the Double – entry/modified cash basis accounting	Financial, Legal, Compliance audits	Annually
Public entities	Public Entities Accounting Definition of content and date of entering into force of the Accounting Plan for Public Entities	Financial, Legal, Compliance audits	Annually

508. The Hellenic Court of Auditors performs financial, legal and compliance audits of the central government each year

Local Government

509. The Local Government is composed of 325 local government authorities and 13 regional government authorities.

Table 195: EL - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local Government Authorities	"Codification of Local Government Authorities clauses New Architecture of Regional Administration and Decentralisation Programme "Kallikratis" Municipalities and Communities Fiscal Management and Accounting Definition of content and date of entering into force of the Accounting Plan for Local Government Authorities"	Financial, Legal, Compliance audits	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Regional Government authorities	New Architecture of Regional Administration and Decentralisation Programme "Kallikratis" Establishment of Prefectural Administration, amendment of clauses concerning first degree local government and Region and other clauses Codification of clauses concerning Prefectural Administration Public Entities Accounting Definition of content and date of entering into force of the Accounting Plan for Public Entities Definition of content and date of entering into force of the General Accounting Plan	Financial, Legal, Compliance audits	Annually

510. The local government is subject to similar audits than the central government.

Social funds

511. The social funds are composed of the social security funds.

Table 196: EL - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Security Funds	Definition of content and date of entering into force of the Accounting Plan for Social Security Funds Definition of content and date of entering into force of the Accounting Plan for Public Health Units	Financial, Legal, Compliance audits	Annually

Public corporations

512. The public corporations subsector is composed of 388 public corporations.

Table 197: EL - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Public corporations and organisations Public Limited Companies Institutional Law	Financial, Legal, Compliance	Annually

Curent status of the Greek accounting arrangements

513. Due to the current Greek crisis, government representatives were hardly available to contribute to this study. This has considerably limited the information collected. Thus, this section presents the information collected during informal discussions with government representatives.
514. There are various laws building up a central accounting procedure to be followed by main public institutions (i.e. Ministries). However, there may be different data provided and different processes used across ministries. Furthermore, and maybe more importantly, Ministries have other public legal entities under their jurisdiction (e.g. hospitals, municipalities, etc) for which there is not a single procedure followed. Based on informal talks within the Ministry of Finance, it was highlighted that at the municipalities level there is no common procedure or template. Actually, there had been an attempt to create a common process/template using what was followed by one of the largest municipalities in the region of Attica but this was never completed. Due to the different processes used at the local government level, the informal respondents of the Ministry of Finance deemed irrelevant to approach municipalities as each one would give different answers to the questionnaires.

Consolidation

515. Consolidation is required for all government subsectors but no further indication was given by the respondents concerning the scope and description of the consolidation process nor concerning its proximity with IPSAS.

Practical issues with the application of IPSAS

516. As for the accounting practices, there is no information concerning whether the Greek government wants to converge towards IPSAS principles or if, in this case, there would be any drawbacks from the application of IPSAS principles.

The current financial audit framework

517. All subsectors are audited by the Hellenic Court of Auditors. The Court is responsible for conducting a priori audit and a posteriori audit. The first one involves the audit of state and public corporations expenditure under specifically issued laws. The second type of audit concerns the accounts of public accounting officers and the statements of public bodies and local administration agencies.
518. For the central government, the Court reports to the Chamber of Deputies in two ways:
- ▶ Annual report of findings, it sets out the results of the Court's operations, its observations and suggestions for improvements to system and the law.
 - ▶ Annual declaration, it gives the Court's point of view on the annual financial statement and the balance sheet of the state
519. For all the other entities, following a discussion with the audited, the report is sent with findings, suggestions and advices to them.
520. An enforcement mechanism exists with penalties. The responsible person who is penalized is charged with the whole value of the project.

Table 198: EL - Description of the scope and nature of the financial audit

Auditing entities	Scope of the audit	Frequency	Visibility
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Auditing entities	Scope of the audit	Frequency	Visibility
Auditor General	Central government	Annually	General public. Reports published at the Greek Government Gazette
	Other subsectors	Annually	General public. Reports published at the Greek Government Gazette

3.12 Hungary

522. This note provides an overview of the accounting and auditing arrangements in Hungary.

Legal requirements for Accounting and auditing

Central government

523. The central government is composed of the core government unit, central budgetary institutions, chapter-managed appropriations, budgetary and non-budgetary funds, national minority government, national minority budgetary institutions and state-owned public entities, and non-profit institutions founded and mainly financed by central government units.

524. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 199: HU - Overview of the accounting and auditing arrangements for Central Government

Name of the public entity	Accounting laws/ standards	Accounting practices	Types of audit performed	Frequency
Core government unit : "State"	Act C 2000 on Accounting Government Decree 240/2003. (XII. 17.) on the specialties of the bookkeeping and preparation of financial statements of treasury accounts	Public accounting	External audit (financial audit, performance audit) State Audit Office (SAO) Financial inspection Government Control Office (GCO) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
Central budgetary institutions	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector	Public accounting	External audit (financial audit, performance audit) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
Chapter-managed appropriations	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector	Public accounting	External audit (financial audit, performance audit) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
Budgetary funds	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
National minority government	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
National minority	Act C 2000 on	Public accounting	External audit (financial audit,	It depends on the

Name of the public entity	Accounting laws/ standards	Accounting practices	Types of audit performed	Frequency
budgetary institutions	Accounting Government Decree 249/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector		performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	audit plan based on the risk assessment
State-owned public corporations (asset management, debt management, media, public transport)	Act C 2000 on Accounting Government Decree 224/2000. (XII. 19.) on the specialties of the bookkeeping and preparation of financial statements of "other entities" as defined by Act on Accounting	General business Accounting law	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
Non-profit institutions founded and mainly financed by central government units (bodies, societies, trust funds, non-profit companies)	Act C 2000 on Accounting Government Decree 224/2000. (XII. 19.) on the specialties of the bookkeeping and preparation of financial statements of "other entities" as defined by Act on Accounting	Simplified general business accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment
Non - budgetary funds	Act C 2000 on Accounting Government Decree 224/2000. (XII. 19.) on the specialties of the book-keeping and preparation of financial statements of "other entities" as defined by Act on Accounting	Simplified general business Accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on the audit plan based on the risk assessment

525. All the entities of the central government follow the general accounting principles directly.

526. They refer to the following government decrees:
- ▶ Government Decree 240/2003. (XII. 17.) on the specialties of the bookkeeping and preparation of financial statements of treasury accounts for the core government unit.
 - ▶ Government Decree 249/2000 (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of legal government sector for central budgetary institutions , chapter-managed appropriations, budgetary funds, national minority government, national minority budgetary institutions
 - ▶ Government Decree 224/2000. (XII. 19.) on the specialties of the bookkeeping and preparation of financial statements of “other entities” as defined by Act on Accounting for state-owned public corporations (asset management, debt management, media, public transport).

527. Hungarian accounting law (Act C 2000 on Accounting) is the base of Government Decrees applied by the legal government sector (see above). There are provisions which are applied, applied differently or not applied in the Hungarian accounting law. Chart of Accounts, composition of balance sheet, requirements for detailed description and template for supplementary information are also identified in Government decree.

528. The accountings of these entities are subject to external audits from the State Audit Office, internal audits from the Internal Audit unit of every budgetary organization. Some are also subject to financial audit from private audit firms once a year, and to financial inspection from the government control office. The frequency of audit depends on the risk assessment. Audit plan is drafted by conducting risk assessment that is specific and different for specific groups of institutions, or depends on auditor's experience.

Local government

529. Non-autonomous units operate with partial budget and partial set of accounts, both of which are integrated into budget and accounts of assigned autonomous entity. Hungary has almost 3,200 local governments units.

530. The local government is composed of the local governments, local minority government, associations of local governments with legal personality, multifunctional local partnerships as budgetary units, sub-regional development councils, local minority governments and local minority budgetary institutions, local government owned public corporations and non-profit institutions founded and mainly financed by local government units.

531. The Table 200 summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 200: HU - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Accounting practices	Types of audit performed	Frequency
Local governments : municipal governments: capital districts, districts, each towns, each communities; and territorial governments: Budapest capital, counties	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Local minority government	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Associations of local governments with legal personality, multifunctional local partnerships as budgetary units	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Sub-regional development councils	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Local and local minority budgetary institutions	Act C 2000 on Accounting Government Decree 249/2000. (XII. 24.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Local government owned public corporations	Act C 2000 on Accounting	General business accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment
Non-profit institutions founded and mainly financed by local government units (bodies, societies, trust funds, non-profit corporations)	Act C 2000 on Accounting Government Decree 249/2000. (XII. 19.)	Simplified general business accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	Annually for financial audit For others it depends on risk assessment

532. Local governments, like the central government, follow the general accounting principles and refer to the Government Decree 249/2000. The accountings of these entities are subject to external audits from the State Audit Office (SAO), financial audit from private audit firms once a year and internal audits from the Internal Audit unit of every budgetary organization. Some are also subject to financial inspection from the government control office. The frequency of audit depends on the risk assessment as well.

Social funds

533. Social funds follow the general accounting principle and refer to the Government Decree 224/2000, like the central and local government.

Table 201: HU - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Accounting practices	Types of audit performed	Frequency
Social security funds (including one budgetary institutions per fund that operates the SS fund)	Act C 2000 on Accounting Government Decree 224/2000. (XII. 19.)	Public accounting	External audit (financial audit, performance audit) Financial audit (Private audit firms) Financial inspection Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	It depends on audit plan based on risk assessment

534. The social security funds are subject to external audits, internal audits, financial audit and financial inspection. The reports from the court of auditors are sent to the audited executive level and are composed of opinions on financial statements, findings and recommendations. The audits take place each year and the financial audit report is made public. Reporting is required by law.

Public corporations

Table 202: HU - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Accounting practices	Types of audit performed	Frequency
Public non-financial corporations	Government Decree 224/2000. (XII. 19.)	Business accounting	Financial audit (Private audit firms)	For others it depends on audit plan based risk assessment
Central bank	Government Decree 221/2000. (XII. 19.) on the specialties of the bookkeeping and preparation of financial statements of the Hungarian National Bank	Business accounting with central bank specifications	External audit (financial audit, performance audit) Financial audit (Private audit firms) Internal audit (Financial audit, Performance audit, System audit, IT audit, Legal audit)	For others it depends on audit plan based risk assessment
Public financial corporations	Government Decree 250/2000. (XII. 24.) on the specialties of the bookkeeping and preparation of financial statements of credit institutions and financial undertakings Government Decree 192/2000. (XI. 24.) on the specialties of the bookkeeping and preparation of financial statements of insurance undertakings	Business accounting with financial subsector specifications	Financial audit (Private audit firms)	For others it depends on audit plan based risk assessment

Current status of Hungary’s accounting arrangements

535. Accounting is uniform for all reporting units of the Legal government sector. There is no consolidation in the legal government sector in accounting term, except special consolidation of the Social Security subsector.
536. The public sector accounting practices can be broken down into two categories:

- ▶ **Public accounting.** Public accounting rules for all units that are part of the Legal Government Sector and that follow a Government decree with crucial deviations from general business accounting
- ▶ **Accounting law.** The institutional coverage of “Accounting law” corresponds to units following the general accounting principles either directly in Act C 2000 on Accounting, or in Government Decree 224/2000. (XII. 19.) on the specialties of the bookkeeping and preparation of financial statements of “other entities” as defined by the Act on Accounting. Those units are not part of the Legal Government Sector, as identified by the Act CXCV 2011 on the legal government sector, but are reclassified into the General Government Sector.

Statement of financial position and performances for public accounting

Table 203: HU - Statement of financial position for public accounting - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	No	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 204: HU - Statement of financial position for public accounting - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	N/A	N/A	N/A
Financial liabilities	Yes	Accrual accounting	Historical cost method

537. Provisions are not applicable in Hungary and there is therefore no information available for the statement of financial position.

Table 205: HU - Statement of financial performance for public accounting

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Cash accounting
Finance costs (for current and past year)	Yes	Cash accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A

Accounting caption	Presented	Time of recording
Surplus or deficit (for current and past year)	Yes	Cash accounting

Statements of financial position and performance for accounting law users

Table 206: HU – Statement of financial position for accounting law users - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost and fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 207: HU - Statement of financial position for accounting law users - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost and fair value method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 208: HU - Statement of financial performance for accounting law users

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

538. All the entities described above use a double entry bookkeeping system but there is no mandatory accounting software and various softwares are used by the public entities.
539. The recording frequency varies depending on the transaction system used. While integrated systems record transactions immediately, in general, financial transactions are recorded on a daily basis.

Consolidation

Scope and description of the consolidation process

540. Hungarian rules for consolidation are limited within the public space. Consolidation is only relevant to the national Social Security (SS) subsector. Government decree requires compiling a consolidated balance sheet and actual amounts of implementation the budget as part of annual financial report. Thus, a specific consolidation has to be prepared on the social security subsector level, covering SS funds and SS budgetary institutions performing administrative role in managing the funds. Social security funds and budgetary institutions do not possess shares and equities in corporation.
541. The consolidation of annual financial statements of social security funds involves the following tasks:
- ▶ Debt consolidation
 - ▶ Consolidation of active and passive financial accounts
 - ▶ Consolidation of reserves
 - ▶ Consolidation of revenues and expenditures by excluding transfers between the funds
 - ▶ Consolidation of modifying items of use of appropriation
 - ▶ Residuals by excluding transfers between the funds³⁸
542. The consolidated financial statement includes the followings:
- ▶ Consolidated statement of financial position
 - ▶ Consolidated statement of financial performance (Consolidated statement of appropriation residual)
 - ▶ Cash flow and consolidated comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements

Nature of the accounting practices at the different levels of government

543. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

544. Table 209 compares the components of the financial statements for the units part of the legal sector and the units not part of the legal sector.

³⁸ *Residual by excluding transfers between the funds is the elimination of transfers between the funds. This is a special type of transfer, coming from the carry-over balance from the previous budget year (not from the current budget).

Table 209: HU - Comparison of the presentation of general purpose financial statements

Financial statement	Public accounting	Accounting law
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies
Statement of changes in net asset	N/A	Always applies
Cash flow statement	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Applies sometimes
Cash and receipts statement	Always applies	Applies sometimes
Other statement(s)	Always applies, Outstanding amounts and compositions of commitments (contracts) Number and composition of employees Natural indicators for measuring activities	Applies sometimes
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

*Time of recording***Table 210: HU - Comparison of the accounting system applied**

Financial statement	Public accounting	Accounting law
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Cash accounting	Accrual accounting
Statement of changes in net asset	N/A	Accrual accounting
Cash flow statement	Cash accounting	Accrual accounting

545. For each of the component of the financial statement, the accounting system is on an accrual basis for the users of the accounting law. While the public accounting system presents a cash and accrual accounting.

Property, plant and equipment recognition and measurement

546. This section seeks to deeper the understanding of the measurement of assets. In particular, Table 211 details and compares the measurement methods for each of the public entities considered.

Table 211: HU - Comparison of the recognition and measurement of property, plant and equipment

Statement	Public accounting	Accounting law
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies

Statement		Public accounting	Accounting law
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Applies similar statement
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	N/A
Depreciation	Depreciation is charged systematically over the useful life	Applies similar statement	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply	Always applies

547. According to Table 211 the method of measurement of plant and equipment are very similar in each public entity. Moreover, the statements are all conform to IPSAS principles. Provision recognition and measurement

Provision recognition and measurement

548. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements, except two, marked with (*), are in conformity with IPSAS principles.

Table 212: HU - Comparison of the recognition and measurement of provision

Statement	Public accounting	Accounting Law
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	N/A	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Does not apply
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement*	N/A	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Applies similar statement
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A	Does not apply

549. Public accounting: Financial guarantees to bank and corporate entities are recognized as off-balance-sheet items. They are presented as contingent liabilities in the '0' account class (in Chart of Accounts), and they are shown in the notes as part of the annual financial statements.

Practical issues with the application of IPSAS

550. There is no plan to implement accrual accounting in the budgetary sector in Hungary. However, more efforts are done to simplify and reduce administrative burden.
551. From the theoretical and practical point of view of accounting, the respondents deemed that harmonisation with national business accounting (accounting Law) would be easier than directly applying IPSAS standards as the latter are not used at all in Hungary. Nevertheless IAS standards through EU accounting directives are followed in the general business accounting. For national accounts statistics compilation purposes a set of nation-wide sector-neutral accounting rules would provide uniform and consistent source of data for all economic sectors.

The current financial audit framework

552. Central and local governments as well as social funds undergo both internal and external audits. Public financial and non-financial corporations are only audited externally.
553. In this section, the audited entities will be broken down between:
- ▶ Economic units audited annually by independent external auditor
 - ▶ Economic units subject to audits of the State Audit Office only, and not audited by independent auditor.
554. Economic units that are audited annually by independent auditor are regulated by the relevant Hungarian laws:
- ▶ Certain types of local governments: counties, towns with rights of counties, capital, and capital districts (Ref 5: Act LXV 990 on Local Governments)
 - ▶ Local Governments with higher than 300 million HUF (1 million euro) annual budget and having debt liabilities or with intention of borrowing - for the years of having debt liabilities (Ref 5: Act LXV 990 on Local Governments)
 - ▶ All corporations, enterprises that maintain double-entry bookkeeping system and simultaneously fulfill two criteria: average net sales revenue is higher than 200 million HUF (0,667 million euro) and average number of employees is higher than 50 in preceding two years (Ref 1: Act C 2000 on Accounting)
 - ▶ Public trust funds (Ref 4: Government Decree 224/2000. (XII. 19.))

Scope of the financial audit

555. Table 213 below summarizes the scope and nature of the financial audits performed by the different auditing bodies.

Table 213: HU - Description of the scope and nature of the financial audit

Auditing entities	SAO + Government control audit+ Internal Auditors	SAO + Private audit firm
Scope of the audit	Units that are not audited by independent external auditors	Economic units that have to be compulsory audited annually by independent auditor
Completeness of the audit	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach. In respect, that institutional coverage of S13 General Government sector is published, an auditor is aware of using audited financial reports for compilation EDP/GFS statistics. Capital expenditure statistical surveys are quite often part of auditing.	
Reliability of information	The reliability of this information is ensured by audit	
Frequency	Depending on timetable of SAO, annually or biannually	Annually
Visibility	SAO reports are public Government Control Office report to the government only Internal Auditors report directly to the head of organization	Private audit firm's report has to be attached to the annual financial report and has to be deposited by Law. In certain cases they are published on the audited unit's website together with the annual financial report.

The auditing process

556. Table 214 describes the auditing process followed by the different auditing bodies.

Table 214: HU - Description of the auditing process

Auditing entities	SAO + Government audit+ Internal Auditors (state management)	SAO + Private audit firms
Audited entities	Central government units Social insurance funds, budgetary funds Local and national minority governments	Economic units/institutions managing state property Institutions financed by central government units
Auditing standards	INTOSAI – State Audit Office IIA – Internal Auditors	INTOSAI – State Audit Office IIA – Internal Auditors IFAC – Chartered accountants
Selection of the audit flows	Information technology (IT) , Processes (segregation of duties etc.), Assets, Liabilities, Expenditures, Income, Cash flow, Off balance sheet commitments, Annual report (directors report) are subject to an audit. In respect, that EDP compilers use audited financial statement report as input for compilation EDP/GFS statistics. Capital expenditure statistical surveys are quite often part of auditing.	
Assertions covered	a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Lawfulness / rightfulness (compliance with laws and regulations)	
Feedbacks	Auditees have to report how they fulfilled the action plans	
Tracking system	Follow-ups made by report on auditees about the implementation of action plan or follow-up audit	

Quality framework

557. Table 215 presents the quality framework of the financial audit.

Table 215: HU - Description of the quality framework

Audited entities	State Audit Office (SAO)	Government Control Office (GCO)	Internal audit	Private audit firms
Independence	The independence of the SAO is guaranteed by law (see mandate) according to INTOSAI Standards.	N/A	Organizational and functional independence of internal audit function is guaranteed by the Public Budgetary Act CXCIV (2011).	Independence is guaranteed by external auditors (chartered accountant). An internal review is also made by the Internal Audit office and a review by the State Audit Office.
Design	Independent chapter in Public Finance Act	Organization with rights of chapter, reporting directly to government	N/A	N/A
Mandate	Fundamental Law of Hungary (25. April 2011) Act LXVI (2011) on the State Audit Office Lima Declaration	Public Budgetary Act CXCIV (2011) Gov. Decree No. 355/2011 on the Government Control Office	Public Budgetary Act CXCIV (2011) Gov. Decree No. 370/2011 on the internal control system and internal audit of the public budgetary institutions	Act C (2000) on Accounting
Follow ups	Follow up review	N/A	Follow up review	N/A
Education and qualification of the auditors	A university or academic degree is required for SAO auditors (according to the Act on the SAO)	A university or academic degree and work experience are required for government auditors (according to Gov. Decree No. 355/2011 on the Government Control Office).	In public budgetary organizations internal audit activity can be provided only by officially registered internal auditors. Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development (through the compulsory training in the PIFC Methodological and Training Centre).	Financial audit can be provided only by registered private audit firms/auditors.
Independence of the auditor	Rules concerning the conflict of interest are discussed in the Act on the SAO	Rules concerning the conflict of interest are discussed in Gov. Decree No.355/2011 on the Government Control Office	Organizational and functional independence of internal audit function is guaranteed by the Public Finance Act CXCIV (2011).	N/A
Supervision and evaluation	Supervision of audit is internal			

Accounting and auditing reforms

558. There are no plans for reforms in Hungary at the moment.

Acronyms

SAO : State Audit Office

GCO : Government Control Office

3.13 Ireland

559. This section provides an overview of the accounting and auditing arrangements in Ireland.

Legal requirements for accounting and auditing

Central Government

560. The central government is composed of Department of State, extra budgetary fund, other non market agencies, other voted expenditures and joint Board Hospitals.

561. Table 216 below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 216: IE - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Department of State, which includes Executive/legal authority and central administration	Constitution of Ireland Exchequer and Audit Departments Act, 1866 Comptroller and Auditor General Act, 1923 Exchequer and Local Financial Years Act, 1974 Central Fund (Permanent Provisions Act) 1965 Comptroller and Auditor General (amendment) Act, 1993 Public Services Management Act, 1993 Prompt Payments of Accounts Act, 1997 Annual Appropriations Act Dail (Parliament) Standing Orders Statements of Internal Financial Controls Public Financial Procedures Manual 2008 Code of Practice for the Governance of State Bodies	Financial Performance Regulatory	Annually
Extra – Budgetary Funds, these are special accounts for central government	Constitution of Ireland	Financial Performance Regulatory	Annually
Other Non-Market Agencies	Code of Practice for the Governance of State Bodies Constitution of Ireland	Financial Performance Regulatory	Annually
Other “voted” expenditure, Executive / legal authority / central administration	Public Financial procedures Manual 2008 Constitution of Ireland	Financial Performance Regulatory	Annually
Voluntary and joint Board Hospitals	Not provided in the questionnaires	Financial Performance Regulatory Audited by private sector firms	Annually

562. The audit of the appropriations accounts³⁹ are carried out by the Comptroller and Auditor General. The main statutes are the Exchequer and Audit Departments Act, 1866 and the Comptroller and Auditor

³⁹ The Appropriation Account is an account recording the credits received by a government agency.

General (Amendment) Act, 1993. The Constitution requires the Comptroller and Auditor General to report to the Dáil (Parliament) at stated periods as determined by law. As a Constitutional officer, the Comptroller and Auditor General is appointed by the President on the nomination of the Dáil. The independence of the office is secured by the constitutional requirement that the Comptroller and Auditor General cannot be removed from office except for stated misbehavior or incapacity, and then only upon resolutions passed by both Houses of the Oireachtas (House of Deputies).

Local Government

563. Table 217 sets out the overview of the accounting and auditing arrangements for the local government

Table 217: IE - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
City Councils	Local Authorities Accounting Code of Practice Statutory Instrument No. 508/2002: Local Government (Financial Procedures and Audit) Regulation 2002	Financial Performance Regulatory	Annually
County Councils	Local Authorities Accounting Code of Practice Statutory Instrument No. 508/2002: Local Government (Financial Procedures and Audit) Regulation 2002	Financial Performance Regulatory	Annually
Borough Councils	Local Authorities Accounting Code of Practice Statutory Instrument No. 508/2002: Local Government (Financial Procedures and Audit) Regulation 2002	Financial Performance Regulatory	Annually
Town Councils	Local Government Act ,2001 Local Government (Financial Procedures and Audit) Regulations 2002 Statutory Instruments No. 508 of 2002 Local Government Audit Service Code of Audit Practice Local Authority Accounting in Ireland Code of Practice and Accounting Regulations	Financial Performance Regulatory	Annually
Vocational Education Committees	VEC accounting rules	Financial Performance Regulatory	Annually
Institute of Technology	The Regional Technology Act, 1992 The Institutes of Technology Act 2006 Code of Governance of Irish Institutes of Technology	Financial Performance Regulatory	Annually

564. The local government is constituted of councils and educational entities. The councils' accounts are drawn according to the Code of Practice. Section 108 of the Local Government Act, 2001 requires every local authority or joint body to prepare an Annual Financial Statements. These are prepared on an accrual accounting basis.
565. The accounts of local authorities are audited by local government auditors (Local Government Audit Service) who are independent in the performance of their functions and are under the general control of a Director of Audit.

566. The Local Government Audit Service (LGAS) provides independent scrutiny of the financial stewardship of local authorities and other local bodies. Its role is to:
- ▶ Carry out the audit of local government bodies in accordance with its statutory Code of Audit Practice, thereby fostering the highest standards of financial stewardship and public accountability
 - ▶ Undertake Value for Money audits, publish reports thereon and thereby assist local authorities in achieving better value for money.
567. There is no accounting or auditing arrangement for voluntary educational authority. They follow central government accounting and auditing practices.

Current status of the Republic of Ireland's accounting arrangements

568. Based on the previous section, this section considers the accountancy practices of the central and local government.

Statements of financial position and performance for the central government

Table 218: IE - Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual Accounting	Historical Cost
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Cash Accounting	Historical Cost
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Cash Accounting	Historical Cost
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Cash Accounting	Historical Cost

Table 219: IE - Statement of financial position for the Central Government – Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Cash Accounting	Historical Cost
Payable under exchange transactions	N/A	N/A	N/A
Provisions	N/A	N/A	N/A
Financial liabilities	N/A	N/A	N/A
Minority interest, presented in net assets / equity	N/A	N/A	N/A

Accounting caption	Presented	Time of recording	Measurement
Net Assets, presented in net assets / equity	N/A	N/A	N/A

569. As the central government accountancy is on cash basis, the items reported in the statement of financial position are very limited.

Table 220: IE - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Cash Accounting
Finance costs (for current and past year)	N/A	N/A
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Cash Accounting

Statement of financial position and performance for the local government

Table 221: IE - Statement of financial position for the Local Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual Accounting	Historical Cost
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Accrual Accounting	Historical Cost
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual Accounting	Historical Cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual Accounting	Historical Cost
Receivables from exchange transactions	Yes	Accrual Accounting	Historical Cost
Cash and cash equivalents	Yes	Accrual Accounting	Historical Cost

Table 222: IE - Statement of financial position for the Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual Accounting	Historical Cost

Accounting caption	Presented	Time of recording	Measurement
Payable under exchange transactions	Yes	Accrual Accounting	Historical Cost
Provisions	Yes	Accrual Accounting	Historical Cost
Financial liabilities	Yes	Accrual Accounting	Historical Cost
Minority interest, presented in net assets / equity	N/A	N/A	N/A
Net Assets, presented in net assets / equity	Yes	Accrual Accounting	Historical Cost

Table 223: IE - Statement of financial performance for the Local Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accruals Accounting
Finance costs (for current and past year)	Yes	Accruals Accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accruals Accounting

Bookkeeping system

570. The central government uses J D Edwards Financial Management System as bookkeeping system. It is a double entry and double accounting for budget system. Transactions are recorded online, as required.
571. The local subsectors, on the other side, use Agresso as bookkeeping system. It is a double entry system and the transactions are processed hourly.

Nature of the accounting practices at the different levels of government

572. This section compares the identified accounting and auditing practices taking IPSAS as a benchmark

Presentation of the general purpose financial statements

573. Table 224 compares the components of the financial statements for the central government and local authorities.

Table 224: IE - Comparison of the presentation of general purpose of financial statements

Financial statements	Central Government	Local Government
Statement of financial position	Always applies	Always applies
Statement of financial performance	Always applies	Always applies
Cash flow statement	Does not apply	Does not apply
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Does not apply
Cash and receipts statement	Does not apply	Does not apply
Notes to the financial statements	Always applies	Always applies
Other Statements	Always applies	Does not apply

574. The other statements include a departmental fixed asset register which the central government is required to produce. Cash flow statement will be part of annual financial statement from financial year 2012. A fund flow statement has been added to the Annual Financial Statements (AFS) of local authorities with effect from AFS 2011.

Time of recording

Table 225: IE - Comparison of the accounting system applied

Financial statements	Central Government	Local Government
Statement of financial position	Cash Accounting	Accrual Accounting
Statement of financial performance	Cash Accounting	Accrual Accounting
Statement of changes in net assets	N/A	N/A
Cash flow statement	N/A	N/A

Measurement of assets and liabilities

Table 226: IE - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central Government	Local Government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Always applies
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A	N/A
Depreciation:	Depreciation is charged systematically over the useful life	Always applies	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply	Does not apply

575. The statements are all conform to IPSAS principles. The measurement of property, plant and equipment appears to be similar for central and local governments but two facts arise:

- ▶ The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period
- ▶ The price of an asset is determined at the fair value at the time of acquisition.

Provision recognition and measurement

576. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 227: IE - Comparison of the recognition and measurement of provision

Statement	Central government	Local government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	N/A	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	N/A	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	N/A	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Always applies
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement*	N/A	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Does not apply
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Does not apply
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Does not apply
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A	Does not apply
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A	Does not apply

Statement	Central government	Local government
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A	Does not apply

577. While at local government, provisions are measured and accounted for, this does not seem to be the case for the central government.

The Republic of Ireland public sector accounting framework

Table 228: IE - Public sector accounting framework

Sector	Accounting Arrangement	Requirement
Central Government	Cash Accounting supplemented by departmental fixed asset register and some accruals based information	Constitution of Ireland Annual appropriations Act Public Financial Procedures Manual
Local Authority	Accruals Accounting	Law Local Authority Code of Practice Various statutory instruments

Practical issues with the application of IPSAS

578. The IPSAS standards are rather unknown in Ireland's jurisdiction. It is intended to research their applicability as an element of phase two of the accrual accounting implementation.

Current financial Audit Framework

579. The constitution requires the Comptroller and Auditor General (C&AG) to control on behalf of the State all disbursements and to audit all accounts of cash administered by or under the authority of the Oireachtas. It must also report to the Dáil at stated periods, as determined by law. The C&AG is a Constitutional officer and is appointed by the President on the nomination of the Dáil. The main statutes are the Exchequer and Audit Departments Act, 1866 and the Comptroller and Auditor General.
580. For local government audit, the Local Government Audit Service (LGAS) provides independent scrutiny of the financial stewardship of local authorities and other local bodies. The Local Government Act 2001 sets out the framework arrangement for the audit of local authorities.

Scope of the financial audit

581. Table 229 below summarizes the scope and nature of the audit performed by Comptroller and Auditor General and Local Government Audit Service.

Table 229: IE - Description of the scope and nature of the financial audit

Audited entities	Comptroller & Auditor General (C&AG)	Local Government Auditing Services (LGAS)
Scope of the audit	Central government, institute of technology and Vocational Education Committees	Local Government
Completeness of the audit	All inputs to the EDP calculation/deficit compilation that arise from entities within the remit of the C&AG are audited. However the C&AG does not audit the EDP compilation process or the EDP tables.	Audits the financial statements of the entities.

Audited entities	Comptroller & Auditor General (C&AG)	Local Government Auditing Services (LGAS)
	<p>Audit process does not incorporate a reconciliation of the audited financial information with the EDP/deficit compilation.</p> <p>The Accounts/financial statements of Central Government and all non-commercial state sponsored bodies (including the Central Bank and NTMA) are audited by the C&AG under the International Standards on Auditing. The C&AG gives an opinion on the "True and Fair view" for accrual based accounts and an opinion on "properly presents the receipts and expenditure" for cash based accounts. Government Departments and State Agencies are also required to prepare a Statement on Internal Financial Control on an annual basis which is subject to audit review.</p>	
Reliability of information	<p>The audit process does not incorporate a reconciliation of the audited financial information with the EDP/deficit compilation."</p> <p>The Financial statements of the entities audited are prepared by the entities under the particular financial reporting framework for the auditee laid down in statute and/or Irish GAAP. In the case of Central Government the accounting rules are governed by the Department of Public Expenditure and Reform (Public Financial Procedures)".</p>	<p>Auditors are required to give an audit opinion on the annual financial statements of local authorities and other audited bodies. This opinion is the culmination of the auditor's work on reviewing the audited body's transactions as reported in the annual financial statement. The auditor expresses an opinion as to whether the annual financial statement presents fairly, in accordance with the Accounting Code of Practice and Regulations the financial position of the body at the year-end (31 December) and of its income and expenditure for the year then ended.</p> <p>In addition to the audit opinion, it is custom and practice to issue statutory audit reports on the major audits covering any matter or matters, which the auditor considers should be reported. The manager of a local authority is required to respond to this report and his/her comments may be included as part of the final report. This procedure has enhanced public scrutiny of local government as management responses, to address the issues raised at audit, now form part of the published audit reports.</p>
Frequency	<p>Annually</p> <p>The C&AG must ensure that copies of the audited Appropriation Accounts are presented to Dáil Éireann (not later than 30 September in the year following the financial year to which they relate or, if the Dáil is dissolved, one week after the first meeting of the next Dáil Éireann).</p> <p>For other bodies, audited accounts should be presented to Government within six months of the year end as required under the Code of Practice for the Governance of State Bodies. In addition, other State bodies within specific sectors have other statutory reporting deadlines.</p>	<p>Annually following the year end of the audited bodies which is 31 December.</p>
Visibility	<p>The C&AG reports to Dáil Eireann (national legislature) and the audit reports are available to the general public".</p>	<p>The audit reports are issued to the entity, the subsector government, the Council of the local Authority. It is also published on the Department website</p>

The auditing process

582. Table 230 below describes the auditing process followed by the auditors.

Table 230: IE - Description of the auditing process

Audited entities	Central government	Local governments
Auditing standards	ISA	ISA
Selection of the audit flows	<p>Audit is based on the guidance issued by the appropriate authority (e.g. UK and Irish GAAP)</p> <p>All inputs to the EDP calculation/deficit compilation that arise from entities within the remit of the C&AG are audited. However the C&AG does not audit the EDP compilation process or the EDP tables</p>	Audit will follow the relevant auditing guidance "Code of Audit Practice"
Assertions covered	<p>Existence and occurrence</p> <p>Completeness</p> <p>Accuracy and validation</p> <p>Rights and obligations</p> <p>Presentation and disclosure</p> <p>Compliance with laws and regulations</p> <p>Lawfulness</p>	
Feedbacks	<p>A Report on the findings of an audit and associated recommendations referred to as the Management Letter is issued in respect of an audit. The Management Letter is issued principally to bring matters on management and financial controls to the attention of those charged with Governance. The issues raised in management letters require a response from auditees.</p>	Draft audit report and management letter which will be discussed with management
Tracking system	<p>Management Letters – Issues raised in previous year's audit form part of the risk assessment in subsequent audit and are reviewed for follow-up/action in following year's audit.</p>	Audit issues recorded on audit files

Quality framework

583. Table 231 below describes the quality framework.

Table 231: IE - Description of the quality framework

Audited entities	Central government	Local governments
Independence	Since the Comptroller & Auditor General (C&AG) does not audit commercial financial statements, the mandate of the Irish Auditing & Accounting Supervisory Authority (IAASA) does not extend to the C&AG. As indicated in answer to question on Design (below), an internal quality control process which meets the requirements under ISQC1 is carried out by the Office of the Comptroller & Auditor General.	Required by the law.
Design	Annual cold reviews conducted by internal reviewers or by external reviewers (usually bi-annually) for selected audits. Annual EQCRs ⁴⁰ conducted by internal personnel for selected audits. They are integral (ISQC141) An annual report on the findings of the cold reviews and EQCRs is prepared by the Office's Ethics and Monitoring Director. Findings addressed through the Office Management Board with the approval of a detailed action plan of improved audit documentation and through detailed training of staff on the quality findings	From January 2012 the LGAS introduced a system of quality assurance in order to ensure the quality of recording of audit evidence in local authority audits This includes a system of internal monitoring reviews covering a number of aspects of the audit i.e. Engagement Audit Planning Audit Evidence Audit Completion Annual Financial Statements
Education and qualification of the auditors	Auditors performing the audits hold a qualification from an approved accountancy body similar to recognised accountancy bodies. Auditors are obliged to comply with their accountancy body's Continuous Professional Development (CPD) requirements. The syllabus of the recognised accountancy bodies tend not to have study modules dedicated to public sector audit. However in- house training is provided to staff on the application of APB's ⁴² Financial Statements in the Republic of Ireland Practice Note 10(I) Audit of Central Government. It should be noted that the C&AG is the only Constitutional Officer that is mandated to provide an opinion on the Financial Statements/Appropriation Accounts of Central Government.	Qualified Accountants
Independence of the auditor	The independence is ensured by law (Constitution - article 33, C&AG Act 1993, Ethics Legislation, IAASB – ISQC1)	The independence is ensured by the law
Supervision and evaluation	The prescribed accountancy bodies are supervised by the Irish Audit and Accountancy Supervisory Authority (IAASA) in relation to how these bodies regulate and monitor their members. In practical terms this supervision does not extend to the C&AG.	Guidance on Monitoring Reviews: Reviews to be carried out after the completion of the audit. Reviews to be carried out by Principal Auditors on assigned City and County Council audits. Audits for review to be selected by the Director of Auditor.

⁴⁰ EQCR = Engagement Quality Control Review

⁴¹ SQC = Standard on Quality Control

⁴² APB = Auditing Practices Board

Accounting and Auditing Reforms

584. At central government level there is a reform agenda to move departments from cash accounting to accruals based accounting. This was considered previously under the Strategic Management Initiative which was about modernization and change initiatives in the civil service. In 2002, the Accounting Working Group accepted that the cash reporting system was insufficient for assessing departmental performance. The working group also accepted that the Department of Public Enterprise pilot project in 1995 to 1997 to produce accruals based financial statements is a suitable model on which to develop financial reporting for central government. It also accepted that the Management Information Framework project commenced in 1999 to develop a single financial management and control framework (capable of producing accruals information) for each department, presented an opportunity to produce the accruals information. By the end of 2005, all departments had installed new (separate) information systems. The time frame for the move to accruals based reporting has not been agreed but in 2011 appropriation account will include balance sheet. It is not clear whether local GAAP or IPSAS will be the basis for reporting.

Table 232: IE - Description of the existing reforms

Reform plan name	Subsector involved	Initiator of the reform	Nature and scope of the existing plans for reform	Objective of this plan	Reason for implementing a new accounting system
Public Sector Reform	Government Departments & Offices	Government / FM Policy area	Reporting	Requirement to prepare Balance Sheet Move to accrual accounting	Government Decision

Table 233: IE - Description of the current status of the reforms

Current status	Impact	Drawbacks
Complete	2011 Appropriation Account will include balance sheet	None
Initial scoping paper complete	Will require change from Cash to Accrual accounting	Time frame not agreed yet

3.14 Italy

585. This section provides an overview of the accounting and auditing arrangements in Italy.

Legal requirements for accounting and auditing

Central government

586. The central government is composed of Ministries, Agencies of the State, Constitutional bodies, Research bodies, Economic services and Institutions providing Cultural services and Assistance at central level.

587. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 234: IT - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Ministries	Art. 81 Italian Constitution	Compliance Audit	Annually
Agencies of the State	Royal Decrees 2440 of 1923 and 827 of 1924; Law 94/1997; D.Lgs. 279/1997; L. 208/1999; L196/2009	Performance Audit	
Constitutional bodies	D.Lgs. . 300/99 Civil code D.Lgs. 163/2006 I. 287/1990 I. 249/1997 I. 481/ 1995 L. 81/2006	External audit institution	
Research bodies	R.D. 11.02.1934, n. 27; D. Lgs. 419/1999, D.P.R. n. 97/2003 L. 1162/1926, D. Lgs . 322/1989	Compliance Audit Performance Audit External audit institution	Annually
Economic Service producers	D.P.R. n. 97/2003 D. Lgs. 266/1993; L. 126/2001; D. Lgs 115/1998 L. 129/2001 Civil code	Compliance Audit Performance Audit External audit institution	Annually
Institutions providing Cultural Services and Assistance at Central Level	D.P.R. n. 97/2003 D.P.R. n. 613/1980;	Compliance Audit Performance Audit External audit institution	Annually

588. The central government applies the National law in terms of accounting and budget. These accounting standards are therefore part of the law. The last amendment was made in June 2011.

589. The national public agencies apply a system based on the principles of law 94/1997. The annual budget includes a document recording total government revenues and another one recording total government spending broken down by ministry. The budgets of autonomous enterprises and agencies are also enclosed. Each document of government spending is accompanied and illustrated by preliminary notes and is supplemented with a technical annex. The national annual budget is drawn upon both accrual and cash basis. The parliament ratifies by law both accrual-based and cash-based estimates

590. The Italian Corte dei conti, referred hereafter as the Court of Auditors, plays the role of safeguarding public finance and guaranteeing the respect of the jurisdictional system. The Court of Auditors pursues these two aims through two functions: the audit and the jurisdictional function. According to Article 100 of the Italian Constitution, the Court of Auditors is responsible for the “a priori” audit of the legality of Government acts, and also for the “a posteriori” audit of the State Budget’s management.
591. The Court of Auditors reports, at least once a year, to Parliament and to Regional Councils on the results of the audits carried out. There is no obligation to discuss the reports at Parliament or at Regional Councils.

Local government

592. The local government is composed of Regions and Autonomous provinces, Municipalities, Chamber of commerce, etc. All these entities are following Regional and Municipal Laws and apply differing accounting laws.

Table 235: IT - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Regions and Autonomous provinces	DLgs.76/2000 DLgs.118/2011 (from 2014); D.L. 174/2012, approved with L. 213/2012 Regional Laws Regional regulations	Financial Audit External audit institution - Court of Auditors dei conti/Court of Auditors	Annually
Provinces	DLgs.267/2000 DLgs.118/2011 (from 2014); D.L. 174/2012, approved with L. 213/2012	Financial Audit External audit institution - Court of Auditors	Annually
Municipalities	DLgs.267/2000 DLgs.118/2011 (from 2014) Municipal Regulations; D.L. 174/2012, approved with L. 213/2012	Financial Audit External audit institution - Court of Auditors	Annually
Municipalities' Unions	DLgs.267/2000 DLgs.118/2011 (from 2014) Municipal Regulations	Financial Audit External audit institution - Court of Auditors	Annually
Chambers of Commerce	(concerns Universities) Law no 580 of 1993, updated by legislative decree no. 23 of 2010	Financial Audit External audit institution - Court of Auditors	Annually
Mountains' Development bodies	DLgs.267/2000 DLgs.118/2011 (from 2014) Municipal Regulations	Financial Audit External audit institution - Court of Auditors	Annually
Other economic bodies at local level	DLgs.267/2000 DLgs.76/2000 Municipal Regulations Regional regulations	Financial Audit External audit institution - Court of Auditors	Annually
Producers of health services at local level	Dlgs. 502/92 Dlgs 299/99 Regional laws	Financial Audit External audit institution - Court of Auditors	Annually
Institutions providing Education, Cultural Services and Assistance at Local level	DLgs.267/2000 Regional laws	Financial Audit External audit institution - Court of Auditors	Annually

593. In 1995, the Italian Government passed a law reforming Local Government Accounting. Accrual reporting has been introduced, but double-entry bookkeeping has not. Budgetary accounting still remains crucial, and is used to prepare both budgetary and accrual reports.

Social funds

594. The social funds are composed of the Social security services. The Social security services apply the National law. The Social security services are enacted by Consiglio di Indirizzo e Vigilanza (CIV)⁴³, Ministry of welfare and ministry of economy. CIV does not play an effective role. Major Social Security Services were merged into a larger Service (INPS). Besides INPS, there exist about 16 funds delivering social security services for liberal profession (doctors, accountants, lawyers, engineers, etc.). Accounting rules vary significantly between INPS and professionals' funds. The former is bound to decree of head of State no. 97 of 2003, while the latter are bound to the civil code (accrual basis).
595. Majors differences exist in auditing. INPS and professionals' funds are not audited by State Departments, but by "audit committees" where representatives of State Departments are appointed. Besides, the Court of Auditors delegates magistrates between whose tasks are included reporting to Parliament and attending the audit committee. Oversight of the competent State Departments is much stricter on INPS than on professionals' funds. That implies differences on audit.
596. The social funds are managed by central public entities: the auditing part refers to central government.

Table 236: IT - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Security Funds	DPR 97/03	Cf central government	Annually

Public corporations

597. The public corporations follow the civil code. Only a compliance audit is performed by the Court of Auditors (external audit).

Table 237: IT - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Civil Code	Compliance Audit	Annually

Current status of the Italian accounting arrangements

598. To understand the general government accounting practices, the Italian general government was broken down into two categories as advised by respondents:
- ▶ Central government
 - ▶ Local government⁴⁴

Statement of financial position and performance for the Central government

Table 238: IT - Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
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⁴³ CIV prepares guidance and supervision guidelines for general and strategic goals of Social Security Funds and approves the budget prepared by the President of Social Security Funds

⁴⁴ *The study take into account only municipalities as they are the most representative units of the accounting arrangement of the local government, as it is the most commonly used type of accounting system by public entities of the local government.

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual Accounting	Historical cost method
Investment property	No	N/A	N/A
Intangible assets	Yes	Accrual Accounting	Historical cost method
Financial assets	Yes	Accrual Accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Modified cash Accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified cash Accounting	Historical cost method
Receivables from exchange transactions	Yes	Modified cash Accounting	Historical cost method
Cash and cash equivalents	Yes	Cash Accounting	Historical cost method

Table 239: IT - Statement of financial position for the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual Accounting	Historical cost method
Payable under exchange transactions	Yes	Modified cash Accounting	Historical cost method
Provisions	N/A	N/A	N/A
Financial liabilities	Yes	Modified cash Accounting	Historical cost method
Minority interests, presented in net assets/equity	No	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	No	N/A	N/A

599. In some cases, cash and accrual accounting appear at the same time. Experimental systems are now used for central and local subsectors. One of them is an innovative system of modified cash basis; payables and receivables are not recorded when arising but when coming to expiration.

Table 240: IT - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified cash accounting / Modified accrual accounting
Finance costs (for current and past year)	Yes	Modified cash accounting / Modified accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A
Surplus or deficit (for current and past year)	Yes	Modified cash accounting

Statements of financial position and performance for Local government

Table 241: IT – Statement of financial positions for the Local Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Modified accrual accounting	Historical cost method
Investment property	No	N/A	N/A
Intangible assets	Yes	Modified accrual accounting	Historical cost method
Financial assets	Yes	Modified accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Modified accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Modified accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Modified accrual accounting	Historical cost method

Table 242: IT - Statement of financial positions for the Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Modified accrual accounting	Historical cost method
Provisions	Yes	Modified accrual accounting	Historical cost method
Financial liabilities	Yes	Modified accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	No	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	No	N/A	N/A

Table 243: IT - Statement of financial performance for the Local Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting / Modified Cash Accounting
Finance costs (for current and past year)	Yes	Modified accrual accounting / Modified Cash Accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A
Surplus or deficit (for current and past year)	Yes	Modified accrual accounting / Modified Cash Accounting

Bookkeeping system

600. There are 3 types of bookkeeping systems:

- ▶ Asset and liabilities accounting
- ▶ Legal accrual, cash and carry-overs' accounting (Contabilità finanziaria)
- ▶ Cash-flow accounting

601. The 3 are daily, single entries, the transaction system for the first 2 is SIRG and the last one may either be SIPA, SICOGE and SIOPE.

Nature of the accounting practices at the different levels of government

602. This section compares the identified accounting practices taking IPSAS as a benchmark.

Comparison of the presentation of general purpose financial statements

603. Table 244 compares the components of the financial statements for the central government, and the local government⁴⁵.

Table 244: IT - Comparison of the presentation of general purpose financial statements

Financial statements	Central government	Local government
Statement of financial position (balance sheet)	Does not apply with few exceptions	Does not apply with few exceptions
Statement of financial performance (Income statement/profit and loss statement)	Does not apply with few exceptions	Does not apply with few exceptions
Statement of changes in net asset	N/A	N/A
Cash flow statement	Does not apply ⁴⁶	Does not apply ⁴
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies
Cash and receipts statement	Always applies	N/A
Other statement(s)	N/A	Always applies
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

604. Regarding statements of financial position and financial performance, some entities do not issue such statements (The State for instance) and some others may present similar statements. Public sector entities, with few exceptions, do not have a cash flow statement. Cash reports for Governments statistics purposes cannot be assimilated to cash-flow statements.

Time of recording

605. Table 245 compares the components of the financial statements for the central government and the local government.

Table 245: IT - Comparison of the accounting system applied

Financial statements	Central government	Local government
Statement of financial position (balance sheet)	Modified accrual accounting/ Modified cash accounting	Modified accrual accounting/ Modified cash accounting
Statement of financial performance (Income statement/profit and loss statement)	Modified accrual accounting/ Modified cash accounting	Modified accrual accounting/ Modified cash accounting

⁴⁵ It has to be noted that not all accounting practices in Italy are reflected by this table.

⁴⁶ There are few exceptions

Financial statements	Central government	Local government
Statement of changes in net asset	N/A	N/A
Cash flow statement	Cash Accounting	Cash Accounting

Property, plant and equipment recognition and measurement

606. For each of the financial statement component, the accounting system is on modified accrual and modified cash basis.

607. This section deepens the understanding of the measurement of assets. In particular Table 246 details and compares the measurement methods for each of the public entities considered.

Table 246: IT - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central government	Local Government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Does not apply	Does not apply
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Applies similar statement	Applies similar statement
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Applies similar statement	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Applies similar statement	Always applies

608. According to Table 246, the method of measurement of plant and equipment are similar for local and central government but differ significantly from IPSAS.

Provision recognition and measurement

609. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except three, marked with (*), are in conformity with IPSAS principles.

Table 247: IT - Comparison of the recognition and measurement of provision

Statement	Central government	Local Government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement*.	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Does not apply	Does not apply
Provisions are recognized for net deficits from future operating activities*	Always applies	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Does not apply	Does not apply
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Does not apply	Does not apply
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Does not apply	Does not apply
Your entity discloses for each class of provision unused amounts reversed during the period	Does not apply	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Does not apply	Does not apply
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Does not apply	Does not apply
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply	Does not apply

610. According to the table below, the measurement and disclosure of provision varies for central and local governments. They have much dissimilarity with IPSAS.

Heterogeneity of the accounting arrangements

611. In Italy, Regions have their own regulation and may use different public accounting systems, while municipalities and provinces do comply with a national statutory code for their accounting rules. They may adopt their internal accounting regulation, adapting national rules to their own needs to a limited extent. As a consequence there are strong discrepancies not only between differing entities of local government but also between local and central government in terms of accounting arrangements. The system is very heterogeneous.

The practical issues with the application of IPSAS principles

612. No application of IPSAS is foreseen in the near future in Italy. The recent reform of general accounting framework does not contain any reference to IPSAS principles. Ipsas could hardly be implemented in Italy given the heterogeneity of the different levels of government, the remarkable extension of their self-governing powers and the present trend towards harmonization.
613. The IPSAS adoption could be possible only after the completion of the big harmonization process of public accounting. Indeed, there is currently a huge reform in public accounting in progress and all the public entities, local and central levels, should converge to the new accounting principles and balance scheme by 2014. After harmonization, the IPSAS reform should be easier to implement, despite the many differences with the current system in use and consequent repercussions (e.g. staff qualification is seen as a barrier to the implementation of IPSAS).
614. The accrual accounting in the current reform is not the primary accounting system for the public entities. It will be only used for "cognitive goals". The authorized budgets are based on cash based principles. Consequently, the adoption impacts of IPSAS will be strong on decisional levels, information levels, processes and procedures, systems and more, but first of all on decisional levels.

The current financial audit framework

615. In the audit field, in order to better enact the Art.100 of the Constitution, the Art. 3 par. 1 of the Law n. 20 of January 14th, 1994 establishes that the Court of Auditors should carry out an "a priori" audit on general planning acts of the administration (the laws) because of their impact on the legislation (implementation acts) The provisions of art.3 par. 4 of Law n. 20 introduce the new methodology of auditing, entrusting the Institution with the task of carrying out the "a posteriori" audits on the management of the budget and the capital assets of State departments.
616. This audit takes into account effectiveness (results), efficiency (time and methods) and economy (costs). For this purpose the legislator entrusted the Court of Auditors with the task of setting, on a yearly basis, audit programs and criteria. Paragraph 4 of the above mentioned article 3 entrusts the Court of Auditors also with the task of verifying the functioning of internal audit in each State Department. The audit activity of the Court of Auditors is particularly complex for its articulation on the whole territory at different levels - central and regional – on the one hand and for the entities subjected to its audit - central governmental administration (Ministries and Central Agencies), public entities and public corporations, local entities (Municipalities...) on the second hand.

Scope of the financial audit

617. The table below summarizes the scope and nature of the financial audit performed by the court of auditors.

Table 248: IT - Description of the scope and nature of the financial audit

Auditing entities	Court of Auditors
Scope of the audit	All government subsectors
Completeness of the audit	N/A
Reliability of information	Reliability of information is always applicable, except for IT and off balance sheet commitments where it is partially applicable
Frequency	The most important reports are on annual basis. Italy has also a particular quarterly report on the financial coverage of the laws.

Visibility	Parliament-Governmental and local bodies but the knowledge is extended to all the stakeholders
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The auditing process

618. Table 249 describes the auditing process followed by the court of auditors. On a voluntary basis the court of auditors seeks to be as close as possible to the European Standard of Auditing (ESA) standards.

Table 249: IT - Description of the auditing process

Audited entities	Central government
Auditing standards	Mandatory
Selection of the audit flows	The flows and processes are subject to an audit (as specified above) part of the EDP inventory reporting. IT are selected by Decision (State Economic-Financial Annual and Pluriannual Program)-Stability and Growth Law Technical Rules
Assertions covered	a) Completeness b) Accuracy and valuation c) Presentation and disclosure d) Lawfulness
Feedbacks	Draft to final report, amendments/changes are made to the content (findings and/or recommendations) are sometimes applied. The same Chamber that has approved the report (Central or Regional Chamber and for Annual Report to Parliament the United Chambers of the Court of Auditors)
Tracking system	Amendments/changes of the report affects essential findings/ recommendations are never applied

Quality framework

619. Table 250 presents the quality framework of the financial audit.

Table 250: IT - Description of the quality framework

Audited entities	Central government
Independence	Court of Auditors is a SAI Supreme Audit Institution Independent. Each Judge is responsible for the Review assigned
Design	The Court of Auditors reports to the parliament Annually.
Mandate	Yes
Follow ups	There is a follow up to impose corrective actions
Education and qualification of the auditors	The requirements are asked for the public procedure to access for career as Judge of Court of Auditors
Independence of the auditor	The auditor should have total independence under respect of the laws
Supervision and evaluation	Auditors are supervised

Accounting and auditing reforms

620. Major reforms are foreseen in the coming year which will significantly change the accounting and auditing framework. The reform concerns all the public entities, central/local/health agencies/company owned by minister of finance that up to now apply very different accounting rules. The reform for central government is waiting for decrees that will clarify timing and modes (they should be issued by the end of 2012). The reform of local governments (regions, province, and municipalities) is in progress. There is an experimentation phase that will end by the end of 2013 and that concerns about 115 entities over Italy.

Central government

621. The Law 196, of 31 December 2009, reformed Italian public finances and accounting in order to adapt the legislative and regulatory framework to the needs of public financial and budgetary management, in the context of (i) Italy's membership of the European Monetary Union, (ii) the evolution of the economy, and (iii) the new institutional arrangements between central and local governments. The Law was addressed to all the entities that make up the aggregate of general government as defined under the national accounting rules. The perimeter of Law 468/1978 (now abrogated) is thus extended, and a single, consistent normative framework is laid down for all the entities forming part of general government.

622. A fundamental aspect of the current reform (Article 2) is provision for an enabling act to harmonize the accounting systems and budget formats of general government bodies. An essential prerequisite for unified management of the public finances is that the budget data of the various general government bodies be homogeneous, easily reconcilable, and promptly and easily accessible. This presupposes that the data are collected and presented in a shared format and follow the same accounting standards. The enabling act accordingly provides for the adoption of uniform accounting rules and a common chart of accounting items.

623. Accounting systems and formats must be reconcilable with those used for the European Union's excessive deficit procedure and consistent with the economic and functional classification set out in Community regulations (COFOG). This provision ensures a more direct and transparent relation to the purposes of expenditure and public policies, represented by missions and programs. To reinforce the evaluation of government performance in economic terms, financial accounting is to be flanked by a system of cost and asset accounting and a specially designed set of indicators for gauging results.

624. The framework of information is completed by the introduction of consolidated accounts for general government bodies including firms that they own or control. For general government entities required to follow corporate (civil) accounting procedures, taxonomy must be devised to reclassify the accounts for reconciliation with the provisions governing the other entities. The harmonization of accounting systems and formats is also provided, under the same standards and guidelines, for regional and local governments. Law 42/2009 implementing fiscal federalism, in fact, has been amended in its provisions concerning budget harmonization in order to ensure consistency with the measures of Law 196 bearing on all the other general government bodies. For these regional and local governments, the procedures are laid down by Law 42.

625. The reform also institutes a Committee for the accounting standards of general government bodies other regional and local governments. The Committee's job will be to draft the legislative decrees for harmonization. It will act in coordination with the Joint Technical Commission for the implementation of fiscal federalism established by Law 42/2009, in order to ensure coordination with the process of harmonization of local government accounts. Under the principle of harmonization of the public accounts, the Law calls for the institution of a single general government data bank (Article 13). This data bank will result in easier consolidation and monitoring of public finance data, the acquisition of information for the implementation of fiscal federalism, and the creation of benchmark data for the analysis and evaluation of expenditure. Instituted at the Ministry for the Economy and Finance, the data

bank will collect all data on general government bodies' budget projections, outturns and operations, plus any other information relevant to the accounting reform and fiscal federalism. The data for the bank will be acquired by information interchange with the other general government bodies that are already collecting such data. This will simplify and lighten the communication requirements now imposed on general government bodies by those assigned institutionally to their oversight. Access to the data bank will be according to procedures defined in special decrees by the Ministry for the Economy and Finance.

Local government

626. The Legislative Decree n. 118 of 2011 established the general framework of accounting reform of regions, metropolitan cities, provinces and municipalities, other institutions premises referred to in Article 2 of Legislative Decree 18 August 2000, n. 267, entities instrumental in the regions and local authorities, by deferring the precise definition in subsequent decrees of the President of the Council of Ministers of a discipline testing every two years.
627. In particular, Title II of the Ordinance defines the accounting rules, and the rules designed to govern the procedures for preparing and consolidation of financial statements by agencies involved in the management of expenditure financed by the resources allocated to the NHS.
628. The provision of a two-year trial is designed to deliver a innovative process "bottom up" approach for identifying content details of the accounting reform, through:
- ▶ The trials of the new discipline, in derogation to existing disciplines accounting, by a limited number of administrations territorial identified because of the geographic location and population size
 - ▶ The definition of definitive rules on the basis of the results of experimentation, in force since 2014 for all government subject to Decree, through the enactment and additional remedies available under Article 2, paragraph 7, of Law no. 42, 2009.
629. In particular, for institutions that already adopt financial accounting, the decree provides:
- ▶ Accrual accounting for cognitive scope, entrusted with the task to recognize revenue and cost management in order to represent the "economic resources" acquired and used during a exercise, to participate in building the assets of the account, noting, in particular, changes in shareholders of the entity which constitutes a key performance indicator management, to allow the preparation of consolidated financial statements of each public administration with their bodies and organizations instrumental, companies, societies and other bodies controlled. To financial accounting is instead confirmed the role of accounting system for the main and fundamental purposes and authorizatory management reporting;
 - ▶ The adoption of a common chart of accounts integrated guaranteeing uniform collection of operational events on the financial, economic and property, as well as common financial statements financial, economic and common equity and consolidated financial statements with related agencies and instrumental organizations, companies, corporations and other entities controlled, which ensure raccordability with accounting systems provided within the Community;
 - ▶ The articulation of the statements on the expenditure side missions (the main functions and strategic objectives pursued by the administrations using financial resources, human and material used for this purpose), programs (aggregates of activities to achieve the objectives defined as part of tasks), macro aggregates (articulation of programs, and economic category of expenditure), and on the side of income securities, types and categories. The unit vote for the approval of balance sheet is formed, respectively, from the programs and types;

- ▶ The introduction of a requirement for all entities, to conform management and general accounting principles applicable to all common institutions, which ensure the effective harmonization of the accounting, recording and accounting treatment of individual transactions management. The general accounting principles are defined in the decree on the basis of a recognition of the principles already in place in the civil public, excluding the General Accounting financial capability, for which, in order to enhance the function, decree proposes a new formulation, based on the distinction of three different moments in the life of the bonds: the birth, chargeability (which is the phase in which the debt / credit monetary becomes effective) and extinction. The new configuration of the principle by providing that the registration of operations management is always done in the period in which it is born debt is legally perfected active or passive, while accounting allocation of revenue and expenditure is made in the exercise when the related liability is due, in order to strengthen planning function of the budget. It also favours the modulation of debts according to the actual needs of financial institutions, and prevents the determination of revenue future obligations and commitment to non-existent, and makes it possible to know through the budgets, the actual debt of the entities.
 - ▶ The adoption of a plan of simple indicators and expected results, measurable and directly related to the budget plans, to be applied homogeneously in the local authorities in order to allow the construction of comparable benchmark of efficiency and appropriateness to meet the pressing demands for public expenditure control among the general public, which is increasingly attentive to the ways of using resources;
 - ▶ The provision of uniform deadlines for submission of various financial reports (budget, budget statement, statement and consolidated financial statements).
630. For institutions that use only the accrual, the reform plan is limited to the decree which provides for the adoption of principles and a statutory reclassification (cd. taxonomy) of the cash and enables the comparison with the corresponding data entities in financial accounting.
631. The decree also identifies the accounting system of the other instrumental bodies of regional and local authorities, who can no longer be different from that of the membership, thus making it possible aggregation of financial institution, with those of its joint organization with independent management and accounting (cd organisms instrumental), and the elaboration of a general statement referring to all operations performed by the body as a whole. The scope of the decree, identified in accordance with the Committee of accounting for general government, consists of the regions ordinary statute, by local authorities mentioned in Article 2 of Legislative Decree 18 August 2000, n. 267 (provinces, municipalities, metropolitan cities, mountain communities, island communities, associations of municipalities and associations of local authorities) and their bodies and instrumental organizations. For the special statute regions and autonomous provinces of Trento and Bolzano Article 35-bis of the Decree provides for compulsory adaptation of accounting systems and those of local authorities of their territories, in accordance with their statutes of autonomy and related standards implementation, according to the procedures provided for in Article 27 of Law n. 42/2009. B.
632. The decree of the President of the Council of Ministers of 28 December 2011 has governed the implementation of the planned two-year trial Article 36 of Legislative Decree n. 118, 2011. The decree, characterized by substantial documentation attached, has consistently identified the content of the accounting reform by defining:
- ▶ The general principle of financial expertise (enhanced) reported Annex no. 1;
 - ▶ Detailed rules for the timely implementation of financial accounting listed in Annex no. 2 Accounting applied accounting financial. In particular, they have identified ways to minimize the new configuration of financial expertise, by homogenizing the concepts of commitment and determination, and ensuring the same behaviour by all operators. This objective was pursued

through specific examples with reference to the case more complex (eg recording of capital expenditures financed with flexible forms of financing);

- ▶ Rules of detail on time for the application of the accrual accounting derived from financial records, contained in Annex no. 3 Accounting applied to accounting income and balance sheet;
- ▶ Chart of Accounts
- ▶ Patterns of the budget and cash flow statement prepared in accordance with the same model for the regions and local authorities to allow the comparison and consolidation of public finances, their connection with the economic and functional classifications identified by the regulations Community and the adoption of accrual financial cd. "Enhanced" as defined by Legislative Decree n. 118, 2011. The budget consists of the annual budget of competence financial and cash, and many years of expertise from the estimate. The statement is the account of the balance sheet, income statement and the balance sheet. For both documents the economic classification of the third level of categories for income and expenses for macro aggregates, is represented in special attachments. The schemes approved by the organs of local government provide, in fact, the joint income and expenditure to the level on the respective ballot unit: types for revenue, programs for the costs, with a further detail for the latter such as to distinguish the component of expenditure according to the articulation of expenditure identified in the Notes based on the financial chart of accounts. Particular attention should be paid no attachments to the statement. 8-d, which exposes the findings and commitments charged to future periods to which the final report, thereby playing a vital function transparency in the management of future periods, and n. 8-e on the articulation of the costs for the mission;
- ▶ The discipline of the consolidated financial statements, dictated by Title V of the decree, which must be added its principle applied, Annex no. 4 and diagram of the consolidated financial statements, set out in Annex no. 11;
- ▶ The prospects of sharing the costs of missions and programs, respectively, of non-health agencies instrumental in accounting and statutory reporting health authorities (the cd. taxonomy), in Annexes no. 9 and 10;
- ▶ The discipline of the experimental plan indicators and expected results of budget which performs the function of illustrating management objectives, measure results, monitor the actual progress in terms of services provided and activities performed. The plan is connected to the system objectives and indicators used by each service within the meaning of the decree Legislative October 27, 2009, n. 150. Title IV of the decree shall identify the minimum requirements of the Plan and refers to the definition of the indicators of a common system of indicators needed to allow comparison between institutions, the outcome of the trial.

3.15 Latvia

633. This section provides an overview of the accounting and auditing arrangements in Latvia.

Legal requirements for accounting and auditing

Central government

634. The central government is composed of Ministries and Administrative resources entities and of government and municipal entities.

635. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 251: LV - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Ministries and Administrative resource entities	Law on Budget and Financial Management Government regulations on accounting Government regulations on preparation of financial statements	Financial audit Internal audit	Annually on government and municipality level/ on entity level no mandatory frequency
Governmental entities	Law on Budget and Financial Management Government regulations on accounting Government regulations on preparation of financial statements	Financial audit Internal audit Financial audit by private firm	The internal audit is an ongoing process

636. The Ministries and administrative resources entities all apply the Law on Budget and Financial management. The latest amendment of this law goes back to the 29/03/2011. They also respect the Government regulation on accounting. This rule refers to IPSAS and the latest amendment goes back to the 23/08/2011. They apply another rule: the government regulations on preparation of financial statements. The latest amendment of this rule goes back to 29/05/2012.

637. The institution in charge of the financial audit is the State Audit Office. At the end of this annual audit a report is produced. This report contains all the findings and is addressed to the general public. The report is mandatory on the Government level and voluntary on entity's level.

638. For the governmental entities, there is also a financial audit which is carried out by independent audit firms. At the end of this mandatory and annual audit a report is produced together all the findings. This report is addressed to the general public.

639. The internal audit is a voluntary ongoing process. A report is issued to gather the findings and the recommendations; this report is only for internal use.

Local government

640. The local government is composed of Municipalities and Municipal Entities.

Table 252: LV - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
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Cities	Law on Budget and Financial Management Government regulations on accounting Government regulations on preparation of financial statements	Financial audit Internal audit Financial audit by private firm	Annually on municipality level/ on entity level no mandatory frequency The internal audit is an ongoing process
Municipalities	Law on Budget and Financial Management Government regulations on accounting Government regulations on preparation of financial statements	Financial audit Internal audit Financial audit by private firm	Annually on municipality level / on entity level no mandatory frequency
Local government and municipal entities	Law on Budget and Financial Management Government regulations on accounting Government regulations on preparation of financial statements	Financial audit Internal audit Financial audit by private firm	The internal audit is an ongoing process

641. The local government is subject to the same audit than the central government.

Public Corporations

Table 253: LV - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Annual Accounts law	Financial audit Internal audit Financial audit by private firm	Annually on corporation level/ on entity level no mandatory frequency The internal audit is an ongoing process

642. Contrary to the other entities, public corporations apply the Annual Accounts law. This law refers to the IFRS and the last amendment goes back to 14/06/2012. They also apply the Law on Consolidated Annual Accounts. This law refers to the IFRS and the last amendment goes back to the 30/09/2010.

643. Concerning the audit processes, there are no differences with the other entities.

Current status of Latvia's accounting arrangements

644. All the general government entities except public corporations apply the same accounting standards. This section seeks to qualify these standards referring to IPSAS as a benchmark.

Statement of financial position and performances

Table 254: LV - Statement of financial position - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method/fair value method/replacement cost method
Investment property	No	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method/fair value method
Financial assets	Yes	Accrual accounting	Historical cost method/fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method/fair value method/replacement cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Cash accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 255: LV - Statement of financial position - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Fair value method
Financial liabilities (excluding amounts shown under (j), (k) and (l))	Yes	Accrual accounting	Fair value method
Minority interests, presented in net assets/equity	No	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	No	N/A	N/A

Table 256: LV - Statement of financial performance

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified Accrual accounting
Finance costs (for current and past year)	Yes	Modified Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Modified Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	N/A
Surplus or deficit (for current and past year)	Yes	Modified Accrual accounting

Bookkeeping system

645. The book keeping system, which is a SAP ERP, is an enterprise resource planning. This double entry system is recorded daily.

Consolidation

Scope and description of the consolidation process

Table 257: LV - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
The Treasury as the governing and ruling body has control over financial and operating policies of other ministries, municipalities (both rural areas and cities), other independent authorities as State Audit Office, etc. Governmental agencies are subordinated to ministries (depending on type of activities). Universities are subordinated to ministries depending on type of studies (i.e. majority of universities are subordinated to the Ministry of Education and Science, still the Riga Stradins University is subordinated to Ministry of Healthcare, Academy of Jazeps Vitols is subordinated to Ministry of Culture). Schools and kindergartens are subordinated to municipalities.	The annual report on the implementation of the State (Central government) budget and Local Governments Budgets covers consolidated financial statements of all public sector entities that are defined in Law on Budget and Financial management.	Balances, statements of financial performance, Statements of changes in net asset, Cash flow statements and other reports are summed up, and all transactions between consolidated entities are eliminated.	No exceptions	Timetable is determined by the Law on Budget and Financial Management. The whole consolidation process takes approx. 6 months after year ending. The consolidated statements on State level for 2011 are published in October 2012 within 10 reporting days after approval by the Government (as per Cabinet Regulations No 375 (29.05.2012),	Consolidated information is published. Government, general public

Proximity of the consolidation process with IPSAS

Table 258: LV - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Consolidation process
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Does not apply
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Does not apply
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Does not apply
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Does not apply
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Does not apply
Minority interests in (c) consist of (d) and (e)	Does not apply

646. Though the above statements always apply for IPSAS principles, it is not the case in Latvia where they do not apply. The annual report on the implementation of the State (Central government) budget and Local Governments Budgets covers consolidated financial statements of all public sector entities that

are defined in Law on Budget and Financial management and therefore does not cover public enterprises.

Nature of the accounting practices

647. This section qualifies and compares the accounting practice based on four dimensions:

- ▶ Presentation of general purpose financial statements
- ▶ Time of recording
- ▶ Measurement of assets and liabilities
- ▶ Provision measurement and recognition

Presentation of the general purpose financial statements

648. Table 259 describes the components of the financial statements for the all subsectors.

Table 259: LV – Comparison of the presentation of general purpose financial statements

Financial statement	All subsectors of government
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies
Cash and receipts statement	Does not apply
Other statement(s)	Always applies
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

649. The presentation of the components of financial statements is in line with IPSAS.

Time of recording

Table 260: LV - The accounting system applied

Financial statement	All subsectors of government
Statement of financial position (balance sheet)	Accrual accounting, cash accounting for recoverable, modified accrual accounting for taxes and transfers payable.
Statement of financial performance (Income statement/profit and loss statement)	Modified accrual accounting
Statement of changes in net asset	Modified Accrual accounting
Cash flow statement	Accrual accounting or cash accounting

650. The accounting system applied to the Financial Statements is an accrual accounting system. It is similar to IPSAS.

Property, plant and equipment measurement and recognition

651. This section deepends the understanding of the measurement of assets. In particular Table 261 details and compares the measurement methods for property, plant and equipment.

Table 261: LV – Comparison of the recognition and measurement of property, plant and equipment

Statement		All subsectors of government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Applies sometimes
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Always applies
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies

652. According to Table 261, the measurement and recognition of plant and equipment are similar in spirit with IPSAS principles.

Provision measurement and recognition

653. This section describes the accounting arrangement for the measurement and recognition of provision. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 262: LV – Comparison of the recognition and measurement of provision

Statement		All level of government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*		Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions		Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date		Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will		Applies sometimes

Statement	All level of government
be received.	
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Applies sometimes
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Does not apply
Your entity discloses for each class of provision unused amounts reversed during the period	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Does not apply
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Does not apply
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply

654. According to Table 262, while recognition of provision is similar to IPSAS, except two statements marked with (*), there are some differences in their disclosures. In particular:

- ▶ Entities do not disclose for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services
- ▶ Entities do not disclose for each class of provision the uncertainties about the amount or timing of those outflows
- ▶ Entities do not disclose for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement

The practical issues with application of IPSAS

- ▶ IPSAS are oriented on IFRS, and IPSAS Board does not have necessary oversight from government sector public institutions oversight bodies.
- ▶ The consolidation principles of IPSAS do not cover the practical issues of consolidation of general government financial statements with regard to specific features of government budget and financial management.
- ▶ General principles of budget process are not covered by IPSAS and problems of relationship of budget presentation with accounting issues are not reviewed.
- ▶ If IPSAS were adopted it would be long term high cost project, with individual derogations and large differences in application of IPSAS by EU MS.

- ▶ The Treasury of the Republic of Latvia considers that IPSAS, under its current format (mainly based on the needs of private sector), is not suitable for direct implementation in Latvia Member State mainly because the basic principles of IPSAS are only applicable on very general level and allow broad interpretation possibilities and large differences in understanding and applying IPSAS by Latvia.
- ▶ Latvian respondents deemed preferable a national IPSAS based accrual accounting system or an EU developed IPSAS based Public sector accrual accounting system after reconciliation with ESA and EDP statistics requirements, especially regarding accounting and reporting tax revenues on accrual bases, "pension liabilities", and consolidation issues. The IPSAS could serve only as a broad basis for further development of EU standards.
- ▶ Regarding valuation issues, the annual revaluation of non-financial assets in fair value prescribed by IPSAS is not reasonable for public sector institutions because it increases workload and the information is not applicable for government statements.
- ▶ State Administration Structure Law and Cabinet Regulations regarding drafting of normative acts does not allow content and structure of normative act similar to IPSAS and prescribes normative acts without using practical examples.
- ▶ There are also two accounting irregularities with accounting based on cash flow principles. Those are:
 - (a) Taxes receivable and transfers.
 - (b) Subsidies and grants.

The current financial audit framework

Description of the scope of the financial audit

655. Table 263 below summarizes the scope and nature of the financial audit performed by the court of auditors.

Table 263: LV - Description of the scope and nature of the financial audit

Auditing entities	State Audit Office and	Private auditors
Scope of the audit	Central government	Local government
Completeness of the audit	The completeness of the information that should be part of the EDP/deficit compilation is part of the audit approach.	
Reliability of information	The reliability of this information is ensured through an audit, plausibility checks and other checks.	
Frequency	Annually	
Visibility	Audit results are available to the entity, the parent entity, the government, and the supervision entity. Auditors reports are published on the webpage of State Audit Office in full length, except for classified information. The actions undertaken once the results are made available are only internal, made by the government and by the supervision authority.	

The auditing process

656. Table 264 describes the auditing process followed by the court of auditors.

Table 264: LV - Description of the auditing process

Audited entities	Central government	Local government	Public corporations
Auditing standards	It is required by the law that the following flows be audited: assets, liabilities, expenditures, income, cash flows, off balance sheet commitments and the annual report. On the contrary there is required to have the IT and the processes audited.		
Selection of the audit flows	There are two selection processes. Some selections are based on materiality. Determination of materiality depends on entities specific. Still the same materiality level is developed both for balance sheet and statement of financial performance captions. It may also be based on random sample and according to the identified specific audit areas.		
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/Rightfulness (compliance with laws and regulations) 		
Feedbacks	<p>The audit results and findings are communicated to the management of the entity, the governing entity (e.g., the respective ministry) and included in the summary of audit findings prepared by the State Audit Office which is publicly available document.</p> <p>The governing entities request the detailed plan of actions to solve the identified issues indicating the deadlines for developing solutions and implementing them. The follow-up is performed by the State Audit Office during the next year's audit.</p>		
Tracking system	Deadlines are set and monitored by the governing entity.		

Quality framework

657. Table 265 presents the quality framework of the financial audit.

Table 265: LV - Description of the quality framework

Audited entities	Central government	Local government	Public corporations
Independence	No review is applicable. The State Audit Office is independent public authority according to State Audit Office Law. The individual public entities (agencies, municipalities, universities and other) can choose to engage the external auditors to conclude on financial statements of entity, still the State Audit Office can perform additional auditor.		
Design	No review applicable.		
Mandate	No mandate		
Follow ups	No follow up		
Education and qualification of the auditors	Bachelor degree is required. Internal annual appraisal shall meet specific target level. There is not a specific study program.		
Supervision and evaluation	Regulatory requirements regarding supervision are embedded in national law. The enforcement of the rules is embedded in national laws		
Independence of the auditor	The independence of the auditor is, embedded in national law and/or other regulations		

Accounting and auditing reforms

Planned reforms

658. In order to ensure further development of national legal bases for accrual accounting, the project of development of a national IPSAS based accrual accounting standards is expected to take place within the next 3-5 years with possible further reconciliation with ESA and EDP statistics requirements.

Progresses and effectiveness of reforms

659. The introduction of an accrual model will have an impact on transaction level controls developed by the public sector entities. It would require adopting the accounting software, and would require training sessions. The main impediment is that costs for transition to IPSAS are relatively high (mainly for software adaptation and training costs).

3.16 Lithuania

660. This section provides an overview of the accounting and auditing arrangements in Lithuania.

Legal requirements for accounting and auditing

Central government

661. The central government is composed of the state government, the ministries, the state monetary fund, governmental entities and the Central Bank.

662. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 266: LT - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Government	Public Sector Accounting and Financial Reporting Standards Order of the Minister of Finance on the Reporting on Budget Implementation Law on Public Sector Accountability Accounting Law Law on the Budget Structure	Financial audit/ Performance audit Internal audit	Annually
Ministries	Public Sector Accounting and Financial Reporting Standards Order of the Minister of Finance on the Reporting on Budget Implementation Law on Public Sector Accountability Accounting Law Law on the Budget Structure	Financial audit/ Performance audit Internal audit	Annually
State monetary funds	Public Sector Accounting and Financial Reporting Standards Law on Public Sector Accountability Accounting Law	Financial audit/ Performance audit Internal audit	Annually
Governmental entities	Public Sector Accounting and Financial Reporting Standards Order of the Minister of Finance on the Reporting on Budget Implementation Law on Public Sector Accountability Accounting Law Law on the Budget Structure	Financial audit/ Performance audit Internal audit	Annually
Central Bank	Accounting Law European Central Bank regulations Law on the Bank of Lithuania	Financial audit Internal audit	Annually

663. The Government, the Ministries, the State Monetary funds and the Governmental entities (except for the Central Bank) all apply the Law on Public Sector Accountability which focuses on both financial and budget implementation reporting, the Public Sector Accounting and Financial Reporting Standards, which focus on financial accounting and reporting, and the Order of the Minister of Finance on the Reporting on Budget Implementation, which focuses on the budget implementation reporting. All of the above apply Accounting Law as well.

664. The Law on Public Sector Accountability was enacted by the parliament on 26/06/2007 and the latest amendment was made on 29/03/2012. The Accounting law was enacted by the parliament on 06/11/2001 and the last amendment is dated on 24/04/2012. The above mentioned standards focus on financial accounting principles and are based on IPSAS. They were enacted by the Ministry of Finance on 19/12/2007 and became effective 01/01/2010 and the latest amendment is dated on 09/02/2012. Order of the Minister of Finance on the Reporting on Budget Implementation establishes rules and forms on reporting on budget implementation and was enacted on 31/12/2008, last amendment on 01/04/2012. Finally the Law on the Budget Structure, which does not apply to the State Monetary Funds, focuses on the budgeting principles and was enacted by the parliament on 30/07/1990. The last amendment was made on 29/12/2011.
665. For all the entities above (except for the Central Bank), the institution in charge of performing the financial and performance audit is the National Audit Office. These audits are financed from the state budget and are mandatory for entities involved in Public Audit Programs, which are confirmed annually. The findings are reported to the Executive Level and the Parliament, when needed. The report is also available to the general public. The internal audit is carried out by the audited entities themselves. The report is submitted to the executive level, and it is for internal use only. It includes findings and advices. It is mandatory for public entities that are stated in Law on Internal Control and Internal Audit.
666. Concerning the Central Bank, the financial audit is carried out by private audit firms and funded by the Central Bank. The audit is mandatory for specific type of entities and for entities that exceed the limits defined in Law on Financial Statements of Entities. The annual report includes the findings. It is submitted to the Executive level and it is also available to general public.

Local government

667. The local government is composed of Municipalities and Municipal Entities.

Table 267: LT - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Public Sector Accounting and Financial Reporting Standards Law on Public Sector Financial Reporting Accounting Law Law on the Budget Structure	Financial audit/ Performance audit Internal audit	Annually
Municipal entities	Public Sector Accounting and Financial Reporting Standards Law on Public Sector Financial Reporting Accounting Law Law on the Budget Structure	Financial audit/ Performance audit Internal audit	Annually

668. All entities apply the same laws or rules as the central government. The details of these laws and description of audit process are provided in the previous paragraph. External audit is performed by local government Controllers that are subordinate to the Council of local government and apply the methodology of the National Audit Office. The internal audit processes are similar to those described in the previous paragraph.

Social funds

669. Social security funds consist of funds themselves and governmental entities that administrate them.

Table 268: LT - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Security Funds	Public Sector Accounting and Financial Reporting Standards Law on Public Sector Financial Reporting Accounting Law Law on the Budget Structure of Social security fund	Financial audit/ Performance audit Internal audit	Annually

670. Most of the laws and rules related to accounting and auditing that are applied by Social Security Funds are similar to the laws of the central government. The Law on the budget structure of Social security fund was enacted by the parliament on 26/05/2002 and the latest amendment was made on 03/05/2011. The audit processes are similar to those described in the paragraph about central government entities.

Public corporations

Table 269: LT - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Accounting Law Business Accounting Standards Law on Financial Statements of Entities	Financial audit/ Performance audit Financial audit Internal audit	Annually

671. Public corporations apply different laws than the entities mentioned above. The Business Accounting Standards are rules which focus on accounting principles and refer to IFRS. They were enacted by the Authority of Audit and Accounting on 18/12/2003; the latest amendment is dated on 23/12/2011. The Law on financial statements of entities was enacted by the parliament on 06/11/2001 and the latest amendment was made on 24/05/2011. Financial audit of Public corporations is performed by private auditors. Performance audit may be performed by National Audit Office.

Current status of Lithuania's accounting arrangements

672. The Lithuanian accounting arrangements are featured by:
- ▶ The public Sector Accounting and Financial Reporting Standards which applies to central/local governments and social funds and Business accounting standards for public corporations (reports include Statement of financial position (balance sheet), Statement on Performance Outturn (Income/expenditure statement or profit/loss account), Cash flow statement, Statement on Changes in Net assets and explanatory notes)
 - ▶ Budget Implementation Reporting which applies to central/local governments and social funds.
673. But there is one set of accounting principles, which is defined by law and which is accrual accounting for all levels. So there are no different accounting practices. On top of accrual accounting, all those entities have to prepare budget execution reports, which are based on cash - money received, money spent.

Statements of financial position and performance

Table 270: LT - Statement of financial position for all subsectors of the Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method/fair value method
Investment property	Yes	Accrual accounting	Fair value method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Fair value method
Inventories	Yes	Accrual accounting	Historical cost method/fair value method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Present value method
Receivables from exchange transactions	Yes	Accrual accounting	Present value method
Cash and cash equivalents	Yes	Accrual accounting	Present value method

Table 271: LT - Statement of financial position for all subsectors of the Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Present value method
Payable under exchange transactions	Yes	Accrual accounting	Present value method
Provisions	Yes	Accrual accounting	Present value method
Financial liabilities	Yes	Accrual accounting	Present value method

Table 272: LT - Statement of financial performance for all subsectors of the Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

The bookkeeping system also called Financial and Management Accounting System is a double entry system. All entities have their own accounting systems. For the ministry of finance, it is implemented on Microsoft Navision basis. Transactions are recorded daily.

Consolidation

Scope and description of the consolidation process

Table 273: LT - Description of the consolidation process

Scope	Accounting process	Timetable	Availability/ Recipients
The financial statements of all public sector entities that are defined in Law on Public Sector Accountability are consolidated (at National level – starting from the year 2012)	Balances, performance outturn statements, Statements of changes in net asset, Cash flow statements and other reports are summed up, and all transactions between consolidated entities are eliminated.	Timetable is approved by the Minister of Finance. The whole consolidation process takes approx. 6 months after year ending. The consolidated statements on State level for 2011 will be published by 31st of May, 2012.	Consolidated information is published. Government, general public

674. National consolidated accounts are consolidated from State Budget, Local Governments' budgets, Social Security Fund and Health Insurance Fund.

Proximity of the consolidation process with IPSAS

Table 274: LT - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Lithuania
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always applies
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always applies
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always applies
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Always applies
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Always applies
Minority interests in (c) consist of (d) and (e)	Always applies

675. The consolidation process in Lithuania appears to be close to IPSAS

Nature of the accounting practices at the different levels of government

Presentation of the general purpose financial statements

676. Table 275 summarizes the components of the financial statements for all subsectors of government

Table 275: LT - Comparison of the presentation of the general purpose financial statements

Financial statement	All subsectors of government
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, usually is a part of a set of Reports on Budget Implementation	Always applies (Public corporations - on demand)
Cash and receipts statement	Always applies
Other statement(s)	Always applies
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

677. The presentation of the components of financial statements is in line with IPSAS.

Time of recording

678. Table 276 summarizes the components of the financial statements for the central and local government, social funds and public corporations.

Table 276: LT - Comparison of the accounting system applied

Financial statements	All subsectors of government
Statement of financial position (balance sheet)	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting
Statement of changes in net asset	Accrual accounting
Cash flow statement	Accrual accounting (not cash based?)

679. The accounting system applied is an accrual accounting system similar to the IPSAS principles.

680. For financial reporting, accrual based accounting is applied. However, budget execution (implementation) and reporting remains only cash based. The public institutions do not do budget execution accounting as they do not receive budget appropriations. Budget execution reporting is reporting on the money spent received from the government.

Property, plant and equipment recognition and measurement

681. This section deepens the understanding of the measurement of assets. In particular it details and describes the measurement methods for property, plant and equipment.

Table 277: LT - Recognition and measurement of property, plant and equipment

Statement		Central and local government and Social funds
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Always applies
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Applies similar statement
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Applies similar statement
	The residual value of an asset is reviewed at least at each annual reporting date	Applies similar statement

682. Table 277, the method of measurement of plant and equipment comply with the IPSAS principles.

Provision recognition and measurement

683. This section presents the recognition and measurement of provision according to the requirements of the public sector financial reporting and accounting standards of Lithuania.

Table 278: LT - Recognition and measurement of provision

Statement	Central and local government and Social funds
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Applies similar statement
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Applies similar statement
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Applies similar statement
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Applies similar statement
Provisions are recognized for net deficits from future operating activities*	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Applies similar statement
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Applies similar statement
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Applies similar statement
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Applies similar statement
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Applies similar statement

684. According to Table 278, the measurement and disclosure are similar to the IPSAS principles, except two statements, marked with (*).

Practical issue with application of IPSAS

685. The accounts are kept according to requirements of Public sector financial reporting and accounting standards based on IPSAS.

The current financial audit framework

686. Public audit requirements have been established by the Law on State Control and approved by the Order of Auditor General and to be replaced by direct application of ISA and ISSAI for financial audits starting after June 1, 2012.

Scope of the financial audit

687. Table 279 below summarizes the scope and nature of the financial audit performed by the National Audit Office, Local Governments' Controllers and private auditors.

Table 279: LT - Description of the scope and nature of the financial audit

Auditing entities	National Audit Office			Local Governments' Controllers	Private auditors
	Scope of the audit	Central government	Social security fund	Health Insurance Fund	Local Governments
Completeness of the audit	The completeness is partial. Results may be used for EDP audit				The completeness is part of the audit approach.
Reliability of information	The reliability is ensured through plausibility checks and other checks and balances.				
Frequency	Financial audit performed annually at all ministries and once every five years at other public entities.				
Visibility	All audit reports, conclusions, decisions and other relevant information are available to public (presented on National Audit Office website)				

The auditing process

688. Table 280 describes the auditing process followed by the National Audit Office, Local Governments' Controllers and private auditors. On a voluntary basis the National Audit Office seeks to be as close as possible to the ISA standards of auditing.

Table 280: LT - Description of the auditing process

Audited entities	Central government	Social security and Health insurance funds	Local government	Public Corporations
Auditing standards	Law on State Control – annual Conclusions on the State Financial Statements, on National Financial Statements, on State debt, on State Assets to the Parliament. Public audit requirements - have been established by the Law on State Control and approved by the Order of auditor General and to be replaced by direct application of ISA and ISSAI for financial audits starting after June 1, 2012. Constitution of the Republic of Lithuania – NAO presents the Conclusion of the implementation of budget.			Private auditors
Selection of the audit flows	There are two selection processes. Some selections are based on materiality – usually 0,5-2% of appropriations / expenditures (it may be also calculated on the base of assets). Other selections are made by context.			
Assertions covered	<ul style="list-style-type: none"> a) Completeness b) Accuracy and valuation c) Presentation and disclosure d) Lawfulness/ rightfulness (compliance with laws and regulations) 			
Feedbacks	Auditee has 7 working days to give feedback on draft report. Auditee is also required to fill in Recommendations implementation plan. During the audit accounting staff or other staff of audited entity usually provides oral comments and explanations.			
Tracking system	From draft to final report amendments/ changes are sometimes made to the content (findings and/or recommendations). Amendments/changes of the report affect essential findings/ recommendations occasionally.			

Quality framework

689. Table 281 presents the quality framework of the financial audit.

Table 281: LT - Description of the quality framework

Audited entities	Central government (financial audit performed by NAOL)	Social funds (financial audit performed by NAOL)	Local Government (financial audit performed by Local Government Controllers)	Public Corporations (financial audit performed by private auditors)
Independence	There is an internal review that ensures the independence.			Private auditors
Design	<p>There are several quality reviews.</p> <ol style="list-style-type: none"> 1. A preventive integral reviews are carried out during audit for all audits by audit group manager/ director of audit department who signs opinion (internal review). 2. A preventive high level reviews are carried out by deputy auditor general (external review). 3. A preventive review by audit methodology unit if adverse opinion or disclaimer is going to be issued. 4. An afterward review is performed once a year for some sample of audits by audit methodology unit (external review). <p>Finally a peer review is done by external experts when needed.</p>			
Mandate	<p>The National Audit Office is accountable directly to Parliament.</p> <p>As long, as reviews are done mainly within National audit office (internally), it is not set in the law, but rather regulated by ISA and other applicable standards.</p> <p>National audit office is accountable to Parliament and has the authority to impose penalties and to enforce corrective actions.</p>		<p>The controller is accountable to Council of municipality and has the authority to enforce corrective actions. National audit office might review the audits performed by controller.</p>	
Follow ups	<p>Follow-up reviews for each audit.</p> <p>For the most important issues Parliament audit committee might supervise it.</p>		N/A	
Education and qualification of the auditors	<p>University degree or equivalent education is required. There is no specific study program to become a certified public auditor.</p>		<p>University degree or equivalent education, 3 years of working experience in field of finance, economics, law, audit or public management is required</p>	
Supervision and evaluation	<p>Declaration of private interests, income and assets for auditor and his/her family members. This level of independence is stringent for the auditor.</p>			
Independence of the auditor	<p>Annual evaluation of the auditor's competence and work, done internally by their supervisors (under the framework of the Law on Civil Service).</p> <p>Misstatement of the declaration of impeccable reputation or behavior that is not consistent with the civil service – dismissal, negative evaluation of competence and work - reduction</p>			

Accounting and auditing reforms

690. The public sector accounting reform in Lithuania was initiated in 2005 by the ministry of Finance and it has already achieved key milestones. The purpose of reform was to transfer public sector accounting from modified cash basis to accrual basis.

Existing reforms

Table 282: LT - Description of the existing reforms

Reform plan name	Subsector involved	Initiator of the reform	Nature and scope of the existing plans for reform	Objective of this plan	Reasons for implementing a new accounting system
Public sector accounting and financial reporting reform	Government, ministries, state monetary funds, governmental entities, municipalities, municipal entities, social Security Funds, public corporations (partly)	Ministry of Finance of the Republic of Lithuania	Financial accounting and reporting based on accrual accounting	Transfer public sector accounting from modified cash basis to accrual basis and to increase effectiveness and transparency of public finance management	Government decision in order to assure effectiveness and transparency of public finance management

691. Public sector accounting reform embraced state and local levels comprising more than 4500 entities.

Progress and effectiveness of the reforms

Table 283: LT - Description of the current status of the reforms

Current status	Impact	Drawbacks
<p>National public sector accounting and financial reporting standards based on IPSAS were created and applied by public sector entities in 2010;</p> <p>Implemented consolidation system, prepared consolidated financial statements at government and municipalities level for 2010;</p> <p>Trainings provided and enhanced the qualification of public sectors accountants;</p> <p>Finance management IT tools are being implemented;</p> <p>Consulting center working effectively since 2011;</p> <p>More and more public corporations (institutions) are involved in the scope of reform.</p> <p>Consolidated account at National level will be produced for the year 2012.</p>	<p>Clear and unified accounting rules related to recognition and measurement of all short and long term assets and liabilities;</p> <p>Preparation of financial statements based on accrual basis;</p> <p>Consolidation of accounts at government and municipalities level using financial reports, prepared on the same basis.</p>	<p>The start of the implementation of accrual accounting has been delayed by one year.</p> <p>There has been significant resistance to changes.</p> <p>There are mismatches existing with budget execution accounting which are not yet solved.</p> <p>Accrual information is yet not used for finance management decision making.</p>

3.17 Luxembourg

693. This section provides an overview of the accounting and auditing arrangements in Luxembourg.

Legal requirements for accounting and auditing

Central government

694. The central government is composed of the Head of State, the parliament, the government and the ministries, Specials Funds, the “Services de l’Etat à gestion séparée”, the public establishments, and the public corporations.

695. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 284: LU - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
The Head of State (Grand-Duc) The parliament The Government and the Ministries	Loi du 8 juin 1999 sur la comptabilité de l’Etat	Legal , financial audit and performance compliance	Annually during the year
Special Funds	Loi du 8 juin 1999 sur la comptabilité de l’Etat	Legal , financial audit and performance compliance	Annually during the year
Independent state accounting services	Loi du 8 juin 1999 sur la comptabilité de l’Etat	Legal , financial audit and performance compliance	Annually during the year

696. All the entities of the central government (except public establishments and corporations) follow the 8th August 1999 law on the central government accounting.

697. The public establishments refer to:

- ▶ Luxembourgian general accounting principles concerning accounting year prior 2011
- ▶ Luxembourgian standard chart of accounts since 2011.

698. The accountings of these entities are subject to legal, financial and performance compliance audits from the Court of Auditors. Some are also subject to financial audit from private audit companies.

699. For head of state, special funds and independent state accounting services the legal, financial audit and performance compliance are performed yearly by court of auditors.

700. For Public establishment: the financial statement must be certified annually by the “Réviseur d’entreprise” appointed by the government for 3 years renewable. In addition, the Court of Auditors is empowered to audit the accounts annually during the year and submit the annual general and specific report on the findings of the audit which is not including any opinion or reasonable assurance

Local government

701. The local government is composed of public corporations, Municipalities, and Intercommunal syndicats (intercity syndicates).

702. The accountings of these entities are subject to legal and financial audit performed by a dedicated service depending of the Ministry of the Interior. Some are also subject to financial audit from private audit companies.

703. For municipalities and intercity syndicates, the legal and financial audits are performed annually by the ministry of interior.

Table 285: LU - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Modified local accounting law of the 13.12.1988 Loi communale modifiée du 13.12.1988	Legal and financial audit by a supervision body (Service de contrôle de la comptabilité communale)	Annually
Intercommunal Syndicats	Modified local accounting law of the 13.12.1988	Legal and financial audit by a supervision body (Service de contrôle de la comptabilité communale)	Annually

Social funds

Table 286: LU - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Security Funds	Uniform social security accounting rules/Lux-GAAP General accounting accepted Principles)	Legal and financial audit	Annually

704. The social security funds are subject to legal and financial audit, from the general inspection of social security (IGSS).

Public corporations

Table 287: LU - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public Corporations	Lux-GAAP (before 2011) Lux private standard (2011)	Financial audit (Private audit companies)	Annually
Intercommunal Syndicats	Loi communale modifié du 13.12.1988	Legal and financial audit by a supervision body (Service de contrôle de la comptabilité communale)	Annually

705. For Public corporations: the financial statement of public corporation must be certified annually by the Réviseur d'entreprise. No additional control from the Court of Auditors takes place.

Current status of Luxembourg's accounting arrangements

706. To understand public sector accounting practices, the public sector was broken down into five categories:

- ▶ Entities following the "Loi du 8 juin 1999 sur la comptabilité de l'Etat ». The financial reporting of the Head of state, Special fund and Services de l'état à gestion séparée are reported using the cash based accounting system. Public Establishments following the private standard of Luxembourg
- ▶ Public corporations following the private standard of Luxembourg

- ▶ Public Establishment and Public Corporation have been using a standard chart of accounts PCN since 2011. The generally accepted accounting principle is based on LUX GAAP⁴⁷.
- ▶ Municipalities and Intercommunal syndicates, following the Modified local accounting law of the 13.12.1988. The Municipalities and Intercommunal Syndicates using the modified local accounting law of the 13.12.1988 and reporting under the basis accounting.
- ▶ Social funds. The Social fund uses uniformed social security accounting rules. The generally accepted accounting principal of these rules is based in LUX GAAP.

Statement of financial position and performance for entities following the “loi du 8 juin 1999”

707. For the public entities following the “Loi du 8 juin 1999”, there is no financial statement of financial position and performance as they use a cash accounting system. The financial reporting only includes a statement of cash receipt and payments.

Statements of financial position and performance for public establishments and corporation

Table 288: LU – Statement of financial position for the public establishments and corporations - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 289 : LU - Statement of financial position for the public establishments and corporations - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

⁴⁷ But a chart of accounts can be tailored to an organization's specific needs, e.g. Law 28 February 1994: "Règlement grand-ducal du 28 février 1994 fixant un schéma de présentation uniforme des comptes annuels des hôpitaux".

Table 290: LU Statement of financial performance for the public establishments and corporations

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Statements of financial position and performance for Municipalities and Intercommunal syndicates

708. Statement of financial position and performances are not applicable as no financial statements are prepared. Municipalities and Intercommunal syndicates use a cash accounting system. Therefore, the financial reporting includes only a statement of cash receipt and payments.

Statements of financial position and performance for Social funds

Table 291: LU - Statement of financial position for the Social Security funds - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Fair value method (For the FDC, the market value is applied for equities and bonds)
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 292: LU - Statement of financial position for the Social Security funds - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 293: LU - Statement of financial performance for the Social Security funds

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

709. All the entities described above except social funds use a double entry bookkeeping system called SAP. Social funds use a double entry bookkeeping system called Info Data.
710. Transactions are recorded daily for all entities except for Public corporations and Social funds for which recording is made hourly. Social funds use the Integrix system to record their transactions; the others use an ERP application.
711. A degree from Bacculaureate to bachelor is needed to operate the system.

Consolidation

712. There is no consolidation performed in Luxembourg.

Nature of the accounting practices at the different levels of government

713. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

714. Table 294 compares the components of the financial statements for both the entities included in the legal sector and the others.

Table 294: LU - Comparison of the presentation of general purpose financial statements

Financial statements	Entities following the accounting law of the 8th June 1999	Public Establishments	Public corporations	Municipalities, Intercommunal syndicates	Social funds
Statement of financial position (balance sheet)	N/A	Always applies	Always applies	N/A	Always applies
Statement of financial performance (Income statement/profit and loss statement)	N/A	Always applies	Always applies	N/A	Always applies
Statement of changes in net asset	N/A	N/A	N/A	N/A	N/A

Financial statements	Entities following the accounting law of the 8th June 1999	Public Establishments	Public corporations	Municipalities, Intercommunal syndicates	Social funds
Cash flow statement	N/A	N/A	N/A	N/A	N/A
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Does not apply as no financial statement is prepared	N/A	N/A	Does not apply as no financial statement is prepared	N/A
Cash and receipts statement	Always applies Reporting under the cash basis	N/A	N/A	Always applies Overall annual statement	N/A
Other statement(s)	Always applies, "balanced budget"	Always applies, operating budget	N/A	Always applies, multi-annual financing plan and balanced budget	Always applies, Budget, Bilan technique
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	N/A	Always applies	Always applies	N/A	Always applies

715. The components of the financial Statement are very limited for Luxembourg. Furthermore, as the central government follows a cash based accounting system, the presentation of their financial statement differs from the IPSAS principles.

Time of recording

Table 295: LU - Comparison of the accounting system applied

Financial statements	Entities following the accounting law of the 8th June 1999	Public Establishments	Public corporations	Municipalities, Intercommunal syndicates	Social funds
Statement of financial position (balance sheet)	N/A	Accrual accounting	Accrual accounting	N/A	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	N/A	Accrual accounting	Accrual accounting	N/A	Accrual accounting
Statement of changes in net asset	N/A	N/A	N/A	N/A	N/A
Cash flow statement	N/A	N/A	N/A	N/A	N/A

Property, plant and equipment recognition and measurement

716. This section deepens the understanding of the measurement of assets. In particular, Table 296 details and compares the measurement methods for each of the public entities considered.
717. For the Head of State (Grand-Duc), the parliament, the government, the ministries, independent state accounting services, municipalities and intercommunal syndicates, the following table is not applicable.

Table 296: LU - Comparison of the recognition and measurement of property, plant and equipment

Statement	Public Establishments and Corporations	Social funds
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Statement		Public Establishments and Corporations	Social funds
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Does not apply	Does not apply
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Does not apply	Does not apply
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A	N/A
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Applies similar statement	Applies similar statement

718. According to this table, the method of measurement of plant and equipment is identical across these three public entities.

Provision recognition and measurement

719. This section compares the accounting arrangement for the recognition and measurement of provision. Note that the information concerning the other entities is not applicable.

Table 297: LU - Comparison of the recognition and measurement of provision

Statement	Public establishments and corporations	Social funds
Financial guarantees to bank and corporate entities are recognized as contingent liabilities	Always applies	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies

Statement	Public establishments and corporations	Social funds
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement.	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities	Always applies	Always applies
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Applies similar statement	Applies similar statement
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Applies similar statement	Applies similar statement

The practical issues with the application of IPSAS

720. IPSAS is not applicable in Luxembourg. Indeed, Luxembourg applies a uniform presentation of the annual accounts for each sector which does not comply with the application of IPSAS.

The current financial audit framework

721. **Court of Auditors.** The approach followed by the Court of Auditors does not comply with the international audit standards. The Court of Auditors's methodology is based on two principal sources of audit:
- ▶ An examination of the operations of the supervisory and control systems. These systems are intended to ensure the legality and regularity of revenue and expenditure.
 - ▶ Sample checks of transactions relating to revenue and expenditure down to the level of the final beneficiary.
722. **Private auditing companies.** All private auditing companies in Luxembourg are members of the Luxembourgish Institut des Réviseurs d'Entreprises (IRE). The affiliated firm or person performs its audits in accordance with IFAC / ISA.

723. **Ministry of the Interior and IGSS** follow the same approach as the Court of Auditors

Scope of the financial audit for State Audit office and independent auditors

724. Table 298 below summarizes the scope and nature of the financial audit performed by the Court of Auditors.

Table 298: LU - Description of the scope and nature of the financial audit

Name of controlling entity	Court of Auditors	Private auditing companies		Ministry of the Interior	IGSS
Scope of the audit	The Head of State (Grand-Duc) The Parliament The Government Ministries State services to the separate management	Public establishments	Public corporations	Municipalities Intercommunal syndicates	Social Security Funds
Completeness of the audit	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach.	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach. Reconciliation is available but not part of the audit process		The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach.	
Reliability of information	The reliability of this information is ensured by recalculation of the income and different checks between realisation and budget	The reliability of this information is ensured by audit.		The reliability of this information is ensured by recompilation of the income/formal approval needed for some expenditures and different checks between realisation and budget	The reliability of this information is ensured by tracing on a sample basis income/expenditures to the supporting documentation; different check between realisation and budget; that Expenditures are in line with income; Check the amount of subvention given by the government; Recalculation of income based on externals statistics data
Frequency	Continuous monitoring : many times per year The Court of Auditors can at any moment, either at the instance of the Chamber of Deputies or on its own initiative, present its observations on specific aspects of financial management in the form of special reports The results of the Court of Auditors' audit appear in a general report annually on the bill outlining general	Yearly		Continued control : many times per year Review of the budget and the annual accounts: Yearly	

Name of controlling entity	Court of Auditors	Private auditing companies	Ministry of the Interior	IGSS
	state account regulations			
Visibility	Audit results are available to the entity, the government, the chamber of deputy	Audit results are available to the entity and the government (the IGF).	N/A	Audit results are available to the entity and the minister of the health and social security

The auditing process

725. Table 299 describes the auditing process followed by the Court of Auditors.

Table 299: LU - Description of the auditing process

Audited entities	The Head of State (Grand-Duc) The Parliament The Government and Ministries Services de l'Etat à gestion séparée	Municipalities Intercommunal syndicates	Public establishments and corporations	Social Security Funds
Auditing standards	Not applicable	Not applicable	CSSF Law 18 December 2009 ISA	Not applicable
Selection of the audit flows	Assets, Liabilities, Expenditures, Income are subject to an audit. These flows are partially part of the EDP inventory reporting.	Assets, Liabilities, Expenditures, Income are subject to. These flows are partially part of the EDP inventory reporting.	Information technology (IT) , Processes (segregation of duties etc.), Assets, Liabilities, Expenditures, Income, Off balance sheet commitments, Annual report (directors report) are subject to an audit. These flows are part of the EDP inventory reporting.	Assets, Liabilities, Expenditures, Income are subject to an audit. These flows are partially part of the EDP inventory reporting.
Assertions covered	a) Existence and occurrence b) Lawfulness/ rightfulness (compliance with laws and regulations)	a) Existence and occurrence b) Accuracy and valuation c) Lawfulness/ rightfulness (compliance with laws and regulations)	a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations)	a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations)
Feedbacks	Auditor have to forward have findings and conclusions to the Minister of the department concerned and the bodies that were audited	Auditors have to send their feedback to municipalities	Auditors have to forward their audit opinion.	Auditors have to send their feedback to the auditees
Tracking system	No	No	Tracking system exist in order to follow up the audit findings and recommendations Meeting with clients Outstanding list to be cleared Closing meeting in order to ensure that all significant finding are closed	No

Quality framework

726. Table 300 presents the quality framework of the financial audit.

Table 300: LU - Description of the quality framework

Audited entities	The Head of State (Grand-Duc) The Parliament The Government and Ministries Services de l'Etat à gestion séparée	Public establishments	Public corporations	Municipalities Intercommunal syndicats	Social Security Funds
Independence	There is an independent review by the Court of Auditors	The independent reviews have to be done by both the Court of Auditors and a private audit company	There is an independent review done by Private audit companies.	There is an independent review done by the Ministry of the interior	There is an independent review done by IGSS (Social Security General Inspection)
Design	The design of quality reviews is occurring yearly. The reviews (legal, financial audit and performance compliance) are afterwards.	The design of quality reviews is occurring yearly by private audit companies and Court of Auditors. A preventive continued control is done. There are also afterwards reviews, with review of accounts and post cloture events; legal, financial and audit performance compliance. A high level review is performed and is ensured by : - compliance with quality to the ethics code IRE - and an investigation conducted by an member body	The design of quality reviews is occurring yearly by private audit companies and Court of Auditors. A preventive continued control is done. There are also afterwards reviews, with review of accounts and post cloture events; legal, financial and audit performance compliance. A high level review is performed and is ensured by : - compliance with quality to the ethics code IRE - and an investigation conducted by an member body	Many times per year a continued control is done by the "commissaire de district" A preventive review of budget and afterwards a review of accounts are conducted by the "service de controle de la comptabilité des communes" There is also a preventive mandatory approval by the ministry of interior which happens many times per year.	Many times per year a continued control is done by IGSS And yearly a preventive review of budget and afterwards a review of accounts are conducted.
Mandate	A quality review mandated by national law. In addition, This institution have also the authority to impose corrective actions and penalties	A quality review mandated by national law. In addition, This institution have also the authority to impose corrective actions and penalties. Private audit companies can also reject the annual accounts or impose a qualified opinion.	A quality review mandated by national law. Private audit companies can also reject the annual accounts or impose a qualified opinion.	A quality review mandated by national law. In addition, This institution have also the authority to impose corrective actions and penalties.	A quality review mandated by national law. The minister can indeed reject the budget or the annual accounts
Follow ups	Follow up review under supervision of government	Follow up review under supervision of central level board of director Art. 4 (6) for Court of Auditors	Follow up review under supervision of central level board of director	Follow up review under supervision of government	Follow up review under supervision of government
Education and qualification of the auditors	A bachelor degree is required for auditors. There is no study programme to become a certified auditor but training is adapted to the activity when necessary.	IRE qualification to be an independent auditor. A study program exist to become a certified auditor IRE; For Court of Auditors a bachelor degree is required. There is no study programme to become a certified "Court of	IRE qualification to be an independent auditor. A study program exist to become a certified auditor IRE; Should be a member of chartered accounting in Luxembourg	No specific qualification is required. There is no study programme to become a certified auditor but training adapted to the activity when	No specific qualification is required. There is no study programme to become a certified auditor but training adapted to the

Audited entities	The Head of State (Grand-Duc) The Parliament The Government and Ministries Services de l'Etat à gestion séparée	Public establishments	Public corporations	Municipalities Intercommunal syndicates	Social Security Funds
		Auditors auditor" but training adapted to the activity when necessary.		necessary.	activity when necessary.
Supervision and evaluation	Supervision of audit is under the responsibility of the "Grand Duc". And the disciplinary measures applicable to the status of a civil servant are at stake.	Supervision of audit is under the responsibility of the "grand duc"(/IRE comityand CSSF) And the disciplinary measures are applicable to the status of a civil servant for Cour des competes auditor (/into the IRE).	Under the supervision of IRE comity and CSSF. Disciplinary measures in force into the IRE	Disciplinary power is applicable under the responsibility of the minister	Disciplinary measures in force into the ministry of health and social security
Independence of the auditor	The independence of auditors is ensured by law	The independence of auditors is ensured by law	The independence of auditors is ensured by law	The independence of auditors is not ensured by law but is in the facts responding to some requirements	The independence of auditors is not ensured by law but is in the facts responding to some requirements

Accounting and auditing reforms

727. A reform introducing a new standardized chart of accounts for the budget is in progress concerning municipalities and intercommunal syndicates (intercity syndicates). The reform is scheduled to be applicable as of 1st January 2013 and has been initiated by the ministry of the interior in order to standardize the budget received from the localities.
728. A project is in development in order to establish a more professional auditing approach of the public entities done by IGF & IGSS, including a risk-based approach, review of the internal control put in place by the entities, etc.

Acronyms

CSSF: Comité de surveillance du secteur financier

FDC: Fonds de compensation commun au régime général de pension

3.18 Malta

729. This section provides an overview of the accounting and auditing arrangements in Malta.

Legal requirements for Accounting and auditing

Central government

730. The central government is composed of the Government, Ministries and Departments and Extra-budgetary units.

731. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 301: MT - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Government	Financial Administration and Audit Act Ministry of finance Treasury Circular Malta government Accounting standards	Financial audit Compliance audit Performance audit Special audit and investigation IT audit	Annually
Ministries and Departments	Financial Administration and Audit Act Ministry of finance Treasury Circular Malta government Accounting standards	Financial audit Compliance audit Performance audit Special audit and investigation IT audit	Annually
Extra-budgetary Units	Financial Administration and Audit Act Ministry of finance Treasury Circular Malta government Accounting standards	Financial audit Compliance audit Performance audit Special audit and investigation IT audit	Annually

732. Malta's Central Government reporting is outlined in the Financial Administration and Audit Act (Chapter 174 of the laws of Malta) where Article 67 lists the reporting requirements that the Accountant General has to fulfill for each financial year. Such information is required by law and presented in the Financial Report published annually and presented to Parliament no later than six months after the closure of the fiscal year (ending 31 December). Such Financial Report includes a detailed analysis of the financial transactions i.e. in a cash accounting basis.

733. As from the fiscal year 2002, the Treasury Department within the Ministry of Finance started preparing Accrual-Based Financial Statements. To-date these have only been used for internal use and have never been published. Currently there is no statutory obligation to prepare such Statements. Thus it follows that they are neither presented to the Parliament nor comprehensively audited.

734. The central government is audited by the National Audit Office (NAO); audits which are carried out in terms of the Auditor General and National Audit Office Act (Chapter 396 of the Laws of Malta). This Article empowers the Auditor General, either personally or through his Office, to inquire into and report on any matter relating to Government finances, property or funds administered or under the control of any Government Department or Office or of anybody whose accounts are subject to his audit. Such enquiry is conducted either on the Auditor General's own initiative or at the request of the Minister responsible for Finance, or of at least three members of the Public Accounts Committee.

Local government

735. The local government is composed of local councils.

Table 302: MT - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local councils	European IAS Regulation	Financial audit Compliance audit Performance audit Special audit and investigation IT audit	Annually

736. Local Government was established in 1993 following the Maltese Parliament's approval of the Local Councils Act (Chapter 363 of the Laws of Malta) on 30 June 1993. This law set up Local Councils in 67 localities (later increased to 68). Furthermore, it now serves as a regulatory mechanism for Local Councils' operations.
737. The Auditor General (appointed in terms of article 108 of the Constitution) shall appoint persons (to be known as "local government auditors") to audit the accounts of a Local Council. The appointment shall be for a period of one year, renewable each year, for a total period of not more than five consecutive years. These local government auditors are usually private audit firms.
738. The local government is audited by both the NAO and private firms. These audits are the same as that of the central government (i.e. financial, compliance, performance, special audits and investigations and IT audits).

Public corporations

739. Public corporations are composed of 50 entities.

Table 303: MT - Overview of the accounting and auditing arrangements for the Public Corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Accounting Profession (General Accounting Principles for smaller entities) Regulation (few) International Financial Reporting Standards (IFRS)	Financial audit Compliance audit Performance audit Special audit and investigation IT audit	Annually

740. Like the local government, public corporations are audited by both the NAO and private firms. The audits cover the same fields as those of the central and local governments.
741. Malta has amended its Companies Act to adopt General Accounting Principles for Smaller entities (GAPS), a special standard that can be used by entities that meet several criteria. Those are: accounting for more than 250 employees, registering assets lower than 1,5 million EUR and revenues lower than 35 million EUR, being not publicly traded and not being a financial institution.
742. Since 1995, all limited liabilities companies in Malta, irrespective of their size, have been required to prepare annual statements in accordance with IFRS (as adopted by the EU) for accounting periods starting 1 January 2006. Over the years, this requirement has been reconsidered as becoming increasingly onerous for local smaller entities and hence the initiative of Malta Institute of Accountants to draw up GAPS. GAPS allows a historical cost option for all assets and liabilities but allows alternative measurements.

Current status of Malta's accounting arrangements

743. To understand public sector accounting practices, the public sector was broken down into the following categories:

- ▶ Central government;
- ▶ Extra Budgetary Units and Public corporations applying IFRS;
- ▶ Smaller Extra Budgetary Units applying GAPSE
- ▶ Local Government (Councils).

Statement of financial position and performance for the Central Government

Table 304: MT - Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	The most frequent measurement method is the historical cost. Nevertheless the replacement cost method is used as well. This method is perceived as better suited than the historical data for which not enough data is available.
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Accrual accounting	Historical cost method or fair value
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method or replacement cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Face value as per bank statement

Table 305: MT - Statement of financial position for the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Not done
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 306: MT - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method

Accounting cation	Presented	Time of recording	Measurement
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

744. Most of the reporting being indicated in the Statement of Financial Position and Financial Performance refer to accrual-based methodology of reporting that is not yet being published.

*Statements of financial position and performance for Extra Budgetary Units and Public Corporations
(under IFRS regulation)*

Table 307: MT - Statement of financial position for the Extra Budgetary Units and Public Corporations under IFRS Regulation - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Fair value and historical cost methods used (as some entities carry land and buildings at a revalued amount, after initial recognition at cost)
Investment property	Yes	Accrual accounting	Fair value and historical cost methods
Intangible assets	Yes	Accrual accounting	Fair value and historical cost methods
Financial assets	Yes	Accrual accounting	Fair value
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 308: MT - Statement of financial position for the Extra Budgetary Units and Public Corporations under IFRS Regulation - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Fair value and historical methods
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 309: MT - Statement of financial performance for the Extra Budgetary Units and Public Corporations – IFRS Regulation

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method

Accounting caption	Presented	Time of recording	Measurement
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Statements of financial position and performance for Local Councils

Table 310: MT - Statement of financial position for the Local Councils - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	N/A	N/A	N/A
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 311: MT - Statement of financial position for the Local Councils – Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	N/A	N/A	N/A
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	N/A	N/A	N/A
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 312: MT - Statement of financial performance for the Local Councils

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Bookkeeping system

745. The bookkeeping system of the Central Government is characterized as follows:

- ▶ Book keeping system – Off the shelf packages (Sage commonly used) or tailor made packages
- ▶ Entry – double entry
- ▶ Transaction system – resource planning system
- ▶ Recording frequency – daily
- ▶ Qualification – Accounting degree

746. The bookkeeping system of the EBUs and Public Corporations is characterized as follows:

- ▶ Book keeping system – Mostly off the shelf packages (Sage commonly used)
- ▶ Entry – double entry
- ▶ Transaction system – resource planning system
- ▶ Recording frequency – daily
- ▶ Qualification – Accounting degree

747. The bookkeeping system of the Local Government is characterized as follows:

- ▶ Book keeping system – Mostly off the shelf packages (Sage commonly used)
- ▶ Entry – double entry
- ▶ Transaction system – resource planning system
- ▶ Recording frequency – daily
- ▶ Qualification – Accounting degree

Consolidation

748. Whilst the importance of such consolidations is completely understood, Malta is not yet in a position to produce such financial statements consolidating the whole government. This is highly dependant on various factors, including the deployment of human resources to undertake such exercise, the harmonization of different accounting systems across the whole government and the replacement of some of the core accounting systems and uniformity in the accounting standards being implemented and used.

Nature of the accounting practices among the differing subsector of government

749. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

750. Table 313 compares the components of the financial statements for the Government/Ministries and Departments, EBUs, Public Corporations and Local councils.

Table 313: MT - Comparison of the presentation of general purpose financial statements

Financial statements	Government / Ministries and Departments	EBUs and Public Corporations – IAS Regulation	EBUs–GAPSE	Local councils
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies (may also include a separate statement of comprehensive income)	Always applies	Always applies
Statement of changes in net asset	Always applies	Always applies (also referred to as Statement of Changes in Equity)	Always applies (also referred to as Statement of Changes in Equity)	Always applies (also referred to as Statement of Changes in Equity)
Cash flow statement	Always applies	Always applies	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Does not apply (comparison to budget amounts not found in annual financial statements –found in entities' management accounts)	Does not apply (comparison to budget amounts not found in annual financial statements –found in entities' management accounts)	Does not apply (comparison to budget amounts not found in annual financial statements –found in entities' management accounts)
Cash and receipts statement	Does not apply	Does not apply	Does not apply	Does not apply
Other statement(s)	Does not apply	Does not apply	Does not apply	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies	Always applies	Always applies

751. For the Government Ministries and Departments, the financial statements are not yet published.

Time of recording

752. Table 314 compares the components of the financial statements for the Government/Ministries and Departments, EBUs, Public Corporations and Local councils.

Table 314: MT - Comparison of the accounting system applied

Financial statements	Government / Ministries and Departments	EBUs and Public Corporations – IAS Regulation	EBUs–GAPSE	Local Councils
Statement of financial position (balance sheet)	Modified accrual accounting	Accrual accounting	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting	Accrual accounting	Accrual accounting
Statement of changes in net asset	N/A.	Accrual Accounting	Accrual Accounting	Accrual Accounting
Cash flow statement	Accrual accounting ⁴⁸	Accrual accounting shows the flow of cash as part of accruals-based accounting)	Accrual accounting shows the flow of cash as part of accruals-based accounting)	Accrual accounting

753. The accounting of all components of the financial statement is on an accrual basis, except the one of the balance sheet that is on a modified accrual basis. However while in theory financial reporting is on a cash basis, in practice all Ministries and Government departments unofficially prepare financial statements on an accrual basis which are not audited.

Property plant & equipment recognition and measurement

754. This section deepens the understanding of the measurement of assets. In particular, Table 315 details and compares the measurement methods for each of the public entities considered.

Table 315: MT - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central government	EBUs and Public Corporations – IAS Regulation	EBUs –GAPSE	Local Councils
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always Applies	Always applies	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies	Always applies	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies	Always applies	Always applies

⁴⁸ Officially financial reporting is on a cash basis but all Ministries and Government departments still unofficially prepare financials on an accrual basis and are not audited.

Statement		Central government	EBUs and Public Corporations – IAS Regulation	EBUs –GAPSE	Local Councils
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	N/A	Applies sometimes	Applies sometimes	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Applies sometimes	Applies sometimes	Applies sometimes
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Does not apply	Always applies (except in few cases where land and buildings are revalued)	Always applies (except in few cases where land and buildings are revalued)	Always applies (except in few cases where land and buildings are revalued)
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Applies sometimes (land and buildings)	Applies sometimes (land and buildings)	Applies sometimes (land and buildings)
Depreciation	Depreciation is charged systematically over the useful life	Does not apply	Always applies	Always applies	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply	Always applies	Always applies	Always applies

755. According to the Table 315, the method of measurement of plant and equipment is similar in the spirit of IPSAS principle and similar across the different subsectors of government.

Provision recognition and measurement

756. This section compares the accounting arrangement for the recognition and measurement of provision. The IPSAS are used as a reference. The comparison highlights the measurement method and the disclosure requirements.

Table 316: MT - Comparison of the recognition and measurement of provision

Statement	Government / Ministries and Departments	EBUs and Public Corporations – IAS Regulation	EBUs and Public Corporations – GAPSE	Local Councils
Financial guarantees to bank and corporate entities are recognized as contingent liabilities	Always applies	Always applies	Always applies	N/A
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies	Always applies	N/A

Statement	Government / Ministries and Departments	EBUs and Public Corporations – IAS Regulation	EBUs and Public Corporations – GAPSE	Local Councils
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	N/A	Always applies	Always applies	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Always applies	Always applies	Always applies
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement.	N/A	Always applies	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Always applies	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities	N/A	Does not apply	Does not apply	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A	Always applies	Always applies	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A	Always applies	Always applies	Always applies

Homogeneity of the accounting arrangements

757. Whilst Ministries and Departments work on a Central Government chart of accounts, EBUs, Public Corporations and Local Councils use their own accounts chart.

The practical issues with application of IPSAS

758. Some of IPSAS standards are partially implemented due to system limitation as well as lack of policies established on certain issues.

The current financial audit framework

759. In Malta, the NAO conducts financial audits for the Central Government where applicable. Extra Budgetary Units, Public Corporations and Local Councils are subject to a private financial audit. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Scope of the financial audit

760. Table 317 below summarizes the scope and nature of the financial audit performed by the NAO and the private auditors.

Table 317: MT - Description of the scope and nature of the financial audit

Auditing entities	NAO Audit	Private Audit	NAO Audit	NAO Audit	Private Audit
Scope of the audit	Government / Ministries and Departments	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local Councils
Completeness of the audit	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach
Reliability of information	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit	The reliability of this information is ensured through an audit
Frequency	Audits are performed annually, at the choice of NAO itself, Public Accounts Committee or Ministry of Finance.	Audits are performed annually (in some cases interim audits are also performed).	Audits are performed when requested or decided upon by NAO	Private audits are performed annually by private audit firms.	Audits are performed annually

Auditing entities	NAO Audit	Private Audit	NAO Audit	NAO Audit	Private Audit
Visibility	<p>There is a legal requirement for the publication of the audit results to the House of Representatives. However they are also often available to:</p> <ul style="list-style-type: none"> The entity The parent entity The government The supervision authority 	<p>There is a legal requirement for the publication of the audit results; the Audited Financial Statements include an independent auditor's report.</p>	<p>There is a legal requirement for the publication of the audit results.</p>	<p>There is a legal requirement for the publication of the audit results.</p>	<p>There is a legal requirement for the publication of the audit results.</p>

The auditing process describes the auditing process.

761. Table 318 describes the auditing process.

Table 318: MT - Description of the auditing process

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local Councils
Auditing standards	ISA, ISSAI	ISA	ISA	ISA	ISA
Selection of the audit flows	Although some flows are not required to be audited, they are based on the EDP inventory reporting. The selection process of these flows is made both through materiality and sampling				
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/Rightfulness (compliance with laws and regulations) 				
Feedbacks	Once the Management Letter / draft report is sent to the audited entity, the latter's management has the opportunity to send its comments, explanations or objections to the findings reported in the Letter/draft Report within three weeks of receipt of such Letter/Draft Report. Extracts from the reply received from the audited entity are included in the summarised version of the Management Letter in the Annual Report. Upon receipt of the Management Reply, the Lead Auditor responsible for the assignment, after consulting with the Audit Manager, may issue a counter-reply containing further clarifications where necessary, as well as the affirmation (or retrieval, if the case may be) of the audit findings.	Management usually replies to the issues identified in the Management Letter	Once a management letter/draft Audit report and audited financial statements are completed, they are sent to auditee senior management for feedback. A meeting may then be held between the private sector auditors and the auditee's management to discuss the audit report and audited financial statements. Resolve any outstanding contentious issues, as well as ensure that no factual inaccuracies are involved. Explanations and clarifications given by management, if relevant and justified, are taken into account before issuing the final audit report and audited financial statements.	Once a management letter/draft Audit report and audited financial statements are completed, they are sent to auditee senior management for feedback. A meeting may then be held between the private sector auditors and the auditee's management to discuss the audit report and audited financial statements. Resolve any outstanding contentious issues, as well as ensure that no factual inaccuracies are involved. Explanations and clarifications given by management, if relevant and justified, are taken into account before issuing the final audit report and audited financial statements.	Once a management letter and Audit Report and Audited Financial Statements are received from the Auditor General by the Local Council, the Mayor and the Executive Secretary in return are to submit the Local Council's response to the Director (Local Government), the Auditor General and the Local Government Auditors by not later than six weeks after receipt of the Management Letter from the Auditor General.
Tracking system	No	When weaknesses are identified these are discussed with the directors and management of the entity; very often management drafts a reply as to how it intends to follow up the issues identified; development of issues are usually followed up more closely during the following year's	Appropriately referenced audit adjustments are passed in order to correct errors. These are documented in the audit file. Moreover, any matters to be followed up in the following year's audit are also documented in the audit file.	Appropriately referenced audit adjustments are passed in order to correct errors. These are documented in the audit file. Moreover, any matters to be followed up in the following year's audit are also documented in the audit file.	In the following year's audit, auditors would check whether the weaknesses and shortcomings identified in the management letter have been addressed.

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local Councils
		audit; a change in audit approach may also be necessary depending on the progress made by management in resolving these issues.			

Quality framework

762. Table 319 presents the quality framework of the financial audit.

Table 319: MT - Description of the quality framework

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local councils
Independence	No independent review is applicable.	The independent review is required by the Accountancy Board.	Audits of extra budgetary units are performed by private sector auditors. The independent review of such audits is performed by the Quality Assurance Unit which reports to the Quality Assurance Oversight Committee which in turn reports to the Accountancy Board. The review is mandatory.	Audits of Public Corporations are performed by private sector auditors. The independent review of such audits is performed by the Quality Assurance Unit which reports to the Quality Assurance Oversight Committee which in turn reports to the Accountancy Board. The review is mandatory.	In accordance with Article 65(1) of the Local Councils Act, 1993 (Chapter 363 of the Laws of Malta), the audits of the Local Councils' Financial Statements are carried out by private audit firms, on behalf of the Auditor General, awarded by tender. The independent review of such private sector audits is performed by the Quality Assurance Unit which reports to the Quality Assurance Oversight Committee which in turn reports to the Accountancy Board. The review is mandatory.
Design	Not applicable	A visit cycle of three years for audit firms performing assurance services of public interest entities and six years for all others.	Reviews by the Quality Assurance Unit take place at least every six years for all audits and every three years for public interest entities. Apart from the independent review performed by the Quality Assurance Unit, a further review is carried out internally by the firm network. This is carried out on an annual basis on a sample of audits.	Reviews by the Quality Assurance Unit take place at least every six years for all audits and every three years for public interest entities. Apart from the independent review performed by the Quality Assurance Unit, a further review is carried out internally by the firm network. This is carried out on an annual basis on a sample of audits.	Reviews by the Quality Assurance Unit take place at least every six years for all audits and every three years for public interest entities. Apart from the independent review performed by the Quality Assurance Unit, a further review is carried out internally by the firm network. This is carried out on an annual basis on a sample of audits.

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local councils
Mandate	Not applicable	Mandate embedded in national law. Authority to impose penalties and corrective actions	The mandate of the Quality Assurance Unit is embedded in Directive 4 issued in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the Laws of Malta) and includes the carrying out of an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm supported by adequate testing of audit files. In the case of private sector independent review of audits of financial statements, the Accountancy Profession Act also requires auditors to carry out audits in accordance with International Standards on Auditing. Such auditing standards include ISQC 1 which requires auditors to carry out monitoring procedures. Such monitoring is carried out through internal reviews. The objective of such a review is the examination of firm wide issues, independence requirements, the audit file, the presentation of the financial statements and the audit report.	The mandate of the Quality Assurance Unit is embedded in Directive 4 issued in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the Laws of Malta) and includes the carrying out of an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm supported by adequate testing of audit files.	The mandate of the Quality Assurance Unit is embedded in Directive 4 issued in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the Laws of Malta) and includes the carrying out of an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm supported by adequate testing of audit files. The Accountancy Profession Act also requires auditors to carry out audits in accordance with International Standards on Auditing. Such auditing standards include ISQC 1 which requires auditors to carry out monitoring procedures. Such monitoring is carried out through internal reviews. The objective of such a review is the examination of firm wide issues, independence requirements, the audit file, the presentation of the financial statements and the audit report.
Follow ups	Not applicable	Follow up review	The Quality Assurance Oversight Committee may require a third party external review or a follow up visit to any firm. It may also require any firm to make improvements to its professional standards or to seek external support and assistance to implement improvements	The Quality Assurance Oversight Committee may require a third party external review or a follow up visit to any firm. It may also require any firm to make improvements to its professional standards or to seek external support and assistance to implement improvements.	The Quality Assurance Oversight Committee may require a third party external review or a follow up visit to any firm. It may also require any firm to make improvements to its professional standards or to seek external support and assistance to implement improvements.

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local councils
Education and qualification of the auditors	Bachelor of Accountancy (Honours), ACCA, Certified Public Accountant, Certified Public Accountant with practising certificate in auditing	Successfully completed the course leading to the award of Bachelor of Accountancy (Honours) organised by the University of Malta; or attained university entrance or equivalent level, then completed a course of theoretical instruction recognised by the Accountancy Board (note that a practicing certificate in auditing is required, which can be obtained after 3 years of auditing experience)	Bachelor of Accountancy (Honours), ACCA, Certified Public Accountant, Certified Public Accountant with practicing certificate in auditing.	Bachelor of Accountancy (Honours), ACCA, Certified Public Accountant, Certified Public Accountant with practising certificate in auditing.	Bachelor of Accountancy (Honours), ACCA, Certified Public Accountant, Certified Public Accountant with practising certificate in auditing.

Audited entities	Government / Ministries and Departments – NAO Audit	EBUs and Public Corporations – Private Audit	EBUs– NAO Audit	Public Corporations – NAO Audit	Local councils
Supervision and evaluation	Audits carried out by private sector Certified Public Accountants warrant holders with a practicing certificate in Auditing, be they individuals or firms, who sign reports or certificates on financial statements, are periodically reviewed for quality assurance purposes by the Quality Assurance Oversight Committee that reports to the Accountancy Board. The audit work of public sector auditors is not subject to such a review.	Regulatory requirement regarding supervision are embedded in national law	In terms of the Accountancy Profession Act, audits carried out by private sector audit firms, who sign reports or certificates on financial statements, are periodically reviewed for quality assurance purposes by the Quality Assurance Oversight Committee that reports to the Accountancy Board.	In terms of the Accountancy Profession Act, audits carried out by private sector audit firms, who sign reports or certificates on financial statements, are periodically reviewed for quality assurance purposes by the Quality Assurance Oversight Committee that reports to the Accountancy Board.	In terms of the Accountancy Profession Act, audits carried out by private sector audit firms, who sign reports or certificates on financial statements, are periodically reviewed for quality assurance purposes by the Quality Assurance Oversight Committee that reports to the Accountancy Board.
Independence of the auditor	Independence of the auditor is ensured through compliance with the requirements of the Code of Ethics for Warrant Holders in terms of the Accountancy Profession Act (Chapter 281 of the Laws of Malta). Section 108 (12) of the Constitution of Malta stipulates that in the exercise of their functions under the Constitution the Auditor General and Deputy Auditor General shall not be subject to the authority or control of any person. Moreover, the Auditor General and National Audit Office Act (Chapter 396 of the Laws of Malta) stipulates that the Auditor General recruits and appoints his own staff and determines their numbers, grades, salaries and conditions of service. Independence is also ensured through adherence with the Code of Professional Conduct of the NAO Malta.	The independence of the auditor is regulated by national law and/or other regulations	Independence of the auditor is ensured through compliance with the requirements of the Code of Ethics for Warrant Holders in terms of the Accountancy Profession Act (Chapter 281 of the Laws of Malta).	Independence of the auditor is ensured through compliance with the requirements of the Code of Ethics for Warrant Holders in terms of the Accountancy Profession Act (Chapter 281 of the Laws of Malta).	Independence of the auditor is ensured through compliance with the requirements of the Code of Ethics for Warrant Holders in terms of the Accountancy Profession Act (Chapter 281 of the Laws of Malta).

Accounting and auditing reforms

763. There are plans to implement IPSAS as the accounting standards to be used by the Central Government. The plan is still at initial stages and no timeline is yet available.
764. The first two steps were:
- The setting up of an MGAS Technical Advisory Committee, which include nominated members from the directly responsible units, Ministry of Finance, Treasury Department, Internal Audit and Investigations Directorate, Malta Information Technology Authority, National Statistics Office and the National Audit Office.

- ▶ A three day seminar on IPSAS was organised by the Directorate Financial Policy and Management, within the Ministry of Finance. The course was held between the 2nd and 4th July 2012 by two foreign tutors. The overall seminar objectives were to:
 - (a) Understand Accrual Based IPSAS requirements, including accounting policies and disclosures;
 - (b) Implement the IPSAS recognition and measurement rules for assets, liabilities, revenues and expenses;
 - (c) Learn the requirements for presentation of IPSAS financial statements and related disclosures;
 - (d) Plan ahead for issues that arise when transitioning from the cash basis to the accrual basis of accounting;
 - (e) Identify transitional provisions in IPSAS standards;
 - (f) Increase planning opportunities through awareness of likely future IPSAS changes;
 - (g) Learn the sources of IPSAS guidance that are available

Acronyms

GAPSE: General Accounting Principles for Smaller Entities

IFRS: International Financing Reporting Standards

IPSAS: International Public Sector Accounting Standards

ISA – International Standards on Auditing

ISSAI - International Standards of Supreme Audit Institutions

NAO: National Audit Office

NSO: National Statistics Office

3.19 The Netherlands

765. This section provides an overview of the accounting and auditing arrangements in The Netherlands⁴⁹.

Legal requirements for accounting and auditing

Central government

766. The central government consists of the ministries, a number of national public agencies and the High Councils of State.

767. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 320: NL - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Ministries and the High Councils of State	Central Government Accounting Standards (Comptabiliteitswet) cash accounting	Definition of the role of the Court of Accounts: Legal audit Financial audit IT audit Performance audit Compliance audit	Annually
National public agencies	Central Government Accounting Standards (Comptabiliteitswet), accrual accounting	Definition of the role of the Court of Accounts: Legal audit Financial audit IT audit Performance audit Compliance audit	Annually

768. The central government applies the Central Government Accounting Standards in terms of accounting and budget. The last major change of these accounting standards was in 2001 (Comptabiliteitswet). The standards are updated on an annual basis. The accounting standards are based upon the national standards that are used in the private sector. The audit is performed by the Internal Audit Department (IAD) of the Ministry of Finance. The Court of Auditors audits the work of the IAD and reports its findings to the Dutch House of Representatives. The Ministry of Finance could place a ministry of public agency under supervision if the organization has inconsistencies in their reporting or has a large budget deficit.

769. The audit approach is a system approach. IT-systems and processes are audited for the financial audit. The IAD performs also legal and compliance audits. The majority of the central government uses cash accounting. Only some national public agencies use accrual accounting.

Local government

770. The local government consists of the local administrations of the cities (the municipalities) and the regions.

⁴⁹ In this questionnaire the focus has been put on the central government, local government and social funds that have largest contribution to the EDP deficit. These three subsectors has a contribution of 99% of the EDP deficit.

771. The accounting standards for local governments, i.e. the Decision Budget and Accounting Local Governments (hereafter: the 'BBV'), were enacted by the BBV Committee and makes reference to Dutch private sector accountings standards⁵⁰.
772. The annual financial statements of the regions and municipalities are audited by private audit firms. The audits are funded by the auditee itself.

Table 321: NL - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Cities / municipalities	BBV	Financial Audit	Annually
Regions	BBV	Financial Audit	Annually

Social funds

773. The social funds include only social security services. The Social security services apply the Dutch GAAP (the 'RJ') and Dutch Law Book 2 part 9. Recent change of these standards was made on 12 January 2012. The social funds are audited by private accounting firms and IADs. The financial statements are reported to the Ministry of Social Affairs and Employment. The Accounting Standards for the Dutch private sector are based on Book 2 part 9 of the Dutch Civil Code and the Dutch GAAP. In the law for the social funds, it is also stated that IT-audit and operational audits have to be performed on the social funds. The audits are funded by the auditee itself.

Table 322: NL - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social funds	Dutch Law Book 2 part 9 Dutch GAAP	Financial audit IT- Audit Operational audit	Annually

Current status of the Dutch accounting arrangements

Statement of financial position and performance of the Central government

Table 323: NL - Statement of financial position of the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Cash accounting	Historical cost method
Investment property	Yes	Cash accounting	Historical cost method
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Cash accounting	Historical cost method
Investments recognized using the equity method	Yes	Cash accounting	Historical cost method
Inventories	Yes	Cash accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Cash accounting	Historical cost method
Receivables from exchange transactions	Yes	Cash accounting	Historical cost method
Cash and cash equivalents	Yes	Cash accounting	Historical cost method

⁵⁰ Book 2 part 9 of the Dutch Civil Code and the Dutch Accounting standards, the 'RJ'

Table 324: NL - Statement of financial position of the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Cash accounting	Historical cost method
Payable under exchange transactions	Yes	Cash accounting	Historical cost method
Provisions	N/A	N/A	N/A
Financial liabilities	Yes	Cash accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Cash accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Cash accounting	Historical cost method

Table 325: NL - Statement of financial performance of the Central Government (only statement of inflow and outflows cash)

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	N/A	N/A	Not applicable, as only cash flow statement (cash inflow and cash outflow of the year) is prepared.
Finance costs (for current and past year)	N/A	N/A	Refer to above.
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	Refer to above.
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	Refer to above.
Surplus or deficit (for current and past year)	N/A	N/A	Refer to above.

Statements of financial position and performance of the Local government

Table 326: NL - Statement of financial position of the Local Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment ('PPE')	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 327: NL - Statement of financial position of the Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	N/A	Accrual accounting	Historical cost method

Table 328: NL – Statement of financial performance of the Local Government

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Statements of financial position and performance of Social funds

Table 329: NL - Statement of financial position of the Social funds - Assets

Accounting caption	Presented	Time of recording	Measurement
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Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 330: NL - Statement of financial position of the Social funds - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	N/A	Accrual accounting	Historical cost method

Table 331: NL – Statement of financial performance of Social funds

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting	Historical cost method
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Bookkeeping system

774. The central government uses IBOS as bookkeeping system. The local government and social funds have many different bookkeeping systems. They are free to choose their bookkeeping system. All government sectors use double entry bookkeeping, and transaction processing system. The transactions are mainly processed on a daily basis.

Consolidation

775. This section is not relevant in The Netherlands as consolidation does not occur in any of the subsector of the general government.

Nature of the accounting practices at the different levels of government

776. This section presents and compares the identified accounting practice taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

777. Table 332 compares the components of the financial statements for the central government, national public establishments and the local government.

Table 332: NL - Comparison of the presentation of general purpose financial statements

Financial statement	Central government	Local government	Social funds
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	N/A	Always applies	Always applies
Statement of changes in net asset	N/A	Always applies	Always applies
Cash flow statement	Always applies	Applies sometimes	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies	Always applies
Cash and receipts statement	Always applies	Applies sometimes	Always applies
Other statement(s) Guarantee statement and tax and social premium statement	Always applies	N/A	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Applies sometimes	Applies sometimes	Applies sometimes

778. In comparison with the IPSAS requirements (IPSAS1) for solely the presentation of financial statements, some components are missing. Indeed according to Table 332, the central government uses cash accounting and publishes a cash flow statement. Furthermore all entities are publishing a note to their financial statements and record a comparison of budget versus actual amounts (central and local government).
779. Note that the publication of balance sheet statements by the central government is only done because the central government wants to publish a balance sheet. Indeed, according to the Institute of Statistics, this balance sheet is not even complete. Moreover, the balance sheet that is published in the financial statement of the central government is not a standard part of the yearly auditing process. This balance sheet is based on the European system of national and regional accounts (ESR). Market value and replacement cost are the main measurement methods.

Time of recording

780. Table 333 compares the components of the financial statements for the central government, local government and social funds.

Table 333: NL - Comparison of the accounting system applied

Financial statement	Central government	Local government	Social funds
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Financial statement	Central government	Local government	Social funds
Statement of financial position (balance sheet)	Cash accounting	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	N/A	Accrual accounting	Accrual accounting
Statement of changes in net asset	N/A.	Accrual accounting	Accrual accounting
Cash flow statement	Cash accounting	N/A	Accrual accounting

781. The central government applies a cash accounting system while the local government and social funds use an accrual accounting one. Note that the local government is not fully on an accrual basis. Some items are on a cash basis (some payroll accruals) or not recorded (allowed for property, plant and equipment for social purposes and leases).

Property, plant and equipment recognition and measurement

782. This section deepens the understanding of the measurement of assets. In particular, Table 334 details and compares the measurement methods for each of the public entities considered.

Table 334: NL - Comparison of recognition and measurement of the property, plant and equipment

Statement		Central government	Local government	Social funds
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Applies similar statement	Always applies	Always applies except for PPE for social purposes
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply	Always applies	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Always applies	Always applies	Always applies
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies	Always applies

Statement		Central government	Local government	Social funds
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Applies similar statement	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies	Always applies except for PPE for social purposes (recognition not required, or immediate complete write off allowed).
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Always applies	Always applies

783. According to Table 334 the method of measurement of plant and equipment is quite similar in each public entity and similar in spirit to the IPSAS principles. However, there are some differences that could have a large impact on the results and equity of the measurement. The Main differences with respect to property, plant and equipment between the Decision Budget and Accounting Local Governments (the 'BBV') and IPSAS are the following principles:

- ▶ Investments in property, plant and equipment for social purpose (such as roads and bridges) are allowed to expenses immediately instead of capitalization and depreciation over the useful life.
- ▶ Financial contributions to investments obtained from third parties may be deducted from the amount of the investment. This is not allowed under IPSAS.
- ▶ In the BBV, it is not allowed to consolidate assets and liabilities of subsidiaries in which the government has the full power to control (operating and finance policies).
- ▶ Property, plant and equipment obtained free of charge / without consideration should be capitalized at a zero value. Under IPSAS, these assets should be capitalized at the fair value at the date of acquisition.

Provision recognition and measurement

784. This section compares the accounting arrangement for the recognition and measurement of provision. In the table below, all statements except three, marked with (*), are in conformity with IPSAS principles.

Table 335: NL - Comparison of the recognition and measurement of provision

Statement	Central government	Local government	Social funds
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Always applies	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure	N/A	Always applies	Always applies

Statement	Central government	Local government	Social funds
required to settle the present obligation at the reporting date			
Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Always applies	Always applies
In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement*.	N/A	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	N/A	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Always applies	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Always applies	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	N/A	N/A
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A	Always applies	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A	Always applies	Always applies

785. According to Table 335, the accounting by the central government (cash accounting) is very different from the IPSAS principles while the accounting of local governments and social funds are closer to them. However, there exist some major differences, in treatment (recognition and presentation) as well as the disclosure of provision. The main differences with respect to provisions between the Decision Budget and Accounting Local Governments (the 'BBV') and IPSAS are the following (not limitative):

- ▶ Equalization provisions (for example for major repairs) are allowed under the BBV, not allowed under IPSAS.
- ▶ For payroll related accruals and provisions having a constant amount of costs over years (no major fluctuation between years) no provision or accrual has been recognized, however under IPSAS a provision or accrual has to be recognized.

786. Other major differences between the Decision Budget and the Accounting Local Governments (the 'BBV') and IPSAS exist on lease accounting (BBV no lease accounting, only disclosure), consolidation (BBV no consolidation applicable) and treatment of subsidiaries (BBV always recognized at historical cost) instead of net equity (IPSAS).

Homogeneity of the accounting arrangements

787. The accounting standards are different for the central government, local government and social funds. The standards are all based on Dutch GAAP like BW 2 title 9 and RJ, however for specific sectors (both in government and profit oriented entities) different accounting rules are applicable. Moreover, the accountings for central government (cash accounting) and for local government (accrual accounting) are very different. However, within the local government subsectors, for example, the accounting rules are quite similar with all local governments applying the Decision Budget and Accounting Local Governments (the 'BBV').

The practical issues with the application of IPSAS

- 788. IPSAS is considered as very theoretical.
- 789. The Netherlands accounting system at the level of central government is based on a cash accounting system and even the accounting systems at local government level and social funds are quite similar to accrual accounting.
- 790. Resistance with the application of IPSAS stems from the fact that IPSAS, from the perspective of the Government, leaves too much room for interpretation and subjectivity. In addition IPSAS demands more supplementary information and in much greater detail.
- 791. The Government expects that a transition to IPSAS would be very time consuming and also very costly.

The current financial audit framework

792. In the Netherlands, the Court of Auditors conducts financial audits for the central government. The financial audit of the local governments is performed by private accounting firms, with the use of internal audit departments. The social funds are also audited by private accounting firms with the use of internal audit departments (IAD). The financial statements are signed by a certified public accountant. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Description of the scope of the financial audit

793. Table 336 below summarizes the scope and nature of the financial audit performed by the court of auditors and accounting firms.

Table 336: NL - Description of the scope and nature of the financial audit

Auditing entities	Court of Auditors	Accounting firm/Internal audit department	Accounting firm
Scope of the audit	Central government	Local government	Social funds
Completeness of the audit	The financial statements are audited. The information that is audited is used for the EDP/deficit compilation.	The financial statements are audited. The information of the financial statements is used to complete the IV3 format. The IV3 format is used for the calculation of the EDP deficit.	The financial statements are audited. The audited information is used for the calculation of the EDP deficit

Auditing entities	Court of Auditors	Accounting firm/Internal audit department	Accounting firm
Reliability of information	The reliability of this information is ensured through an audit	The reliability of the financial statements is ensured through an audit. The IV3 format is not audited.	The reliability of the financial statements is ensured through an audit
Frequency	The financial statements are audited in the two months after the end of the year.	The financial statements are audited in the two months after the end of the year	The financial statements are audited in the two months after the end of the year
Visibility	The audited results are sent to the Dutch House of Representatives and are published on the portal of the Dutch House of Representatives.	The audited results of the cities are sent to the regions. Also the results are discussed in the municipal council. The audited results of the regions are sent to the ministry of Internal Affairs and discussed in the regional council.	The financial statements are sent to the ministry of Social Affairs and Employment. The information is also available on the website of the social funds.

The auditing process

794. Table 337 describes the auditing process followed by the Court of Auditors.

Table 337: NL - Description of the auditing process

Audited entities	Central government	Local government	Social funds
Auditing standards	Manual Auditing central government HARO The standards of the government these standards are based on international standards (ISA).	NV COS (similar to ISA): The audit standards of the Dutch National institute of accounting	
Selection of the audit flows	Control based audit with sampling. There is a little more focus on rightfulness in the audit than by international standards.		
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations) 		
Feedbacks	The findings on specific items are discussed with the responsible employee. If the findings are still applicable the findings will be included in the draft report. The draft report will be discussed with the management. The findings could be removed from the report based on new information. The report will be final.		
Tracking system	From draft to final report amendments changes are sometimes made to the content (findings and/or recommendations). The follow up of findings and implementation are monitored by the Court of audit.	Same for the central government but the follow up of findings and implementation is monitored by the auditor	

Quality framework

795. Table 338 presents the quality framework of the financial audit. Note that in the Netherlands there is a specific training to become a public accountant, but not to become an auditor of the government's organizations. To become a CPA proper education and a registration is needed. Financial, IT and internal auditors have each their own registration. To maintain the registration, a certain number of hours of education is needed every year.

Table 338: NL - Description of the quality framework

Audited entities	Central government	Local government	Social funds
Independence	Code of ethics independency auditor, WTA, WAB etc.		

Audited entities	Central government	Local government	Social funds
Design	A quality review takes place each step of the auditing process. The Court of Audit reviews the work and findings of the internal audit departments.	Quality reviews are performed by the local calculation chambers. Also quality systems are built in the system of the audit firm.	The quality system that is built in the system of the audit firm.
Mandate	The mandate is embedded in the Government Accounts Act (the 'Comptabiliteitswet') and the Dutch constitution.	Mandate is embedded in the law (Local Governments Act)	Mandate is embedded in the law (SUWI)
Follow ups	The Court of Audit checks the follow up of findings.	Follow up by the accountant	
Education and qualification of the auditors	Auditors have a special education program, a post master degree. To become an auditor a registration is needed. The NIVRA checks if the auditor has the proper education and experience to become an auditor. A registered auditors needs to follow a certain hours of education every year to keep his registration. (PE Points).		
Supervision and evaluation	The court of auditors reviews the work of the internal audit departments.	The AFM reviews the work of certified public accountants. The local calculation chambers reviews the work of the cpa, if there is an internal audit department.	
Independence of the auditor	The independence is ensured by the constitutions	The independence is ensured in the law	

Accounting and auditing reforms

796. In the Netherlands, there are currently no voted nor expected plans for reforms in the near future.

Acronyms

AFM: Authority for the Financial Markets

BBV: Decision Budget and Accounting Local Governments

CBS: Dutch national bureau of statistics

CPA: Certified Public Accountant

Dutch GAAP: General accepted accounting principles

EDP: Excessive Deficit Procedure

ESR: European system national and regional accounts

HARO: Manual Auditing central government

IBOS: Bookkeeping system of the central government

IPSAS: International Public Sector Accounting Standards

ISA: International standards on auditing

lv3: The format that the local government uses to send information about the EDP to the CBS

NV COS: The audit standards of the Dutch National Institute of Accounting

PPE: Property, plant and equipment

RJ: Dutch GAAP

SUWI: Law on the execution of the social funds

WTA: Law Surveillance of accounting firms

WAB: Law on accountant profession

3.20 Poland

797. This section provides an overview of the accounting and auditing arrangements in Poland.

Legal requirements for Accounting and auditing

Central government

798. The central government is composed of the state and of national public agencies as presented below in Table 339.

Table 339: PL - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
Budgetary units (public authorities including government administration units, supervision and protection of law units, courts and tribunals)	Supreme Audit Office Act (Journal of Law s No. 231, Item 1701 of 2007, as amended) The Finance Minister regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector (Journal of Laws No. 128, Item 861 of 2010, as amended)) ("The Finance Minister regulation")	Budget execution audit Performance and compliance audit	Supreme Audit Office (NIK – an external auditor for the public sector) Supreme Audit Office (NIK – an external auditor for the public sector) internal auditors	Annually
Other units (budget institutions, executive agencies)	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009 The Finance Minister regulation	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
Public universities	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
Central institutions of culture	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) internal auditors Supreme Audit Office (NIK)	Annually
Polish Academy of Science and its dependant units	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
Central health care institutions	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
Agencies	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of	Financial audit (not all units)	Statutory auditor (private audit firm)	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
	2009,	Budget execution audit Performance and compliance audit	Supreme Audit Office (NIK) Supreme Audit Office (NIK)	
Central Agricultural Advisory Unit	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
The National Centre for Research and Development	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually
Polish Film Institute	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial audit (not all units) Budget execution audit Performance and compliance audit	Statutory auditor (private audit firm) Supreme Audit Office (NIK) Supreme Audit Office (NIK)	Annually

799. The Accounting Act is the basis of the accounting principles for all Polish entities, while the Supreme Audit Office (Najwyższa Izba Kontroli - 'NIK') Act regulates NIK's audit mandate and explains the functioning of this entity, and as such should not be treated interchangeably.
800. NIK conducts financial audits, budget executions, and performance and compliance audits for the central government and the rest of the general government.
801. The interim reports from the Supreme Audit Office are sent to the audited executive level and to the relevant parliamentary committee. They are composed of opinions on budget execution statements, findings and recommendations. The joint report, including an analysis of the national monetary policy, is sent to the lower chamber of Parliament (Sejm). The audits take place each year and the budget execution as well as performance and compliance audit reports are made public. Reporting is required by law.
802. Note that the Supreme Audit Office does not perform financial statements audit.
803. An audit is mandatory if an entity fulfils two of the three criteria set out in art.64 par 1 point 4 of the Accounting Act of 29 September 1994 (Journal of Law s No. 152, Item 1223 of 2009, as amended) or if it stems from the systemic provisions, e.g. statute)⁵¹. Some national public agencies have to appoint a statutory external auditor. These audits comply with the private sector auditing standards.

Local government

804. The local government is composed of the local government budgetary units, the local institutions of culture, local health care institutions, local Agricultural Advisory Units and special purpose funds.

Table 340: PL - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
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⁵¹ Note that there is a notable exception: budgetary units, which on the basis of art. 80 par 1 of the Accounting Act are excluded from financial statements audit, whereas their budget execution statements are audited on the basis of art. 13 of the Supreme Audit Office Act (Journal of Law s No. 231, Item 1701 of 2007, as amended)

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
Local government budgetary units and local budget establishments	Regional Chamber of Auditors Act (Journal of Laws No. 55, Item 577 of 2001, as amended) Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009, The Finance Minister regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector (Journal of Laws No. 128, Item 861 of 2010, as amended)	Budget execution audit Financial management audit Performance audits relating to the realisation of obligations regarding to taxation as well as verification of the public tenders documentation. Financial statements audit (not all units)	Regional Office of Accounts (RIO – an external auditor for local government) Regional Office of Accounts (RIO) Supreme Audit Office (NIK) Statutory auditor (private audit firm)	Annually
Other units	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009, The Finance Minister regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector (Journal of Laws No. 128, Item 861 of 2010, as amended))	Budget execution audit Financial management audit Performance audits relating to the realisation of obligations regarding to taxation as well as verification of the public tenders documentation.	Regional Office of Accounts (RIO) Regional Office of Accounts (RIO) Supreme Audit Office (NIK)	Annually
Local Institutions of Culture	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Financial management audit Performance audits relating to the realisation of obligations regarding to taxation as well as verification of the public tenders documentation. Financial Audit (not all units)	Regional Office of Accounts (RIO) Regional Office of Accounts (RIO) Supreme Audit Office (NIK) Statutory auditor (private audit firm)	Annually
Local Health Care Institutions,	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Financial management audit Performance audits relating to the realisation of obligations regarding to taxation as well as verification of the public tenders documentation Financial Audit (not all units)	Regional Office of Accounts (RIO) Regional Office of Accounts (RIO) Supreme Audit Office (NIK) Statutory auditor (private audit firm)	Annually
Local Agricultural Advisory Units	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Financial management audit Performance audits relating to the realisation of obligations regarding to taxation as well as verification of the public tenders documentation Financial Audit (not all units)	Regional Office of Accounts (RIO) Regional Office of Accounts (RIO) Supreme Audit Office (NIK) Statutory auditor (private audit firm)	Annually

805. The regional chamber of auditors performs an audit of all accounts of public local authorities and their public accountants. If any irregularities committed by managers or accountants are noted during the audit, the chamber notifies the relevant administrative and legal authorities. The regional chambers of auditors' review focuses on the regularity of the actions of management, the use of resources and the evaluation of the results achieved against objectives set by the local legislative assembly. Note that the regional chamber of auditors does not perform financial statements audit.

806. Local governments, which have more than 150 000 inhabitants at the end of the financial year preceding the financial year for which the financial statements are prepared⁵², are audited by external statutory auditors – a private audit firm.
807. The interim performance and compliance audit reports from the Supreme Audit Office are sent to the audited executive level. They are composed of findings, assessments and recommendations. Joint reports are sent to respective committees of the lower chamber of Parliament (Sejm). The audits take place each year and audit reports are made public. Reporting is required by law.

Social funds

808. The social funds are composed of the Social Insurance Institution and its managed funds, Board of Social Insurance for Farmers and its managed funds, Labour Fund, National Health Fund and Bridging Pension Fund.

⁵² As per Article 268 of the Public Finance Act (Dz.U. 2009.157.1240) – in force since 01.01.2010

809. Social security services apply the Poland chart of account in terms of General accounting.

Table 341: PL - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
Social Insurance Institution and its managed funds⁵³	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Financial audit (not all units) Performance and compliance audit	Supreme Audit Office (NIK) Statutory auditor (private audit firm) Supreme Audit Office (NIK)	Annually
Board of Social Insurance for Farmers and its managed funds	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Performance and compliance audit	Supreme Audit Office (NIIK) Supreme Audit Office (NIK)	Annually
National Health Fund	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Budget execution audit Financial audit (not all units) Performance and compliance audit	Supreme Audit Office (NIK) Statutory auditor (private audit firm) Supreme Audit Office (NIK)	N/A

Public corporations

810. There are two kinds of public corporation:

- ▶ the public corporation fully government owned and the public corporation partially government owned,
- ▶ Entities that are publicly traded as well as those that are not listed for public trading.

Table 342: PL - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Institution in charge	Frequency
Public corporations	Accounting Act of 29 September 1994 (Journal of Laws No. 152, Item 1223 of 2009,	Financial management audit Performance audits related to the realization of obligations regarding taxation as well as verification of the public tenders documentation Financial statements audit	Supreme Audit Office (NIK) and Regional Office of Accounts (RIO) Supreme Audit Office (NIK) and Regional Office of Accounts (RIO) Statutory auditor (private audit firm)	Each year

811. All corporations in Poland are obliged to apply the Accounting Act. Corporations that are publicly traded are obliged (in case of consolidated financial statement) or allowed (for separate financial statements) to apply IFRS. All consolidated financial statements of banks are prepared in accordance with IFRS. Those corporations are also subject to the external financial audit performed by the statutory auditor (in line with the rules defined by the Accounting Act). However, it is important to notice that corporations owned by the state are not considered to be part of the public sector.

Current status of the Poland's accounting arrangements

812. To understand general government accounting practices, the general government was broken down into two categories:

⁵³ Bridging Pension Fund are for example managed by Social Insurance Institution

- ▶ Public entities with legal personality - applying the Accounting Act
- ▶ Budgetary units – applying the Accounting Act and Minister of Finance Regulation

813. In Poland, all entities, whether public or private, apply the Accounting Act.

814. Budgetary units apply the Accounting Act provisions as well, however, in addition to that, they also follow the special provisions set up in the Regulation of the Minister of Finance of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector. These provisions help the budgetary units to issue (cash based) the statements on budget execution. They also provide for special chart of accounts and template of financial statement adjusted to the specific character of the public sector.

Statement of financial position and performances for entities applying the Accounting Act

Table 343 : PL - Statement of financial position for entities applying the Accounting Act - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	The most frequent measurement methods is the historical cost. Nevertheless measurement using market value may also be used.
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost or market value method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 344: PL - Statement of financial position for entities applying the Accounting Act - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost or market value method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 345 : PL - Statement of financial performance for entities applying the Accounting Act

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

*Statement of financial position and performance for Budgetary units***Table 346: PL - Statement of financial position for Budgetary units - Assets**

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	N/A	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost or market value method
Investments recognized using the equity method	N/a	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 347: PL - Statement of financial position for Budgetary units - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	N/A	N/A	N/A
Provisions ⁵⁴	Yes	Accrual	Historical cost method (with exceptions)
Financial liabilities	Yes	Accrual accounting	Historical cost or market value method
Minority interests, presented in net assets/equity	N/A	N/A	N/A

⁵⁴ In accordance with Para 9a. of The Finance Minister regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector (Journal of Laws No. 128, Item 861 of 2010, as amended) budgetary entities are exempt from creating accruals relating to future employee benefits including pension benefits.

Accounting caption	Presented	Time of recording	Measurement
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

Table 348: PL - Statement of financial performance for Budgetary units

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year), excluding spent transfers from higher level of government, which are directly recognized (on cash basis) as the increase of an entity's net assets	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/a	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Bookkeeping system

815. Budgetary units use a double entry bookkeeping system. Transactions are recorded on an hourly basis.
816. Entities applying the Accounting Act use double entry bookkeeping systems that comply with Accounting Act regulations. All public units are free to choose the IT system for book-keeping. The Accounting Act specifies the general requirements and characteristics that bookkeeping systems and accounting records have to meet for example related to audit trail, minimum requirements for general ledger and sub-ledgers, minimum content of accounting record etc.

Consolidation

Scope and description of the consolidation process

817. Consolidation is mandatory only for the Social funds agencies (i.e. the social fund).

Table 349: PL - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Parent entity for each administrative budgetary unit	Consolidation includes financial statements of budgetary units subordinate to the parent entity. The standalone financial statements of the entities are summed up in a joint financial statement of the parent entity.	General procedures based on articles of the Accounting Act:	N/A	Standalone financial statements – 30 April Joint financial statements – 30 June	Ministry of Finance

818. The budgetary units at the central government level do not prepare the consolidated financial statements. Those entities issue aggregated financial statements. As for the local governments, they prepare consolidated statement of financial position⁵⁵ (the balance sheet for themselves and controlled entities), however they do not prepare the consolidated statement of profit and loss.

Proximity of the consolidation process with IPSAS

Table 350: PL - Evaluation of the proximity of the consolidation process with IPSAS

Statement	NAS
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Does not apply
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Does not apply
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Does not apply
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Does not apply
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Does not apply
Minority interests in (c) consist of (d) and (e)	Does not apply

Nature of the different accounting standards at the different levels of government

819. This section compares the identified accounting practices using IPSAS as a benchmark.

Presentation of the general purpose financial statements

820. This table presents the components of the financial statements for all public entities.

Table 351: PL - Comparison of the presentation of general purpose financial statements

Financial statements	Entities applying the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies
Statement of changes in net asset	Always applies	Always applies
Cash flow statement	Always applies	Does not apply
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Does not apply	Does not apply
Cash and receipts statement	Does not apply	Does not apply
Other statement(s)	N/A	Statements of budget execution
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies in the form expected by the Accounting	Does not apply, except accounting policies – see Does

⁵⁵ In accordance with Para 21 of The Finance Minister regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of public sector (Journal of Laws No. 128, Item 861 of 2010, as amended)

Financial statements	Entities applying the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
	Act's Appendixes	not apply below

821. Cash flow statement and notes to the financial statements are not included in the financial reporting framework for budgetary units – see §17.1 of the Finance Minister Regulation of 5 July 2010 on special accounting rules and charts of accounts for the state budget, and for some other units of the public sector (Journal of Laws No. 128, Item 861 of 2010), as amended.

822. Accounting policies are documented based on art. 10 of the Accounting Act. They are not part of the notes of the financial statement.

823. Note that there is no obligation for the budgetary units to present their financial statements to external audit.

Time of recording

824. This table presents the components of the financial statements.

Table 352: PL - Comparison of the accounting system applied

Financial statements	Entities applying the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting
Statement of changes in net assets	Accrual accounting	Accrual accounting
Cash flow statement	Cash method	N/A

Property, plant and equipment recognition and measurement

Table 353: PL - Comparison of the recognition and measurement of property, plant and equipment

Statement	Entities applying the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost	Always applies	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply

Statement		Entities applying the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Does not apply

825. There is no difference between the entities applying the Accounting Act and Budgetary units concerning the recognition and measurement of property, plant and equipment according to this table. Moreover, the statements all apply to IPSAS principles.

Provision recognition and measurement

826. The accounting arrangement for the recognition and measurement of provision are not applicable for budgetary units. Moreover, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 354: PL - Comparison of the recognition and measurement of provisions

Statements	Entities following the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Generally applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies	Always applies

Statements	Entities following the Accounting Act	Entities applying the Accounting Act and the Regulation of the Finance Minister
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies	Always applies
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies	Always applies

The practical issues with the application of IPSAS

827. Applying IPSAS would require changing the whole legal framework, as currently IPSAS application is not required by law.
828. The main issue would be the introduction of the framework, changes to IT, training of the persons responsible etc.

The current financial audit framework

829. In Poland the Supreme Audit Office conducts budget execution audit for the central government, the National Bank of Poland, state legal entities, and other state organizations. The Office does not conduct financial statements audit. This section presents:
- ▶ The scope of the budget execution audit
 - ▶ The auditing process
 - ▶ The quality framework

Scope of the financial audit

830. The Table 355 summarizes the scope and nature of the budget execution audit performed by the Supreme Audit Office.

Table 355: PL - Description of the scope and nature of the financial audit

Auditing entities	Supreme Audit Office (NIK)
Scope of the audit	Public Entities
Completeness of the audit	<p>The flows and processes subject to an audit may be partially recognised as part of the EDP inventory reporting as budget deficit (the difference between revenues and expenditures of the budget) or the deficit of financial plans of social funds. However, it must be taken into account that these are cash-based, and not accrual-based, accounts.</p> <p>NIK does not audit accrual-based financial statements of budgetary units for two reasons:</p> <p>1) There is no legal obligation for budgetary units to present their financial statements to external audit.</p> <p>2) NIK recognises the financial statements produced by budgetary units as incomplete, thereby comprising an in-built limitation of scope.</p> <p>The completeness and reliability of the information as part of the EDP/deficit compilation is not part of the NIK audit approach for the reasons stated above. The nature of the audit (cash-based budget or financial plan execution) does not ensure the completeness of information and their adequate (i.e. accrual) recognition in particular reporting periods.</p>
Reliability of information	The reliability of this information is ensured through an audit
Frequency	End of February for the tentative accounts and end of April for the final account. The NIK report should be delivered before the 30th of June.
Visibility	<p>There is not legal requirement for the publication of the audit results. NIK publishes them on a voluntary basis. Its findings are provided to the audited entity, the parent of the audited entity, the government, the supervision authority (relevant Parliamentary committees and lower chamber of the Parliament as a whole), and to the press.</p> <p>In general these publications lead to internal action and follow-up by the audited entity, action by the government and the supervisory authorities.</p>

The auditing process

831. Table 356 describes the auditing process followed by the court of auditors.

Table 356: PL - Description of the auditing process

Audited entities	Public Entities
Auditing standards	National Auditing Standards
Selection of the audit flows	<p>Although many flows are not required to be audited, they are based on the risk assessment. (the proportion of the number of inadequate internal and information system controls as compared to their overall quantity. Threshold: 5% or 4% or 3% depending on the nature of inadequacy) The selection process of these flows is made both through materiality and sampling (Substantive tests of transactions, MUS sampling)</p>
Assertions covered	<p>a) Existence and occurrence</p> <p>b) Completeness</p> <p>c) Accuracy and valuation</p> <p>d) Rights and obligations</p> <p>e) Presentation and disclosure</p> <p>f) Lawfulness/Rightfulness (compliance with laws and regulations)</p>

Audited entities	Public Entities
Feedbacks	<p>The following reporting occurs: Intermediary missions report plus audit observations The auditee reply Reconciliation committee considers the comments made by the auditee and decides on the final wording of a commented issue. Reconciliation process may result in the changes to the content of the report, i.e. its findings, conclusions, and/or recommendations, if the auditee is able to provide supplementary evidence that original findings were not accurate. Reports are a means to ensure the traceability of the audit. The different versions of the reports are available. Not only the changes made in each version can be found but also who requested the changes.</p>
Tracking system	Audit results and recommendations are subject to the follow-up action, first by inquiring the auditee about his/her planned action and then by verifying the auditees actions either on the occasion of another audit at the same entity or a follow-up audit some two-three years after the original one.

Quality framework

832. Table 357 presents the quality framework of the financial audit. Note that in Poland there is specific training to become a public auditor. The educational background and experience of the auditor is generally of a high level. Finally a supervisory council monitors the implementation of audit.

Table 357: PL - Description of the quality framework

Audited entities	Public Entities
Independence	Independence is regulated in country's law of the Supreme Audit Office.
Design	<p>Quality reviews take place at each step of the auditing process. Frequency: Internal review – annually External peer-review – every several years</p>
Mandate	Authority to propose recommendations.
Follow ups	The chamber of auditors follows and request for the application of the court findings voluntary.
Education and qualification of the auditors	<p>To guarantee the expertise of the auditor the recruitment follows several steps. In addition there exist an internal training program includes apart of audit standards, conduct and procedures, also civil, financial and business law aspects, elements of EU law, public administration, elements of macroeconomics, practice of accounting, internal control, IT audit tools, audit psychology as well as performance auditing There is a study program in Poland for becoming a public auditor. This is a legal requirement. There exist a specific educational program and institution.</p>
Supervision and evaluation	An internal council monitors the auditing process. There exist a disciplinary council with the power to enforce sanction
Independence of the auditor	The independence is insured by law of the Supreme Audit Office.

Accounting and auditing reforms

Existing reforms

833. Currently, there is a reform of audit procedures in reference to the amendment made to the Act on the Supreme Audit Office as of 22 Jan 2010. This reform was initiated by the Parliamentary Committee on the National Audit.

Nature and scope of the existing plans for reform

834. Changes to audit procedures:
- ▶ Detailing planning documents
 - ▶ Distinction of planned and ad hoc audits
 - ▶ Access to auditees electronic documents and data bases,
 - ▶ Access to sensitive personal data,
 - ▶ Statutory recognition of audit files,
 - ▶ Resignation from one of the three reporting documents, i.e. the protocol of detailed findings,
 - ▶ Changes to auditees feedback consideration procedures,
 - ▶ Other minor procedural changes with the view to streamline the audit process
835. Objective of this plan is to streamline and legally consolidate the audit process.

Status of the reform

836. Reasons for implementing a new accounting system: Debt crisis
837. All necessary preparations (consideration and discussions on changes in procedures, elaboration and discussions on draft internal documents, drawing-up formal documents) have been completed. Training was completed for the reform's implementation in June 2012.
838. The reform should streamline the audit process and formalize a lot of procedures that were commonly in use but not based on law.
839. Changes do not go deep enough though, especially regarding the mandate for and practice of the financial audit.
840. Also, there is an uncertainty as for the factual clearance of audit findings, which under the new procedure will be carried out together with the formal clearance. This may complicate the feedback consideration process.

3.21 Portugal

841. This section provides an overview of the accounting and auditing arrangements in Portugal.

Legal requirements for Accounting and auditing

Central government

842. The central government is composed of the state, the autonomous services and funds, non-profit institutions and public corporations classified in the central government.

Table 358: PT - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State (Presidency, Ministries, National Assembly)	Public accounting basis law Budget framework law Official Public Accounting Standards (POCP) Official Public Accounting Standards for the Education Sector (POCE) Official Public Accounting Standards for the Health Sector (POCMS)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).
Autonomous Services and funds of Central Government	Public accounting basis law Budget framework law Official Public Accounting Standards (POCP) Official Public Accounting Standards for the Education Sector (POCE) Official Public Accounting Standards for the Health Sector (POCMS)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).
Non-profit institutions of central government	Public accounting basis law Budget framework law Official Public Accounting Standards (POCP) Official Public Accounting Standards for the Education Sector (POCE) Official Public Accounting Standards for the Health Sector (POCMS)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).

843. There are 312 entities within the State category and include the executive and legal authority and the administration. Autonomous services and funds account for 215 entities and they are responsible for the administrative tasks. Non-profit institutions and public corporations are constituted by 33 and 18 entities, respectively.

844. Internal audits are performed by the General Inspector of finance (Inspeção Geral das Finanças - IGF) and the Tribunal de Contas (TC). The IGF's mandate encompasses all public administration, including all subsectors of the general government (central, state and local). Accordingly, it includes a horizontal mandate over all the State administration (e.g. direct administration and agencies) and public and municipal state owned enterprises, and all other budget funded bodies (eg, foundations).

Local government

845. The local government is composed of regional government – Azores and Madeira (271 entities), municipalities, parishes and local services (4 702 entities), and public corporations classified in local government (237 entities).

Table 359: PT - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Regional government (Azores and Madeira)	Public accounting basis law Budget framework law Official Public Accounting Standards (POCP) Official Public Accounting Standards for the Education Sector (POCE) Official Public Accounting Standards for the Health Sector (POCMS)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).
Municipalities, parishes and local services	Public accounting basis law Budget framework law Official public accounting standards for the local authority sector/local government (POCAL)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).

Social funds

846. The social funds are composed of the Social security services, which account for 20 entities. These services include pensions, health, family, accidents at work.

Table 360: PT - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social security	Public accounting basis law Budget framework law Official public accounting standards for the social security sector (POCISSSS)	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).

Public corporations

847. There are 641 entities classified as public corporations.

Table 361: PT - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public coporations	Budget framework law Accounting standardisation system (SNC) International Financial Reporting Standards – European Union	Performed by IGF – Ministry of Finance internal audit, Tribunal de Contas and external audit (EU funds): Financial audit; Systems audit; Performance audit; Compliance and legal audit; IT audit.	Continuous and annual (for EU funds audit annual opinions).

848. Public corporations follow the Accounting Standardisation System (SNC), enacted on 13 July 2009 by the government, and amendment on 14 March 2011, and the International Financial Reporting Standards (IFRS). **The SNC is an accounting system for the private sector and for the public enterprises.**

Current status of the Portuguese accounting arrangements

849. While the accounting arrangement may seem very complex in terms of number of accounting laws, the current root of all these laws is the Portuguese Chart of Account.
850. There is no direct linkage between the accounting practices and the government subsectors.
851. The Public Accounting Official Chart of accounts (Plano Oficial de Contabilidade Pública – POCP) is an accrual based accounting system, although it is integrated with budget execution. Some specific sub-sectors, such as education, social security, local government and the health sector, also use a similar system than POPC which philosophy and principles and rules are almost identical.
852. We can however distinguish two accounting practices:

- ▶ Entities of the State, Nonprofit Institutions of Central Government and Regional government which still only use budget execution accounting (cash basis), although this will change in the next couple years. For these entities, the statements of financial position and performances are not applicable.

- ▶ The other entities applying the POCP which use accrual accounting (a system that integrates accrual and budget execution accounting operations)

853. Note that most of the public corporations in the different levels of government apply SNC accounting standards because they are private sector standards (greatly inspired by IFRS).

Statement of financial position and performances of entities using both cash and accrual accounting systems

Table 362: PT - Statement of financial position for the Other entities applying the POCP - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method.
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method

Table 363: PT -Statement of financial position for the Other entities applying the POCP - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	N/A	N/A	N/A
Provisions	Yes	Accrual accounting	Historical cost method
Financial liabilities	Yes	Accrual accounting	Historical cost method

Table 364: PT - Statement of financial performance for the Other entities applying the POCP

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

854. For the entities on a cash basis accounting and reporting budget execution, the bookkeeping system used is SIC, it is a single entry system. The transaction system is called ORACLE and transactions are recorded in real time.

855. All the other entities applying POCP use a double entry bookkeeping system but there is no general practice.
856. The state and regional governments entities use 'Rigore', which operates via SAP.
857. Autonomous services and funds of central government use 'Rigore' as well; and 'Primavera', operating via SQL based, 'Minimal'; 'GIAF'; 'e-Publica'; 'SIAG' and 'SINGAP', that operates via Microsoft, Oracle and IBM.
858. On the other hand, Municipalities, parishes and local services use 'Mediata'.

Consolidation

Scope and description of the consolidation process

859. The consolidation perimeter is determined by a control approach rule, similar to IPSAS 6. Entities exclusions are determined by its non-materially relevance to a true and fair view of the financial position of the 'public group'.
860. The whole General Government account is, itself, consolidated, but using budget accounting (cash basis) until accrual accounting is fully implemented.

Table 365: PT - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Public group : Social Security, Health, Local government and Education	Consolidation is determined by a control approach rule, similar to IPSAS 6. Entities exclusions are determined by its non-materially relevance to a true and fair view of the financial position of the 'public group'	General principles: neutrality, completeness, comparability, reliability, relevance, true and fair view; General rules: financial statements must be prepared in the same basis (accrual), consistency over periods. Previous homogenization must take place, regarding time horizon, valuing, internal operations, framework (financial statements). Eliminations: balances, transactions, revenues and expenses, profits and losses.	There are no legal exceptions, although operations involving taxes and social contributions are foreseen to be exempted in the future.	Consolidation: Annually, 31st December	General public, Official recipients, Court of Auditors.

*Proximity of the consolidation process with IPSAS***Table 366: PT - Evaluation of the proximity of the consolidation process with IPSAS**

Statement	Central government
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always applies
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always applies
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always applies
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Always applies
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Always applies
Minority interests in (c) consist of (d) and (e)	Always applies

861. The consolidation process appears to be very similar to IPSAS

Nature of the accounting practices

862. This section presents and compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

863. Table 367 compares the components of the financial statements for the entities of the Sate, Non profit Institutions of Central Government and Regional government which are cash based and the other entities applying the POCP.

Table 367: PT - Comparison of the presentation of general purpose financial statements

Financial statement	Entities on a cash basis	Other entities
Statement of financial position (balance sheet)	Does not apply	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Does not apply	Always applies
Statement of changes in net asset	Does not apply	Does not apply
Cash flow statement	Always applies	Always applies

Financial statement	Entities on a cash basis	Other entities
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies
Cash and receipts statement	Always applies	Always applies
Other statement(s)	Always applies	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Does not apply	Always applies

864. In comparison with the IPSAS requirements (IPSAS1) for the presentation of financial statements, some components are missing. Note that all the statements indicated above are produced annually. Although the cash flow statement is annual for audit purposes, the budget execution is reported monthly through the Budget Directorate (DGO).

Time of recording

865. Table 368 compares the components of the financial statements for all subsectors.

Table 368: PT - Comparison of the accounting system applied

Financial statements	Entities on a cash basis	Other entities
Statement of financial position (balance sheet)	N/A	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	N/A	Accrual accounting
Statement of changes in net asset	N/A	N/A
Cash flow statement	Cash accounting	Cash accounting

Property, plant and equipment recognition and measurement

866. This section deepens the understanding of the measurement of assets. In particular Table 369 details and compares the measurement methods for each of the public entities considered.

Table 369: PT - Comparison of the recognition and measurement of property, plant and equipment

Statement		Entities on a cash basis	Other entities applying POCP
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		N/A	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	N/A	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	N/A	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	N/A	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	N/A	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	N/A	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	N/A	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	N/A	Does not apply

867. The recognition and measurement of PPE appear to be similar to IPSAS principles.

Provision recognition and measurement

868. This section compares the accounting arrangement for the recognition and measurement of provision taking IPSAS as benchmark. The comparison highlights the measurement method and the disclosure requirements.

Table 370: PT - Comparison of the recognition and measurement of provision

Statements		Entities on a cash basis	Other entities
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*		N/A	Does not apply
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions		N/A	Applies similar statement
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date		N/A	Applies similar statement

Statements	Entities on a cash basis	Other entities
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A	Does not apply
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	N/A	Applies similar statement
Provisions are recognized for net deficits from future operating activities*	N/A	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	N/A	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	N/A	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	N/A	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	N/A	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A	Applies similar statement
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A	Does not apply
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A	Does not apply

According to Table 370, while the IPSAS provision measurement principles are well followed for the entities on an accrual basis, the information disclosed is quite different from the IPSAS recommendations.

Practical issues with the application of IPSAS

869. For the entities on a cash basis, the application of IPSAS would imply a great deal of changes, namely, moving from merely cash to accrual accounting and changing IT system (as is already being implemented), possibly reforming chart of accounts, accounting rules and principles, train staff, changing laws regarding public accounting, etc.
870. For the other entities, the Portuguese accounting system is already an accrual based accounting system. Resistance (if any) with the application of IPSAS systems comes from the fact that the IPSAS do not cover key accounting topics for the government. In particular from the point of view of the Court of Auditors and the Ministry of Finance, the IPSAS do not provide sufficient (if any) guidance on the following topics:
- ▶ Recognition of the historical heritage. There is no IPSAS on the recognition of monument and work of art. While this might not be an issue for “young countries”, for European countries which have an important historical real estate this is an important issue.

- ▶ Liabilities related to Social funds. This item is not addressed by IPSAS. This is viewed as a major drawback as most of the activities of the government are Social funds.
- ▶ Tax revenue. There is no recommendation on IPSAS on the recording of the tax revenue in an accrual basis.
- ▶ Consolidation. While IPSAS 6 deals with government this is hardly applicable to the government sector. No guidance is provided on the definition of the controlling entity and controlled entities from a government perspective.

The current financial audit framework

871. In Portugal the 'Inspeção Geral de Finanças' (IGF) and Tribunal de Contas (TC) conduct financial audit for the central and local government, Social funds and public corporations. The other accounts are not subject to a financial audit **except if a private institution receives funds from the government or the EU or if it is necessary to audit the accounts for taxes purposes**. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Description of the scope of the financial audit

872. Table 371 below summarizes the scope and nature of the financial audit performed by the court of auditors.

Table 371: PT - Description of the scope and nature of the financial audit ⁵⁶

Auditing entities	TC			
Scope of the audit	Central government	Local government	Social funds	Public corporations
Completeness of the audit	The information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) is part of the audit approach			
Reliability of information	The reliability of this information is ensured through an audit and plausibility checks.			
Frequency	In accordance with an established yearly audit plan approved by the Minister of Finance			
Visibility	Audit results are available to audited entity, the parent of the audited entity, the government and the supervision authority, by legally requirement. In general these publications led to internal action and follow up by the audited entity, action by the government and the supervisory authority, also as a legally requirement.			

The auditing process

873. Table 372 describes the auditing process followed by the court of auditors⁵⁷ (TC).

Table 372: PT - Description of the auditing process

Audited entities	All subsectors
Auditing standards	Audit and Procedures Manual of the Portuguese court is mandatory. ISSAI on a voluntary basis. Both of the standards above are identical to ISA's.
Selection of the audit flows	Sampling
Assertions covered	a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/Rightfulness (compliance with laws and regulations)
Feedbacks	During the field work of audit: Requests of documents (contracts; financial statements; expense and revenue documents; management reports), explanations and additional details. After final reports: Follow-up of recommendations audits.
Tracking system	During the field work of audit: Follow-up of compliance and materiality procedures; substantive procedures. After final reports: Proceed of verifications (or not – in the case, the reasons). From draft to final report amendments changes are sometimes made to the content (findings and/or recommendations). The follow up of findings and implementation are often monitored.

⁵⁶ Note IGF also performs financial audits on all subsectors, but no questionnaire was provided to complete this table for IGF.

⁵⁷

Quality framework

874. Table 373 presents the quality framework of the financial audit. Note that in Portugal there is no specific training to become a public auditor. However the educational background of the auditor is generally of a high level.

Table 373: PT - Description of the quality framework

Audited entities	All subsectors
Independence	Independence is guaranteed through an Independent audit firm. Internal review is made by other supreme audit institution. The court of auditors of Portugal can also be supported by external audit firms of experts.
Design	Quality reviews take place at each step of the auditing process. This review's frequency is changeable: it is determined by the audit plan approved by the courts of auditors of Portugal.
Mandate	Mandate is embedded in national law. The institutions have authority to impose penalties and to enforce corrective actions.
Follow ups	Findings are monitored by follow-up reviewer.
Education and qualification of the auditors	The auditors performing the audits are graduated in auditing, accounting, management, economics and law. For each course, the curricula differs according to each university, some of them have public auditing as part of the study programme. To guarantee the expertise of the auditor permanent education is required (through professional training schemes) and academic background. There is no specific study program in Portugal for becoming a public auditor.
Supervision and evaluation	There is a regulatory requirement regarding supervision embedded in national law: Portuguese court law and regulations. Disciplinary power is also applicable, with measurements such as penalty and corrective actions: Law of civil service and the Portuguese court law and regulations.
Independence of the auditor	The independence is insured by national law, where the level of independence required is stringent.

Accounting and auditing reforms

Introduction

875. At the origin of the Portuguese State's reflection on the necessity for an accounting reform such as the POCP, international comparisons were made. The POCP introduces a budget accounting reform: moving to accrual and budget accounting is the objective of this plan
876. There are some reasons behind for implementing a new accounting system:
- ▶ Budget, accrual and management accounting integration;
 - ▶ Accounting standardisation;
 - ▶ Swifter data collection for national accounts.
877. This reform started in 1997, is still in progress, and is expected to be concluded at the end of 2013.

878. The reform is taking a lot of time before being implemented due to the size of the universe involved, the changes in procedures and the unorganized implementation (before 2008).

Prospects

879. Changes are to be expected in the standard-setting accounting, namely, the IPSAS adoption. However, no timeline has been set.

Acronyms

EU: European Union

IFRS: International Financing Reporting Standards

IGF: Inspeção Geral das Finanças

IPSAS: International Public Sector Accounting Standards

POCE: Plano Oficial de Contas da Educação

POCISSSS: Plano Oficial das Instituições do Sistema de Solidariedade e de Segurança Social

POCMS: Plano Oficial de Contas do Ministério da Saúde

POCP: Plano Oficial de Contas Públicas

SNC: Sistema de Normalização Contabilística

3.22 Romania

880. This section provides an overview of the accounting and auditing arrangements in Romania.

Legal Requirements for Accounting and auditing ⁵⁸

Central government

881. The central government comprises Ministries and central agencies financed by the state budget, the public institutions under the subordination of the ministries partially or entirely financed by their own revenues, the Central units responsible for privatization, the State Treasury Budget, the Risk Fund, Property Fund, National Authority for Property Restitution, Foreign aid managed by Ministry of Finance and Grants received from the European Union (Phare, ISPA, SAPARD).

882. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 374: RO - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Ministries, Central agencies, Public institutions under the subordination of the ministries, Central units responsible for privatization, State Treasury Budget, the Risk Fund, Property Fund, National Authority for Property Restitution	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 1917/2005, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually
Units reclassified under Central government sector S131159	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 3055/2009, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually

883. The law number 82/1991 of the Accounting Law was last amended in March 2011. In the chapters concerning public entities, this law outlines the content of public accounting and designates the Ministry of Finance as the standard setting institution in terms of norms and regulations in the field of accounting. The law makes reference to IFRS but not in relation to public entities.

Local governments

884. The local government comprises the local administrations of the cities, the local public institutions financed from own revenues and subsidies – which include local and county level councils, libraries, schools, health care authorities, market administrations etc.

⁵⁸ The generic denomination of "public institution"⁵⁸ is given in Romania to the Parliament, the Presidential Administration, the ministries, specialized bodies within the public administration, autonomous public institutions, as well as institutions in the subordination thereof, regardless of their manner of financing.

In Romania, the Ministry of Public Finance ("MPF") elaborates the annual general state budget implementation account and the annual general state social security insurance budget implementation account. These are approved by the Parliament after their verification by the Romanian Court of Accounts ("RCC").

Also, RCC only performs audit procedures on the annual budget accounts- primary, individual accounts of the public institutions. The national accounts as consolidated under ESA 95 by the Romanian National Institute of Statistics ("NIS") and MPF and also the bi-annual notification tables sent to Eurostat are not subject to verification by RCC.

It is from this perspective that the questionnaires have been filled in by the representatives of the institutions with relevant attributions in the field, as enumerated above.

⁵⁹ The central administration also includes 27 units reclassified according to the 50% revenues vs production costs criterion.

Table 375: RO - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local administrations	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 1917/2005, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually
Local public institutions financed from own revenues and subsidies: Local Councils; County Councils; County Libraries; Schools; High schools; Cultural Centers; County Museums; Local Health Authorities; Social Assistance Divisions; Theatres; Local kindergartens; Zoo Gardens; Canteens; Market Administrations	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 1917/2005, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually ⁶⁰
Units reclassified under Local government sector S131361	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 3055/2009, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually

Social funds

885. The social security funds sector comprises the Social security budget, the Unemployment budget and the Health social insurance budget.
886. The Court of Auditors conducts the financial audit of the state social insurance annual budget implementation account.

Table 376: RO - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social security budget Unemployment budget Health social insurance budget	Public accounting law and rules: Law number 82/1991, as subsequently amended; Order of Minister of Public Finance number 1917/2005, as subsequently amended	Audit of conformity Performance audit Financial audit	Annually

Current Status for Romania's Accounting arrangements

887. All public entities apply the same accounting laws: Law number 82/1991, as subsequently amended; the order of Minister of Public Finance number 1917/2005, as subsequently amended

⁶⁰ In accordance with Law number 94/1992, the Court of Accounts conducts the financial audit of the local budgets and that of Bucharest Municipality, the budgets of counties, of Bucharest Municipality sectors, of the municipalities of towns and communes annual implementation accounts.

Annual reports on local public finances are submitted by the county chambers of accounts to the deliberative public authorities of the administrative and territorial units and comprise findings and advices regarding local public finance. Reporting is mandatory by law and the reports are publicly available.

⁶¹ The local government includes 71 units reclassified in this sector according to the 50% revenues vs. production costs criterion.

Statement of financial position and performance for all subsectors

Table 377: RO - Statement of financial position of all subsectors - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Modified accrual accounting	Cost; Fair value
Investment property	No	Not applicable	Not applicable
Intangible assets	Yes	Accrual accounting	Cost
Financial assets	Yes	Accrual accounting	Cost; Fair value
Investments recognized using the equity method	No	Not applicable	Not applicable
Inventories	Yes	Accrual accounting	Cost
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified accrual accounting	Cost; Fair value
Receivables from exchange transactions	Yes	Accrual accounting	Cost; Fair value
Cash and cash equivalents ⁶²	Yes	Cash accounting; Accrual accounting	Cost

Table 378: RO - Statement of financial position of all subsectors - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified accrual accounting	Cost
Payable under exchange transactions	Yes	Modified accrual accounting	Cost
Provisions	Yes	Modified accrual accounting	Cost
Financial liabilities	Yes	Modified accrual accounting	Cost

Table 379: RO - Statement of financial performance of all subsectors

Accounting caption	Presented	Time of recording
Revenue (for current and past year) ⁶³	Yes	Modified accrual accounting (System 4)
Finance costs (for current and past year) ⁶⁴	Yes	Modified accrual accounting (System 4)
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	No	Not applicable
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	No	Not applicable

⁶² As regards cash and cash equivalents, both cash accounting and accrual accounting systems are used as regards cash and cash equivalents for budget implementation. For transfers payable, cash accounting is used. Institutions may register provisions but this is not compulsory.

⁶³ In the case of revenue, it is to be noted that cash basis accounting is used for Income from subsidies.

⁶⁴ Interest and foreign exchange differences understood as finance costs are recognized when they occur while transfers from one entity to a subordinate entity understood as financing are cash based.

Accounting caption	Presented	Time of recording
Surplus or deficit (for current and past year)	Yes	Modified accrual accounting

Bookkeeping system

888. While being less sophisticated at the local level, the legislation in place makes no provision regarding the accounting software to be used by the different levels of public entities. The systems used differ both vertically across the different levels of public entities and horizontally, among the different institutions present at the same level.
889. Substantial financial and technological investment is required in order to implement integrated bookkeeping systems, as identified by the respondents.

Nature of the accounting practices at the different levels of government

890. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

891. The table below presents the components of the financial statements for all subsectors.
892. Accounting is maintained in accordance with the provisions of Law number 82/1991, as subsequently amended and the order with the specific methodological norms on the elaboration and presentation of financial statements of public institutions for the respective year, as issued by the MPF.

Table 380: RO - Presentation of general purpose financial statements

Financial statement	All subsectors
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies – includes cash and receipts statement
Cash and receipts statement ⁶⁵	Always applies
Other statement(s)	Always applies - Annexes to Order of the Ministry of Finance Number 24/2012
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

893. The presentation of the financial statements for the year 2011 is the object of Order of the Ministry of Finance Number 24/2012. According to this order, the annual financial statements for the public institutions comprise annexes to the financial statements which include accounting policies and explanatory notes.

⁶⁵ The cash and receipts statement is a part of the account for budgetary implementation, which is addressed in the comparison of budgeted and actual amounts.

Time of recording

894. This Table presents the components of the financial statements for all subsectors.

Table 381: RO - Comparison of the accounting system applied

Financial statements	All subsectors
Statement of financial position (balance sheet) ⁶⁶	Modified accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Modified accrual accounting
Statement of changes in net asset	Modified accrual accounting
Cash flow statement ⁶⁷	Cash accounting

Property, plant and equipment recognition and measurement

895. This section deepens the understanding of the measurement of assets. In particular this table details and compares the measurement methods for each of the public entities considered.

Table 382: RO - Comparison of the recognition and measurement of property, plant and equipment

Statement		All subsectors
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Applies similar statement
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Applies similar statement
Depreciation	Depreciation is charged systematically over the useful life	Applies similar statement
	The residual value of an asset is reviewed at least at each annual reporting date	Does not apply

⁶⁶ As regards the system used for the financial position time of recording, according to the applicable legislation no obligations are provided for pensions, impairment is optional, depreciation is partially provided for.

⁶⁷ Concerning the cash flow statement, the direct method-receipts and payments- is used. The cash flow includes flows from operational, investment and financing activities, for each evidencing receipts, payments and net cash. Details are presented in the implementation account.

Provision recognition and measurement

896. This section presents the accounting arrangement for the recognition and measurement of provision. The comparison highlights the measurement method and the disclosure requirements.

897. In the table below, In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 383: RO - Comparison of the recognition and measurement of provision

Statements	All subsectors
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	N/A
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Applies similar statement
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Applies similar statement
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	N/A
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Applies similar statement
Provisions are recognized for net deficits from future operating activities*	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	Applies similar statement
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate*	N/A
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	N/A
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	N/A
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	N/A

Practical issue with the application of IPSAS

898. The respondents within MPF assessed that only certain provisions of some IPSAS have been implemented (IPSAS 1, IPSAS 2, IPSAS 4, IPSAS 5, IPSAS 12, IPSAS 17, IPSAS 19, IPSAS 24) up till now. Within the next 3 years, national norms will be improved with other provisions. Over a medium or long period (beyond 3 years), additional provisions from IPSAS will be implemented, if deemed absolutely necessary.
899. It is to note that while certain regulations are inspired from the IPSAS principles, no explicit reference is made to the IPSAS per se, as it is the case of Order number 1917/2005 which provides the methodological norms regarding the conduct and organization of the accounting of public institutions and also the Chart of Accounts to be employed in public institutions.

Consolidation

900. As per discussion with interviewees within the Ministry of Public Finance (MPF), from the point of view of the accounting information presented in the Statements of Financial Position and in the Profit and Loss Statements elaborated by the ministries or local authorities, the process of consolidation according to IPSAS does not take place, only aggregated financial situations being generated.
901. The consolidation of the financial situations of the public institutions, elaborated on accounting principles is at present not performed in Romania.

The current financial audit framework

THE TEXT IS NOT AVAILABLE

Accounting and auditing reforms

902. There are two directions of reforms that might be initiated in Romania:
- ▶ “Financial Reporting by the Government of Romania. The way ahead according to IPSAS” from the World Bank, and
 - ▶ “Project for improving the budgetary and reporting framework (improving the quality of primary data transmitted to the Ministry of Finance by public institutions)” from the International Monetary Fund (IMF).

Table 384: RO - Description of existing reforms

Reform	Objectives
The World Bank's	Improving the quality and reliability of the data reported in the financial statements.
The IMF's	Reducing the time required for the process of financial data centralization by streamlining the institutional chain of reporting (since data will be directly transmitted to MPF by all levels of public institutions)

903. Though no official position has yet been adopted on whether the guidelines described in the World Bank report will be pursued, the project of the IMF was submitted for financing approval through the Operational Program for the Development of Administrative Capacity (European Social Fund-ESF). Provided that financing is secured, the project is to be implemented in the period 2012-2014.
904. Overall, the projected impact of the two reform directions outlined above comprises the changes regarding the methodology of financial reporting that will be visible at the level of all public institutions. However, shortage of specialized staff within MPF is mentioned as a drawback regarding implementation

Acronyms

EDP	Excessive Deficit Procedure
ESA 95	European System of Accounts as defined in Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community
MPF	Ministry of Public Finance
NIS	National Institute of Statistics
RCC	Romanian Court of Accounts
NBR	National Bank of Romania
NCP	National Commission of Prognosis
GFCF	Gross Fixed Capital Formation
GDP	Gross Domestic Product

3.23 Slovakia

905. This note provides an overview of the accounting and auditing arrangements in Slovakia.

Legal requirements for Accounting and auditing

Central government

906. The central government is composed of several budgetary organizations and different funds. It also encompasses various public units as well as several administrations.

907. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government

Table 385: SK - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State budgetary organizations Semi-budgetary organizations of State	Act No. 431/2002 Col. on accounting Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts	Legal, performance, compliance audit	A reply is pending
State Funds (State Housing Development Fund; National Nuclear Fund; Environmental fund) Slovak Land Fund Public universities TASR	Act No. 431/2002 Col. on accounting Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts	Legal, performance, compliance audit	A reply is pending
The Healthcare Surveillance Authority The Nation's Memory Institute Slovak National Centre for Human Rights Slovak Radio and Television Audit Surveillance Authority Audiovisual fund The National Property Fund	Act No. 431/2002 Col. on accounting Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts	Legal, performance, compliance audit	A reply is pending
Slovak Consolidation Agency RTVS, s. r. o.	Act No. 431/2002 Col. on accounting Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts	Legal, performance, compliance audit	Annually

908. All the entities that compose the Central government apply:

- ▶ Act No. 431/2002 Col. on Accounting Rules. It is a law which was enacted by the parliament the 18/06/2002 and which is mandatory. The latest amendment goes back to the 31/12/2010. An accounting report is drafted. This report is mandatory, annual and public. Only consolidated financial statements are (and have to be) audited by independent auditor – private firm, on a yearly basis. All other entities can be reviewed by the Supreme Audit Office of the Slovak Republic or Financial audit of the Ministry of finance, which review also compliance with Act on Accounting Rules. Audit reports will start to be publicly available only in 2013;

- ▶ Act No 523/2004. It is also a law, which was enacted by the parliament 30/9/2004. Likewise, the latest amendment goes back to the 27/07/2011;
- ▶ Budgetary rules (Act No. 502/2001 Col. on Financial inspection and Internal audit measures). These rules are set by the Ministry of Finance. It is a mandatory process that may enforced with penalties. A report should be produced, for internal use only.

Local government

The local government is composed of the local administrations like municipalities or other territorial units. It is also composed of other public units that are linked to the activity of local governments.

Table 386: SK - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Higher territorial units Municipalities	Act No. 431/2002 Col. on Accounting Act No. 583/2004 Col. of Budgetary Rules of the Regional Self-Administration and of Change and Amendment of Particular Acts	Legal, performance, compliance audit	Annually
Budgetary organizations of Higher territorial units Budgetary organizations of municipalities Semi-budgetary organizations of Higher territorial units (S.13) Semi-budgetary organizations of municipalities (S.13) Non-profit institutions of municipalities	Act No. 431/2002 Col. on Accounting Act No. 583/2004 Col. of Budgetary Rules of the Regional Self-Administration and of Change and Amendment of Particular Acts	Legal, performance, compliance audit	A replys is pending

909. The Local government entities, like the Central government, apply:

- ▶ Act No 431/2002 and the budgetary rules;
- ▶ Act No. 583/2004 (contrary to the central government entities). This act was enacted by the parliament the 01/11/2004 and focuses on budget and accounting. The latest amendment goes back 01/03/2009. Audit of individual and consolidated FS of higher territorial unit s are audited by independent auditor. This requirement is defined by the Act on Accounting.

Social funds

910. The social funds are composed of the Social Insurance Agency and of the public health insurance.

Table 387: SK - Overview of the accounting and auditing arrangements for Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Social Insurance Agency	Act No. 431/2002 Col. on Accounting rules Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts Budgetary rules	Legal, performance, compliance audit	A reply is pending

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Health insurance companies - public health insurance	Act No. 431/2002 Col. on Accounting rules Act No. 523/2004 Col. of Budget Rules of the Public Service and of Change and Amendment of Some Acts Budgetary accounting rules	Legal, performance, compliance audit	Annually

911. Both entities apply the Act No. 431/2002 and the Act 523/2004 described in the Central government section.

Public Corporations

Table 388: SK - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations (several entities)	Act No. 431/2002 Col. on Accounting rules	Legal, performance, compliance audit	Not specified Financial audit on the yearly basis

912. Public corporations apply the Act No. 431/2002 described above

Current status of the Republic of Slovakia's accounting arrangements

913. The act n°431/2002 is the main accounting law in Slovakia. This law does apply to all subsectors of government, i.e. central government, local level government and social funds. This accounting rule is described hereafter.

Statements of financial position and performance

Table 389: SK - Statement of financial position for the Central Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method / Replacement cost method
Investment property	No	N/A	N/A
Intangible assets	Yes	Accrual accounting	Historical cost method / Replacement cost method
Financial assets	Yes	Accrual accounting	Historical cost method/ present value method/fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method / Replacement cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified Accrual accounting	Historical cost method/ Present value method (Provisions are being created for every not recoverable receivable.)
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method/ present value method
Cash and cash equivalents	Yes	Cash accounting	Historical cost method

Table 390: SK - Statement of financial position for the Central Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method/present value method
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

Table 391: SK - Statement of financial performance for the Central Government

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

914. In the public sector, a single and uniform accounting information system does not exist. However, whichever the accounting information system used, it must meet the substantive requirements for bookkeeping which are defined in the Act on Accounting.

Nature of the accounting practices at the different levels of government

915. This section qualifies and compares the accounting practice based on four dimensions:

- ▶ Presentation of general purpose financial statements
- ▶ Time of recording
- ▶ Measurement of assets and liabilities
- ▶ Provision recognition and measurement

Presentation of the general purpose financial statements

916. Table 392 presents the components of the financial statements as required by the act 431/2002.

Table 392: SK - Comparison of the presentation of general purpose financial statements

Financial statement	All subsectors
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Does not apply
Cash flow statement	Does not apply
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies
Cash and receipts statement	Does not apply
Other statement(s)	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

917. In comparison with the IPSAS requirements (IPSAS1) for the presentation of financial statements, some components are missing. Indeed according to Table 392, none of the public entities (central government, local government and social funds) provide a statement of changes in net asset and cash flow statement.

Time of recording

918. Table 393 presents the accounting system prescribed by the act 431/2002.

Table 393: SK - Comparison of the accounting system applied

Financial statement	All subsectors
Statement of financial position (balance sheet)	Modified Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Modified Accrual accounting
Statement of changes in net asset	N/A
Cash flow statement	N/A

919. This section deepens the understanding of the measurement of assets. In particular, Table 394 details the measurement methods of property, plant and equipment.

Table 394: SK – Comparison of the recognition and measurement of property, plant and equipment

Statement		All subsectors
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Applies similar statement
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies

920. According to Table 394, in the method of measurement of plant and equipment, there are two main differences:

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to

produce inventories during that period does not apply whereas it always does with IPSAS principles;

- ▶ Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses does not apply whereas it always does with IPSAS.

Provision recognition and measurement

921. This section details the accounting arrangement for the recognition and measurement of provision.

922. According to Table 395, the statement of measurement and disclosure are those applied by the IPSAS principles except two, marked with (*).

Table 395: SK - Comparison of the recognition and measurement of provision

Statements	All subsectors
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies
Provisions are recognized for net deficits from future operating activities*	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Applies similar statement

Practical issues with the application of IPSAS

923. The Ministry of Finance aims to apply all IPSAS principles in the near future as there is still some differences between the current public sector standards and IPSAS, among which:

- ▶ Cash Flow Statement – contrary to IPSAS, the Slovak public sector accounting standards do not incorporate any regulation regarding the Cash Flow Statement.
- ▶ Budget Information - general government entities have to disclose their actual and planned budget expenses and income in the notes to the general financial statements, as opposed to a separate statement as required by IPSAS 24 Presentation of Budget Information in Financial Statements.
- ▶ Extraordinary activities – unlike IPSAS, the Slovak public sector accounting standards define also “extraordinary activities” and the “result from the extraordinary activities”, which is calculated as the difference between revenues and expenses.
- ▶ Deferred tax - the Slovak public sector accounting standards deal with accounting for the current income tax, but does not prescribe any rules for accounting for the deferred income tax.
- ▶ Long term provisions - the Slovak public sector accounting standards do not contain rules for discounting long term provisions.
- ▶ Fair value valuations model of non-current assets – IPSAS define a valuation model of non-current assets, which is based on the revaluation of non-current assets at the balance sheet date at fair value, decreased by any subsequent accumulated depreciation and impairment losses. The revaluation is posted to equity. This valuation model is not implemented into the Slovak public sector accounting standards.
- ▶ Investment property - the Slovak public sector accounting standards do not define “investment property”.

Consolidation

924. Since 2009, the public sector entities are obliged to prepare consolidated Financial Statements, which are audited in accordance with accounting legislation, at 3 levels:

- ▶ Administrators of state budget chapters, VÚCs (higher territorial unit) and municipalities prepare consolidated financial statements if they established budgetary organizations, contributory organizations or a subsidiary (public sector enterprise) –first level of consolidation.
- ▶ The National Reporting Section of MF SR prepares consolidated financial statements for the central government – second level of consolidation.
- ▶ The National Reporting Section of MF SR prepares summarized financial statements of public sector - whole of government - using consolidation techniques – third level of consolidation.

Scope and description of the consolidation process

Table 396: SK - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability /Recipients
State budget chapters, Ministries and Central institutions (parent)- Subordinated organizations established by the State budget chapters, Budgetary organizations and GBE (subsidiaries) Upper territorial units and Municipalities(parent) - Organizations established by Upper territorial units and organisations established by Municipalities and GBE (subsidiaries)	Control approach	Aggregation of F/S Consolidation of balances, transactions, revenues and expenses between entities are eliminated	Non material controlled entities have not to be consolidated. The subsidiaries which are held for the purpose of disposal and management is actively seeking a buyer have not to be consolidated.	January – confirmation of balances, transactions, revenues and expenses between public sector entities March/April – collection of consolidation packages May – 1 level of consolidation Jun – 2 level of consolidation (central government) August – 3 level of consolidation (whole of government)	Management /general public. From the year 2012 the consolidated FS of central government and the summarized FS for public sector (whole of government) will be delivered to the parliament

Proximity of the consolidation process with IPSAS

Table 397: SK - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Consolidation process
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always applies
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always applies
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always applies
Minority interests in (c) consist of the amount of the minority interests at the date of the original combination	Does not apply
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Does not apply
Minority interests in (c) consist of (d) and (e)	Always applies

925. The consolidation process is in line with IPSAS principles, except for two statements.

The current financial audit framework

926. The Supreme Audit Office of the Republic of Slovakia is only in charge of legal audits. Therefore, only internal financial audits are conducted by the Ministry of finance.

Accounting and auditing reforms

927. There is a project aiming at implementing a uniform state reporting and an accrual accounting system. This project has been initiated by the Ministry of Finance and will impact the central and local governments. The objective is to improve the accounting and reporting system in the public sector in order to obtain a better macroeconomic performance and fiscal transparency of public finances.
928. The MF SR has adopted the accrual-based accounting principles, based on, but not fully compliant with, IPSAS principles.
929. There are many differences between IPSAS and the current Slovak accrual public sector accounting standards but the MF SR intends to amend the accounting legislation gradually and eliminate these differences in the near future.
930. Adopting accrual based accounting in Slovakia has already helped to make uniform the accounting procedures for different types of organizations. The following issues were standardized for all organizations in line with the intended objectives of the project:
- ▶ Accounting for provisions and reserves,
 - ▶ Accounting for costs and revenues in the period in which they are incurred, earned, or economically related to,
 - ▶ Calculation of accounting surplus or deficit based on a comparison of revenues and expenses of the accounting period,
 - ▶ Recording accrued expenses and revenues in a separate accounting group,
 - ▶ Accounting for transfers (cash and in kind) between government units and governmental levels,
 - ▶ Consolidation of public sector entity financial statements.

Acronyms

MF SR: Ministry of Finance of Slovak Republic

F.S.: Financial Statements

VUC: higher territorial unit

3.24 Slovenia

931. This note provides an overview of the accounting and auditing arrangements in Slovenia.

Legal requirements for Accounting and auditing

Central government

932. The central level is composed of the government, ministries and agencies, public (extra budgetary) funds and other public entities.

933. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 398: SI - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central Government Budget (Central Government Direct Budget Users⁶⁸ - Ministries, agencies and other units)	Accounting Law Accounting manual- prepared by Ministry of Finance Accounting rules: Rules on the compilation of annual reports for the budget, budget users and other public entities Rules on the preparation of consolidated statement of financial position of the state and municipalities	Legal and financial audit of the Final account of the Central government budget	Performed by the Court of Auditors annually
Ministries and agencies (Central Government Direct Budget Users)	Accounting Law, Accounting rules (different by government entities)	Other legal, financial, performance compliance and IT audits	Performed by the Court of Auditors occasionally
Public (extra budgetary) funds	Accounting Law, Accounting rules (different by government entities)	Financial audit of the annual report Legal, financial, performance compliance and IT audits	Performed by the private audit firms annually (if they have 30 million of capital) Performed by the Court of Auditors occasionally
Other public entities (including public non-market corporations)	Accounting Law, Accounting rules	Legal, financial, performance compliance and IT audits	Performed by the Court of Auditors occasionally

934. The Central Government applies the Accounting Law and the Accounting Rules.

935. The Accounting Law was enacted by the National Assembly and the last amendment goes back to 1999. It refers to the cash accounting system and to the IMF standards. It is applied in terms of budget and accounting for ministries and public funds.

936. The characteristics of the Accounting Rules are similar to the Accounting Law.

937. The Court of Auditors is in charge of enforcing the Court of Auditors Act and of performing legal, financial, performance compliance and IT audits for all Central Government units, at the end of which

⁶⁸ Central budget users⁷ refers to entities funded by the central budget

an audit report is issued. In this report, the Court of Auditors expresses the remedial actions taken with regard to the disclosed irregularities and inefficiencies noticed and the remedial actions to be taken.

938. A legal and financial audit of the Final account of the Central government budget is done for the Central Government Direct Budget entity (i.e. entities funded by the central budget). This audit is mandatory whereas other legal, financial, performance and IT audits of are done voluntary (occasionally).
939. For the public (extra budgetary) funds an obligatory financial audit of the annual report must be performed by private audit firms (if they have 30 million of capital).

Local government

940. The local government is composed of the municipalities, local communes, public (extra budgetary) funds and other public entities.

Table 399: SI - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities and local communes (Local government Direct budgets Users)	Accounting Law, Accounting rules (different by government entities)	Legal, financial, performance compliance and IT audits	Performed by the Court of Auditors occasionally
Public (extra budgetary) funds	Accounting Law, Accounting rules (different by government entities)	Financial audit of the annual report Legal, financial, performance compliance and IT audits	Performed by the private audit firms each year (if they have 30 million of the capital) Performed by the Court of Auditors occasionally
Other public (including public non-market corporations)	Accounting Law, Accounting rules	Legal, financial, performance compliance and IT audits	Performed by the Court of Auditors occasionally

941. The local government also applies the Accounting Law and the Accounting Rules, like the Central government, which details have been given above. The local government is also subject to the same types of audit than the central government.

Social security funds

942. The Social security funds are composed of the Health Fund and the Pension Fund (both funded by central budget) and of one public corporation (KAD) identified as non-market producer (it follows private sectors rules).

Table 400: SI - Overview of the accounting and auditing arrangements for Social security funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Health Fund and Pension Fund	Accounting Law, Accounting rules (different by government entities)	legal and financial audit of the annual report Other legal, financial, performance compliance and IT audits	Performed by the Court of Auditors each year or occasionally (Legal, financial, performance compliance and IT audits)

943. The Social security Funds apply the same laws and rules than the Central and Local Governments. The details of these laws and rules have been given previously.

Current status of the Republic of Slovenia's accounting arrangements

944. The Slovene Law on Accounting (published in the Government Gazette number 001-22-25/99, on 31 March 1999) outlines the accounting rules for any entity that is using public funds (from State Budget). It does not make a distinction between Central Government and Local Government (municipality) entities⁶⁹.

Statement of financial position and performances

Table 401: SI - Statement of financial position - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Modified Accrual accounting	Historical cost/present value method
Investment property	Yes	Modified Accrual accounting	Historical cost/present value method
Intangible assets	Yes	Modified Accrual accounting	Historical cost/present value method
Financial assets	Yes	Modified Accrual accounting	Historical cost/fair value method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Modified Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Modified Accrual accounting	Historical cost method
Receivables from exchange transactions	Yes	Modified Accrual accounting	Historical cost method
Cash and cash equivalents	Yes	Modified Accrual accounting	Historical cost method

Table 402: SI - Statement of financial position - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Modified accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Modified accrual accounting	Historical cost method
Provisions	N/A	N/A	N/A
Financial liabilities	N/A	N/A	N/A
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

⁶⁹ The difference in accounting arises between entities that are using public funds but are not registered corporations, and those that are normal registered corporations (but owned effectively by Central Government or Local Government).

The entities that are using public funds but which are not registered corporations are following more of a cash based accounting system. The registered corporations that happen to be effectively owned / controlled by Central Government or Local Government need to follow the same accounting rules (Slovenian Accounting Standards, which are similar to IFRS in most cases) as all registered corporations (public or privately owned) need to do.

Table 403: SI - Statement of financial performance

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Modified accrual accounting / Cash accounting
Finance costs (for current and past year)	Yes	Modified accrual accounting / Cash accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Modified accrual accounting / Cash accounting

Bookkeeping system

945. The bookkeeping system used in Slovenia, the MFERAC is a unified computer accounting system for the central government entities and some of municipalities. It is a resource planning system which is recorded daily. Other municipalities, Health and Pension Fund have some other solutions of their own.

The current financial audit framework

946. As mentioned above, in Slovenia, legal and financial audit of the Final account of the Central government budget and Social security funds are conducted annually by the Court of Auditors. The Final Reports of the other General government Units (Municipalities, Public (extra budgetary) funds, Public agencies and Public institutions of the Central and Local governments) are subject to legal, financial, performance compliance and IT audits from the Court of Auditors occasionally.

947. This section presents:
- ▶ The scope of the financial audit
 - ▶ The auditing process
 - ▶ The quality framework

Description of the scope of the financial audit

948. Table 404 below summarizes the scope and nature of the financial audit performed by the Court of Auditors.

Table 404: SI - Description of the scope and nature of the financial audit

Name of controlling entity	Court of Auditors
Scope of the audit	Central government budget Social Security funds
Completeness of the audit	Formally the flows and processes subject to an audit are not part of the EDP inventory reporting - formally the results of the audit do not influence the EDP reporting, but informally can influence EDP/deficit compilation. The completeness is only partial because Court of Auditors cannot audit all General Government Units in time so that the information can be part of the EDP/deficit compilation. Only the Central Government budget and Pension Fund and Health Fund must be audit each year. Other General government Units can not be audit by the Court of Auditors each year.
Reliability of information	The reliability of this information is ensured through an audit. In fact the Court of Auditors audit the annual reports of the users of public funds. Reconciliation between the General Government Units is not necessary for the audit process. However in some cases Court of Auditors compare the annual reports (for example: state budget and public fund).
Frequency	Annually
Visibility	It is legally required to make the audit results available to the entity concerned and to the supervision authority. The audit results can also be communicated to parent entities and to the government but there is not any legal requirement.

The auditing process

949. Table 405 describes the auditing process followed by the Court of Auditors. For the Court of Auditors the implementation of the ISSAI standards is mandatory.

Table 405: SI - Description of the auditing process

Audited entities	All government subsectors
Auditing standards	The audit requirements applied by the Court of Auditors are specified in The Court of Auditors Act (and in the Public Finance Act for Central government budget. ISSAI standards are mandatory.
Selection of the audit flows	The audit flows are selected based on risk assessment
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations)

Audited entities	All government subsectors
Feedbacks	<p>Before the audit report is issued, the auditee shall be invited to a clearance meeting. He/she shall receive a draft audit report to serve as the basis for discussion. At the clearance meeting, the auditee's representative may:</p> <ol style="list-style-type: none"> 1- Challenge individual disclosures in the draft audit report; 2- Present explanations to audit disclosures. <p>Should the Court of Auditors acknowledge that the challenge to an audit disclosure (referred to under Item 1 above) is substantiated; such disclosure shall be excluded from the audit report. The Court of Auditors may carry out some additional audit tests before excluding any disclosure</p> <p>The auditee and the auditee's officer who was responsible in the period covered by the audit may file an objection against any audit disclosure in the proposed audit report.</p>
Tracking system	The user of public funds in whose business operation the irregularities or inefficiencies have been disclosed must submit to the Court of Auditors, except in the case referred to in paragraph (3) of Article 28 of the Court of Auditors Act and a report on the remedial actions taken with regard to the disclosed irregularities and inefficiencies. The response report must be submitted within the time-limit defined by the Court of Auditors in the range between thirty (30) to ninety (90) days and shall commence on the day following the date on which the audit report was delivered to the user of public funds.

Quality framework

950. Table 406 presents the quality framework of the financial audit.

Table 406: SI - Description of the quality framework

Audited entities	All government subsectors
Independence	According to the Constitution of the Republic of Slovenia and to the Court of Auditors Act, the Court of Auditors is an autonomous and independent state authority in relation to other state authorities.
Design	<p>Every year, the CARS must audit:</p> <ol style="list-style-type: none"> 1. The regularity of the implementation of state budget 2. The regularity of business operation of the public institute of health insurance; 3. The regularity of business operation of the public institute of pension insurance; 4. The regularity of business operation of a suitable number of urban and other municipalities; 5. The business operation of a suitable number of public utilities providers; 6- The business operation of a suitable number of providers of non-commercial public services.
Mandate	The CARS is the supreme audit institution for the supervision of state accounts, the state budget and all public spending in the Republic of Slovenia. The CARS can impose corrective actions.
Follow ups	Voluntary follow up of the CARS.
Education and qualification of the auditors	<p>For the CARS auditors is the academic education obligatory.</p> <p>The CARS issues special certificates for the titles of State Auditor and Certified State Auditor. This title is obligatory condition for working as the auditor at the CARS. The State Auditor Certificate may be issued to a person who fulfils the following requirements:</p> <ol style="list-style-type: none"> 1- holds a professional title; 2- has relevant work experience; 3- has gathered sufficient number of points from audit achievements; 4-has passed the examination for the title of State Auditor;
Supervision and evaluation	It is embedded in county laws (Integrity and prevention of corruption Act) and in ISSAI standards.
Independence of the auditor	The President of the Court of Auditors shall order, as appropriate, official supervision of audit assignments.

Nature of the accounting practices at the different levels of government

951. This section qualifies and compares the accounting practice based on four dimensions:

- Presentation of general purpose financial statements

- ▶ Time of recording
- ▶ Measurement of assets and liabilities
- ▶ Provision recognition and measurement

Presentation of the general purpose financial statements

952. Table 407 summarizes the components of the financial statements for all levels of government.

Table 407: SI - Presentation of general purpose financial statements

Financial statements	All levels of government
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	N/A
Cash and receipts statement	Always applies
Other statement(s)	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

953. According to the table, the components of the financial statements comply with IPSAS.

Time of recording

954. Table 408 summarizes the components of the financial statements for all levels of government.

Table 408: SI – Comparison of the accounting system applied

Financial statements	All levels of government
Statement of financial position (balance sheet)	Modified Accrual Accounting
Statement of financial performance (Income statement/profit and loss statement)	Modified Accrual accounting/ Cash Accounting
Statement of changes in net asset	Modified accrual accounting
Cash flow statement	Cash Accounting

955. None of the financial statements are purely accrual based, contrarily to IPSAS, but a modified accrual accounting is generally used. Note that the cash flow statements are realized on a cash accounting basis.

Property, plant and equipment recognition and measurement

956. This section deepens the understanding of the measurement of assets. In particular, Table 409 details and compares the measurement methods for each of the public entities considered.

Table 409: SI – Comparison of the recognition and measurement of property, plant and equipment

Statement	All subsectors of the government
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Statement		All subsectors of the government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies
After initial recognition your entity applies one of the following models:	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies

957. According to Table 409, the method of measurement of plant and equipment differs from IPSAS principles. In particular the differences concern the following statements:

- ▶ The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period;
- ▶ The price of an asset is determined at the fair value at the time of acquisition;
- ▶ Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Provision recognition and measurement

958. This section presents the accounting arrangement for the recognition and measurement of provision.

Table 410: SI – Comparison of the recognition and measurement of provision

Statement	All levels of government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Does not apply
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Applies similar statement
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Does not apply
Provisions are recognized for net deficits from future operating activities*	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Applies similar statement
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Applies similar statement
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Applies similar statement
Your entity discloses for each class of provision unused amounts reversed during the period	Does not apply
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Does not apply
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Does not apply
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Does not apply
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Does not apply

959. In the table above, all statements except two, marked with (*), are in compliance with IPSAS principles.

960. According to Table 410, the measurement and disclosure of provision by the Slovenian general government sectors are not aligned with the IPSAS principles.

Practical issues with the application of IPSAS

961. No answer was provided by the respondents. Further explanations have been requested. However, the reply is still pending.

Accounting and auditing reforms

962. No changes are foreseen and no reform is in progress. The last accounting reform on general government sector units was implemented in 2000 (since then accrual accounting principle has been taken into account for indirect budgetary units). Move from cash to accrual (budget) accounting is not planned.

3.25 Spain

963. This section provides an overview of the accounting and auditing arrangements in Spain

Legal requirements for Accounting and auditing

Central government

964. The Central government is composed of the State, autonomous bodies, public entities, non financial public corporations and non-profit institutions.

965. The table below summarizes the entities belonging to the central government and presents the accounting and auditing arrangements for the central government.

Table 411: ES - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
State (Central Administration that includes Ministries; peripheral Administration and the Administration in the exterior) (Law 6/1997, or 14th April, about the organization of the State).	General Budgetary law Public Accounting General Plan Accounting rules for the State Public Accounting Plan for the State	Nature of the audit: Legal audit Permanent financial control Institution in charge: Internal Audits (IGAE: Intervención General de la Administración del Estado) External Audit Institutions (Court of Auditors)	Annually At the same time of public management
Autonomous Bodies	General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies	Nature of the audit: Legal audit Permanent financial control Financial audits Institution in charge: Internal Audits (IGAE) External Audits Institutions (Court of Auditors)	Annually At the same time of public management
Public Entities (includes Agencies, Consortiums..)	Accounting General Plan General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies	Nature of the audit: Permanent financial control and/or financial audits Official Credit Institute: Private audit firms (that support the IGAE) Institution in charge: Internal Audits External Audits Institutions (Court of Auditors)	Annually
Non financial Public Corporations	Trade Law Accounting General Plan	Nature of the audit Financial audits Performance compliance Institutions in charge: Private audit firms/internal audits External audit Institutions (Court of Auditors and Regional Court of Auditors)	Annually
Non Profit Institutions	Non Profit Entities Law Non Profit Regional Entities Law Non profit entities accounting plan	Nature of the audit Financial audits Performance compliance Institution in charge: Internal Audit External Audits Institutions (Court of Auditors)	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed Auditors)	Frequency
966.	Autonomous Bodies manage the public services (which includes 1 945 entities on the date when this report was written).		
967.	Public Entities manage the production of goods and non-financial services. They represent 1 368 entities on the date when this report was written. They are in all subsectors except social fund subsector.		
968.	Public Corporations manage the production of goods and financial and non-financial services. They represent 2175 entities, on the date when this report was written. Non financial public corporations exist in all subsectors except social funds.		
969.	Non Profit Institutions are in charge of providing goods and services of general interest non-profit. They represent 766 entities, on the date when this report was written. They are under IAS-IFRS standards		
970.	Legal audits are performed in the country by the Court of Auditors and IGAE. The auditor reports at the executive level (manager of the entities) and its superior bodies. The results of the audit are included, for the Central Government and its entities, into an annual report sent to the Ministry Board and made available to the general public.		

State government

971. The state government is composed of the, autonomous communities, autonomous bodies, public entities, non financial public corporations and non profit institutions.

Table 412: ES - Overview of the accounting and auditing arrangements for the State Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Autonomous Bodies	General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies	Nature of the audit: Legal audit Permanent financial control Financial audits Institution in charge: Internal Audits (IGAE) External Audits Institutions (Court of Auditors)	Annually At the same time of public management
Autonomous Communities	Regional Financial Laws Public Regional Accounting Plans	Nature of the audit: Legal audit Permanent financial control Institution in charge: Internal Audits External Audit Institutions (Court of Auditors and Regional Court of Auditors)	Annually At the same time of public management
Public Corporations non financial	Trade Law Accounting General Plan	Nature of the audit Financial audits Performance compliance Institutions in charge: Private audit firms/internal audits External audit Institutions (Court of Auditors and Regional Court of Auditors)	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Non Profit Institutions	Non Profit Entities Law Non Profit Regional Entities Law Non profit entities accounting plan	Nature of audit Financial audits Performance compliance Institution in charge: Internal Audit External Audits Institutions (Court of Auditors and Regional Court of Auditors)	Annually

Local government

972. The Local Government is composed of all the local executive, administrative and legal authorities at a level below that the Autonomous Communities.

Table 413: ES - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local Government	Local Financial Law Public Accounting Plan for Local Bodies ⁷⁰	Nature of the audit: Legal audit Permanent financial control Institution in charge: Internal Audits External Audit Institutions (Court of Auditors and Regional Court of Auditors)	Annually At the same time of public management
Autonomous Bodies	General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies	Nature of the audit: Legal audit Permanent financial control Financial audits Institution in charge: Internal Audits (IGAE) External Audits Institutions (Court of Auditors)	Annually At the same time of public management
Public Entities (includes Agencies, Consortiums..)	Accounting General Plan General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies Regional Financial Laws Public Regional Accounting Plans Local Financial Law Public Accounting Plan For Local Bodies Accounting Plan for Financial Institutions (Official Credit Institute)	Nature of the audit: Permanent financial control and/or financial audits Institution in charge: Internal Audits External Audits Institutions (Court of Auditors and Regional Court of Auditors)	Annually
Public Corporations non financial	Trade Law Accounting General Plan	Nature of the audit Financial audits Performance compliance	Annually

⁷⁰ They have an accrual based accounting system. An accounting and budgetary regulation adapted to IPSAS in being elaborated.

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Non Profit Institutions	Non Profit Entities Law Non Profit Regional Entities Law Non profit entities accounting plan	Institutions in charge: Private audit firms/internal audits External audit Institutions (Court of Auditors and Regional Court of Auditors) Nature of audit Financial audits Performance compliance Institution in charge: Internal Audit External Audits Institutions (Court of Auditors and Regional Court of Auditors)	Annually

Social funds

973. The social funds are composed of autonomous bodies and social security services. They are audited by the Court of Auditors, its regional chambers and IGAE. The audit consists in legal and financial audits.

Table 414: ES - Overview of the accounting and auditing arrangements for the Social funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Autonomous Bodies	General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies	Nature of the audit: Legal audit Permanent financial control Financial audits Institution in charge: Internal Audits (IGAE) External Audits Institutions (Court of Auditors)	Annually At the same time of public management
Social Security services (It includes: Instituto Nacional de la Seguridad Social, Instituto Social de la Marina; Tesorería General de la Seguridad Social, Mutuas, Instituto Nacional de Gestión Sanitaria...)	General Budgetary Law Public Accounting Plan for Social Security Funds	Nature of audit Legal audit Permanent financial control Financial audits Institution in charge: Internal Audits Court of Auditors	Annually At the same time of public management

Public corporations

Table 415: ES - Overview of the accounting and auditing arrangements for the Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public Entities (includes State Agencies, Consortiums...)	Accounting General Plan General Budgetary Law Public Accounting General Plan Accounting Rules for the Autonomous Bodies Regional Financial Laws Public Regional Accounting Plans Local Financial Law Public Accounting Plan For Local Bodies Accounting Plan for Financial Institutions (Official Credit Institute)	Nature of the audit: Permanent financial control and/or financial audits Official Credit Institute: Private audit firms (that support the IGAE) Institution in charge: Internal Audits External Audits Institutions (Court of Auditors and regional court of auditors)	Annually
Non financial Public Corporations	Trade Law Accounting General Plan	Nature of the audit Financial audits Performance compliance Institutions in charge: Private audit firms/internal audits External audit Institutions (Court of Auditors and regional court of auditors)	Annually
Financial Public Corporations	Insurance Entities Accounting Plan Guarantee Societies Accounting Plan Accounting General Plan	Nature of the audit: Legal and financial Institution in charge Private audit firms/internal audit External audit Institutions	Annually

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
		(Central Bank, DG Insurance and pension funds, CNMV and Courts of Auditors)	
Non Profit Institutions	Non Profit Entities Law Non Profit Regional Entities Law Non profit entities accounting plan	Nature of audit Financial audits Performance compliance Institution in charge: Internal Audit External Audits Institutions (Court of Auditors and regional court of auditors)	Annually
Central Bank	Law Bank of Spain	Nature of audit Legal Institution in charge: External Audits Institutions (Court of Auditors and European System of Central Banks)	Annually

Current status of the Spanish accounting arrangements

974. To understand public sector accounting practices, the public sector can be broken down into the following categories:

- ▶ Entities applying the Public Accounting General Plan and accounting rules, including the State, Autonomous bodies, Public entities and Social Security funds.
- ▶ Public Corporations (financial and non financial) following the Accounting General Plan, including Non-Profit Institutions,
- ▶ Autonomous Communities applying the Regional Financial Laws,
- ▶ Local government applying Local Financial Law and Accounting Plan for Local Bodies
- ▶ The Central bank applying the Eurosystem standards

975. Replies from the respondents concerning the three last accounting laws are still pending. Therefore only the first two accounting laws are considered in this section.

Statement of financial position and performances for the State, autonomous bodies, public entities and social security funds

Table 416: ES - Statement of financial position for the State, autonomous bodies, public entities and social security funds - Assets

Accounting caption	Presentation	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	The most frequent measurement method are the cost and the fair value
Investment property	Yes	Accrual accounting	Cost and fair value
Intangible assets	Yes	Accrual accounting	Cost and fair value
Financial assets	Yes	Accrual accounting	Cost, fair value and Present value
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Cost

Accounting caption	Presentation	Time of recording	Measurement
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Cost
Receivables from exchange transactions	Yes	Accrual accounting	Cost and Present value
Cash and cash equivalents	Yes	Accrual accounting	Cost

Table 417: ES - Statement of financial position for the State, autonomous bodies, public entities and social security funds - Liabilities

Accounting caption	Presentation	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Cost
Payable under exchange transactions	Yes	Accrual accounting	Cost and Present value
Provisions	Yes	Accrual accounting	Present value
Financial liabilities	Yes	Accrual accounting	Cost, Fair Value and Present Value

Table 418: ES - Statement of financial performance for the State, autonomous bodies, public entities and social security funds

Accounting caption	Presentation	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Modified accrual accounting / Cash accounting

Statement of financial position and performances for Public corporations

Table 419: ES - Statement of financial position for the Public corporations - Assets

Accounting caption	Presentation	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Cost method
Investment property	Yes	Accrual accounting	Cost method
Intangible assets	Yes	Accrual accounting	Cost method
Financial assets	Yes	Accrual accounting	Fair value
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Cost method
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	Yes	Accrual accounting	Fair value
Cash and cash equivalents	Yes	Accrual accounting	Cost method

Table 420: ES - Statement of financial position for the Public corporations - Liabilities

Accounting caption	Presentation	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Fair Value
Payable under exchange transactions	Yes	Accrual accounting	Fair Value
Provisions	Yes	Accrual accounting	Present Value
Financial liabilities	Yes	Accrual accounting	Fair Value

Table 421: ES - Financial performance for the Public corporations

Accounting caption	Presentation	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance costs (for current and past year)	Yes	Accrual accounting
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

976. For the Autonomous Bodies in the Central Government subsector and the State, the name of the bookkeeping system is SIC (a system owned by IGAE). The entry of the information is a Dual system (completely integrated), the financial accountancy is by double entry and the budgetary accountancy is by single entry.
977. For public corporations and non-profit entities: They apply SAP, the system is by double entry. It is recorded on line. There are some entries that are recorded annual and the transaction system is Excel.

Consolidation

978. Nowadays, in the State level, consolidated financial Statements are being elaborated but they aren't adapted to IPSAS yet.
979. The scope for consolidation includes all the state level.
980. Consolidation rules based on IPSAS are being regulated. They will be applied in a near future

The current financial audit framework

981. In Spain the court of auditors and IGAE conduct financial audit for all subsectors.
982. This section presents:

- ▶ The nature of the audit performed in each sector described in the first part of this report
- ▶ The auditing process
- ▶ The quality framework

Description of the nature of the audit performed

983. Table 422 below summarizes the scope and nature of the financial audit performed by the auditors in each type of entity.

Table 422: ES - Description of the scope and nature of the financial audit

Type of Entity	Nature of audit	Institution in charge	Enforcement mechanisms	Source of funding for the audit
Government units	Control function (ex-ante-legal) and permanent financial control	Internal audits (IGAE)/External audit institutions (Court of Auditors/Regional Court of Auditors)	Penalties: administrative, accountant and penal	Internal control body/External control body
Autonomous Bodies	Control function (ex-ante-legal)/Permanent financial control and financial audits.	Internal audits/External audit institutions (Court of Auditors/ Regional Court of Auditors/IGAE)	Penalties: administrative, accountant and penal	Internal control body/External control body
Public Entities	Permanent financial control and/or financial audits Private audit firms (Official Credit Institute)	Internal audits/ External audit institutions (court of auditors/Regional Court of Auditors/IGAE)	Penalties: administrative, accountant and penal	Internal control body/External control body
Public Corporations	Legal and financial	Private audit firms/internal audit External audit institutions (Court of Auditors/Regional Court of Auditors) For financial: Central Bank, DG Insurance and pension funds, CNMV and Courts or Auditors)	Penalties: administrative, accountant and penal	Public entities/Internal control body/External control body For financial public corporations: financial public corporation/external control body.
Public Corporations	Financial audits Performance compliance	Private audit firms/internal audit External audit institutions (Court of Auditors/Regional Court of Auditors)	Penalties: administrative, accountant and penal	Public entities/Internal control body/External control body
Non Profit Institutions	Financial audits and performance compliance	Internal audits/external audit institutions (court of auditors/Regional Court of Auditors)	Penalties: administrative, accountant and penal	Internal control body/External control body
Social Security Funds	Control function (ex-ante-legal)/permanent financial control/financial audits	Internal audits/External audit institutions (Court of Auditors)	Penalties: administrative, accountant and penal	Internal control body/External control body
Central Bank	Legal	External audit institutions (Court of Auditors and European System of Central Bank)	Penalties: administrative, accountant and penal	External audit institutions

Table 423: ES - Description of the scope and nature of the financial audit performed by IGAE

Auditing entities	IGAE
Scope of the audit	Central government and social funds
Completeness of the	Information of Annual Accounts used for EDP deficit is always audited. The audit approach verifies the

Auditing entities	IGAE
audit	completeness of the information.
Reliability of information	The reliability is ensured by ex-ante and legal control (Audit Office) but also by audit performed by Court of Auditors and Private auditors.
Frequency	IGAE performs annual financial audits.

The auditing process

Table 424 describes the auditing process followed by the court of auditors. On a voluntary basis the court of auditors seeks to be as close as possible to the ISA standards of auditing.

Table 424: ES - Description of the auditing process

Audited entities	The State and Social funds
Auditing standards	The Auditing standards public sector and for Information Technology (IT) the ISO IEC 27002 Standard Information Technology Security.
Selection of the audit flows	The basis for calculation and the methodology used are, risk assessment on special areas and use of a threshold based on figures of expenditure and assets.
Assertions covered	Existence and occurrence Completeness Accuracy and validation Rights and obligations Presentation and disclosure Lawfulness/rightfulness (compliance with laws and regulations).
Feedbacks	The process of getting feedback from draft to final report is as followed: There is a regulated period for getting feed-back from the auditee to the auditor about findings and recommendations. Also, there is a continuous monitoring between entity-auditor
Tracking system	The auditor monitors the follow up on the findings and recommendations and obtains evidence. This evidence is part of the working papers and it's included into all process (including IT applications use in the audit process)

Quality framework

Table 425 presents the quality framework of the financial audit. Note than in Spain there is a specific training to become a public auditor (as civil servants). It is called Cuerpo Superior de Interventores y Auditores del Estado.

Table 425: ES - Description of the quality framework

Audited entities	The State and Social funds
Independence	Independence is guaranteed through an internal review made by the IGAE and an external review by the Tribunal de Cuentas. Even more, the most important results are published and presented to the General Courts.
Design	A quality review takes place each step of the auditing process. The parquet follows all the steps of the auditing process. This review is

Audited entities	The State and Social funds integral (all aspects) and yearly.
Mandate	Until now, there were not specific mechanisms to impose corrective actions or penalties to the auditee. Nevertheless, these mechanisms are being regulated in the Transparency Law, who has been created by the Government and soon will come into force soon.
Follow ups	The supervision is: By follow up-review and by the supervision authority.
Education and qualification of the auditors	The auditors in Spain who works for the IGAE and the Tribunal de Cuentas, are people who have as educational background a bachelor's or master's degree. Additionally they have to study a specific programme and they have to pass some exams for becoming a public auditor (they are civil servants) While there are two population of auditors both have with a high level of education in accounting: After they pass all the exams, they have a special course (for 1 year) that is mandatory for working as "interventor" When the auditors are not for the Public Administration, they have to be in the Official Register of Auditors (ROAC)
Independence of the auditor	The independence is insured by law.
Supervision and evaluation	An internal review is applied Regulatory requirements regarding supervision are embedded Disciplinary power is applicable.

Nature of the accounting practices among the differing subsector

984. This section compares the identified accounting practices taking IPSAS as a benchmark.

Presentation of the general purpose financial statements

Table 426: ES - Comparison of the presentation of general purpose financial statements

Financial statements	The financial statements presented by the entities following the public accounting general plan and accounting rules	Public corporations
Statement of financial position (balance sheet)	Always applies	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies	Always applies
Statement of changes in net asset	Always applies	Does not apply
Cash flow statement	Always applies	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies	Always applies
Cash and receipts statement	Does not apply	Does not apply
Other statement(s)	Does not apply	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies

Time of recording

985. Table 427 compares the components of the financial statements for the differing subsectors.

Table 427: ES - Comparison of the accounting system applied

Financial statements	Entities following Public accounting general plan and accounting rules	Public corporations
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting
Statement of changes in net asset	Accrual accounting	N/A
Cash flow statement	Cash accounting	Accrual accounting

Measurement of assets and liabilities: Property plant & equipment measurement and recognition

986. This section seeks to deeper the understanding of the measurement of assets. In particular, Table 428 details and compares the measurement methods for each of the public entities considered.

Table 428: ES - Comparison of the recognition and measurement of property, plant and equipment

Statement		Entities following Public accounting general plan and accounting rules	Public corporations
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Applies sometimes	Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Does not apply
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Does not apply
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies	Does not apply
	The price of an asset is determined at the fair value at the time of acquisition.	Applies sometimes	Does not apply
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	N/A	N/A
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies

Statement	Entities following Public accounting general plan and accounting rules	Public corporations
The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Does not apply

987. According to Table 428, there are several differences between the public entities in the measurement of PPE.

Provision measurement and recognition

This section compares the accounting arrangement for the measurement and recognition of provision. IPSAS are used as a reference. The comparison highlights the measurement method and the disclosure requirements. In the table below, all statements except two, marked with (*), are in conformity with IPSAS principles.

Table 429: ES - Comparison of the recognition and measurement of provision

Statements	Entities following Public accounting general plan and accounting rules	Public corporations
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Does not apply	Always applies
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Does not apply
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies
Provisions are recognized for net deficits from future operating activities*	N/A	Does not apply
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	N/A	Does not apply
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	N/A	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies	Always sometimes
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always sometimes
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always sometimes

Statements	Entities following Public accounting general plan and accounting rules	Public corporations
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies	Always sometimes

988. The IPSAS provision measurement principles are well followed.

Heterogeneity of the accounting arrangements

989. Since 1/01/2011, for the State, Autonomous Bodies and Social Security Funds, due to the Order EHA/1037/2010, of the 13 of April (Plan General de Contabilidad Pública - PGCP) and the Order EHA/3067/2011, of the 8 of November (Instrucción de contabilidad para la Administración General del Estado), accrual accounting is applied in all these entities referred in the the Central Government Subsector and Social Security Subsector.

990. The Intervención General de la Administración del Estado (IGAE) is in charge of accounting in the General Administration of the State, depending on the Secretary of State of Budget, Ministry of Finance and Public Administration.

Practical issues with the application of IPSAS

991. Since January 2011, the State Public Accounting regulations to Public accounting general plan on accounting rules was adapted for the State, autonomous communities and local government. Social funds are also based on this accounting general plan. The rules that support this implementation are:

- ▶ General Budgetary Law (Ley 47/2003, de 26 de noviembre, General Presupuestaria)
- ▶ General Public Accounting Plan (Orden EHA/1037/2010, de 13 de abril, Plan General de Contabilidad Pública (last modification by Orden EHA/3068/2011))

Accounting and auditing reforms

992. At this moment, and as per the Ministry of Finance and the IGAE, the Spanish Administration is working on adapting public consolidation regulation to IPSAS principles.

993. All the ministries are involved in this reform. The nature and the scope of the reform is the budget and financial accounting. The debt crisis is the reason for implementing a new accounting system.

Acronyms

ADIF: Administrador de Infraestructuras Ferroviarias

IGAE: Intervención General de la Administración del Estado

3.26 Sweden

994. This note provides an overview of the accounting and auditing arrangements in Sweden.

Legal requirements for Accounting and auditing

Central government

995. The central government is composed of 239 state authorities and 12 other central governmental entities consisting of separate legal entities (3 limited companies and 9 foundations)⁷¹.

996. The Central government authorities are consolidated. This consolidation of the state is not used in national accounts reporting.

Table 430: SE - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central government authorities (239 authorities under Government (including the Swedish Pension Agency) and 3 authorities under Parliament)	Ordinance concerning the annual report and budget Book-keeping ordinance	Definition of the role of the Swedish National Audit Office: Constitution: Financial audit (including that much legal, IT and compliance audit needed for submitting an audit opinion) Performance audit	Annually
Other central government entities, 9 foundations and 3 limited companies.	Book-keeping act Annual accounts act Companies act Foundations act	Financial audit – by an external statutory auditor, according to the Companies act and the Foundations act. The Swedish National Audit Office has the right to appoint an auditor for these entities	Annually

997. Note that topics not regulated in ordinances usually refer to private sector accounting standards.

Local government

998. The local government is composed of 290 Municipalities, 189 Municipal Associations and 21 County Councils. Companies owned by the Municipalities and County Councils are not included in this overview for the same reasons as for most of the state owned companies. The accounting and audit arrangements for these companies are similar to those of “Other central government entities”.

Table 431: SE - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Municipalities	Municipal and County Accounting Act	Financial audit – Auditors are appointed by the municipal or county council. By law the auditors are required to use expert advisors, either through employees or by external consultants.	Annually
Municipal Associations	Municipal and County Accounting Act	Financial audit – Auditors are appointed by the municipal or county council. By law the auditors are required to use expert advisors, either through employees or by external consultants.	Annually
County Councils	Municipal and County Accounting Act	Financial audit – Auditors are appointed by the municipal or county council. By law the auditors are required to use expert advisors, either through employees or by external consultants.	Annually

⁷¹ The definition of the central government is based on the definition in the national accounts (ESA 95), with an exception for the Swedish Pension Agency. In the National Accounts, the Swedish Pension Agency is regarded as a part of the social security funds. But, since the same accounting and auditing arrangements are established for all state authorities, in this review, the Swedish Pension Agency is classified as a central government.

999. Municipalities and County Councils are not required to prepare a consolidation if the total turnover, or the total assets from controlled entities, are valued at less than 5 % of the municipality or County Council's total turnover.
1000. Single entities, with a turnover of less than 2 % of the municipality's turnover may be excluded from the consolidation. However, the excluded entities' total turnover must not exceed 5 % of total. In all of these cases the proportional consolidation method is used. The accounting policies of controlled entities may, in some areas, differ from those of the municipality (IFRS for example). In the consolidation, accounting policies for the municipality should be used.
1001. These consolidations of municipalities and county councils are not used in the national accounts reporting.

Social security funds

1002. The Swedish National Pension Insurance Funds are part of the Swedish income pension system. The Funds' brief is to support the stability of the national pension system by managing fund capital with the aim of generating the best possible return over time. As the business of the funds is asset management, a comparison to IPSAS is irrelevant. A more relevant comparison would be between the funds' current accounting principles and IFRS.

Table 432: SE - Overview of the accounting and auditing arrangements for Social security funds

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
The Swedish National Pension Insurance Funds – there are 6 of them..	The Swedish National Pension Insurance Funds act Sixth AP Fund Act	Financial audit – by an external statutory auditor, according to the The Swedish National Pension Insurance Funds act.	Annually

Current status of Sweden's accounting arrangements

1003. In order to understand the public sector accounting practices, the public sector has been broken down into four broad categories:

- ▶ Central government authorities;
- ▶ Other central government entities;
- ▶ Local government (Municipalities, Municipal Associations and County Councils);
- ▶ Social security funds.

Statement of financial position and performances of the Central government authorities

Table 433: SE - Statement of financial position for the Central Government authorities - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method, Fair value
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method, Fair value
Inventories	Yes	Accrual accounting	Historical cost method, Fair value
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method, Fair value
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method, Fair value
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method, Fair value

Table 434: SE - Statement of financial position for the Central Government authorities - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method (present value in a few major cases)
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	N/A	N/A	N/A

1004. Current assets are to be disclosed at the lower end of their acquisition value and their actual value at the balance sheet date.

1005. The equity method shall be applied for the valuation of shares and participation rights in associated companies and subsidiary companies. IPSAS principles are applied in a simplified manner.

Table 435: SE - Statement of financial performance for the Central Government authorities

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N.A	N.A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

*Statements of financial position and performance of other central government entities***Table 436: SE – Statement of financial position for the other Central Government entities - Assets**

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	Yes	Accrual accounting	Historical cost method
Inventories	Yes	Accrual accounting	Historical cost method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method, Fair value
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method, Fair value
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method, Fair value

Table 437: SE - Statement of financial position for the other Central Government entities - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting	Historical cost method, Present value
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

1006. These entities are allowed to report in accordance with IFRS. Current assets are to be reported at the lower of their acquisition value and their actual value at the balance sheet date. Assets may be “written-up” under special circumstances.

Table 438: SE - Statement of financial performance for the other Central Government entities

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting	Historical cost method
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Statements of financial position and performance of the Local government

Table 439: SE - Statement of financial position for the Local Government - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method
Financial assets	Yes	Accrual accounting	Historical cost method
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	Yes	Accrual accounting	Historical cost method, Fair value
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Historical cost method, Fair value
Receivables from exchange transactions	Yes	Accrual accounting	Historical cost method, Fair value
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method, Fair value

Table 440: SE - Statement of financial position for the Local Government - Liabilities

Accounting caption	Presented	Time of recording	Measurement
Taxes and transfers payable	Yes	Accrual accounting	Historical cost method
Payable under exchange transactions	Yes	Accrual accounting	Historical cost method
Provisions	Yes	Accrual accounting, see below	Historical cost method, Present value
Financial liabilities	Yes	Accrual accounting	Historical cost method
Minority interests, presented in net assets/equity	N/A	N/A	N/A
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Historical cost method

1007. Current assets are to be reported at the lowest of their acquisition value (cost) and their actual value (fair value) at the balance sheet date.

1008. Pensions earned before 1998 should not be recognized as a provision in the statement of financial position. They should, instead, be treated as off-balance sheet transactions according to the Municipal and County Accounting Act. However, some Swedish municipalities recognize all pensions in the statement of financial position, including the ones earned before 1998. This is called a model of full foundation and is not in accordance with the accounting policies for municipalities but has, even so, been accepted by the Swedish Administrative courts.

Table 441: SE - Statement of financial performance for the Local Government

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Historical cost method
Finance costs (for current and past year)	Yes	Accrual accounting	Historical cost method
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Historical cost method

Statements of financial position and performance of Social security funds

Table 442: SE - Statement of financial position for the Social Security funds - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	N/A	N/A	N/A
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Accrual accounting	Fair value
Investments recognized using the equity method	N/A	N/A	N/A
Inventories	N/A	N/A	N/A
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Accrual accounting	Fair value

Table 443: SE - Statement of financial position for the Social Security funds - Assets

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	N/A	N/A	N/A
Investment property	N/A	N/A	N/A
Intangible assets	N/A	N/A	N/A
Financial assets	Yes	Accrual accounting	Fair value
Investments recognized using the equity method	N/A	N/A	N/A

Inventories	N/A	N/A	N/A
Recoverable from non-exchange transactions (taxes and transfers)	N/A	N/A	N/A
Receivables from exchange transactions	N/A	N/A	N/A
Cash and cash equivalents	Yes	Accrual accounting	Fair value

1009. The Funds' accounting and valuation policies are being successively adapted into compliance with IFRS. As IFRS is undergoing extensive revision, so during 2011 the compliance issue focused on the disclosure requirements under IFRS 7. Complete compliance with IFRS would not materially affect reported earnings or capital. The following major discrepancies between applied practices and the current IFRS have been identified:

- ▶ The Funds do not value financial instruments by the use of purchase or sale prices, but do, instead, use the market prices applied in each designated index (often average prices);
- ▶ Transaction costs, such as brokers' commissions, are recognised as part of the financial instruments' purchase cost and are recognised at fair value through the profit/loss;
- ▶ No consolidated financial statements and cash flow statements are prepared.

Table 444: SE - Statement of financial performance for the Social Security funds

Accounting caption	Presented	Time of recording	Measurement
Revenue (for current and past year)	Yes	Accrual accounting	Fair value
Finance costs (for current and past year)	Yes	Accrual accounting	Fair value
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	N/A	N/A	N/A
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	N/A	N/A	N/A
Surplus or deficit (for current and past year)	Yes	Accrual accounting	Fair value

The current financial audit framework

1010. This section presents:

- ▶ The scope of the financial audit
- ▶ The auditing process
- ▶ The quality framework

Scope and nature of the financial audit

1011. Table 445 below summarizes the scope and nature of the financial audit.

Table 445: SE - Description of the scope and nature of the financial audit

Name of controlling entity	Swedish National Audit Office (Supreme Audit Institution)	Auditors appointed by the municipal or county council for each Municipality Municipal association and County Council ⁷²	Private audit firms
Scope of the audit	Central government authorities, including the Swedish Pension Agency.	Municipalities, Municipal Associations and County Councils	Other central government entities and the Swedish National Pension Insurance Funds
Completeness of the audit	Full scope audit according to international auditing standards (ISSAI). The information that should be part of the EDP/deficit compilation is not part of the audit approach. But the information the national statistics use for EDP/deficit compilation is audited.		
Reliability of information	The reliability of this information is ensured through an audit		
Frequency	Audit opinion submitted March 22 at latest each year for each entity. Audit certificate submitted 5 September for major authorities	Timetables including deadlines are normally decided by the municipal or county council. Annual report must be delivered to the council to 15 of April, ruled by law (Local government Act) Decision on the matter of discharge from liability at the latest 31 of June, ruled by law (Local government Act) Audit report is to be presented in between these dates	According to Companies act the auditor's report should be sent to the board latest three weeks before the annual general meeting. The annual report should be registered and published latest seven months after year end.
Visibility	All audit opinions, reports and memos are made public. In general these reports lead to internal action and follow up by the audited entity. Material findings lead to action by the government.	All audit opinions, reports and memos are made public.	Audit opinion made public.

The auditing process

1012. Table 446 below describes the auditing process. Please note that the auditors tries to follow ISA' standards of auditing as closely as possible.

Table 446: SE - Description of the auditing process

Audited entities	Central government authorities	Municipalities, Municipal Associations and County Councils	Other central government entities and the Swedish National Pension Insurance Funds
Auditing standards	The Swedish National Audit Office seeks to be as close as possible to the ISA standards of auditing.	The structure and scope of the audit is decided by the auditors appointed by the Municipal council. The audit shall be performed in accordance with good auditing practise in Sweden. Recommendations and guidelines are published by SKYREV (Swedish Association of Professional Local Government Auditors) and SKL (Swedish Association of Local Authorities and Regions). Guidelines from SKYREV strive for that the financial audit shall be performed in accordance with ISA standards.	The auditors seek to be as close as possible to the ISA standards of auditing (see below).

⁷² By law the auditors are required to use expert advisors, either through employees or by external consultants.

Audited entities	Central government authorities	Municipalities, Municipal Associations and County Councils	Other central government entities and the Swedish National Pension Insurance Funds
Selection of the audit flows	The audit law for the Swedish National Audit Office requires audits to be performed according to generally accepted auditing standards. Materiality and relative risk. Based on professional judgement. Threshold based on quality of internal control and calculated on total income/costs	Auditors appointed by the municipal council should base the annual audit on an analysis of risk and materiality. Based on professional judgement. Thresholds are normally based on the total turnover (or turnover from income taxes and state transfers).	Based on professional judgement. Thresholds and materiality are normally based on the total turnover, total assets or earnings before taxes.
Assertions covered	<ul style="list-style-type: none"> a) Existence and occurrence b) Completeness c) Accuracy and valuation d) Rights and obligations e) Presentation and disclosure f) Lawfulness/ rightfulness (compliance with laws and regulations) 		
Feedbacks	Management response to the auditor on audit reports. When qualified auditor's opinion. First Management response (action plan) in a month to government then yearly description of actions taken from government to parliament	By the municipal or county council and committees	Action by government as the owner when qualified auditor's opinion. Action by supervision authority when qualified auditor's opinion. From board of directors or financial department depending on the findings and/or recommendations.
Tracking system	From draft to final report amendments changes are sometimes made to the content (findings and/or recommendations). The follow up of findings and implementation are often monitored.		

1013. Since 2005, the modified ISA's, translated and adapted to Swedish circumstances, with additional national requirements, is applied for all audit engagements, regardless of the size of the client. The national additional regulations concern the board of directors' and management's administration, rules for protection of the Company's equity and specific tasks with reference to tax and criminal law.

Quality framework

1014. Table 447 presents the quality framework of the financial audit.

Table 447: SE - Description of the quality framework

Audited entities	Central government authorities	Municipalities, Municipal Associations and County Councils	Other central government entities and the Swedish National Pension Insurance Funds
Independence	Peer-review by other Supreme Audit Institution (SAI)	Peer-review by other Supreme Audit Institution (SAI)	No external review.
Design	The Swedish National Audit Office (SNAO) decides what to be reviewed in the peer-review	Not applicable	The Supervisory Board of Public Accountants is responsible for quality reviews of the auditors and auditor firms. For auditors in none listed companies at least each 6th year. Quality reviews in accordance with ISQC 1. Quality reviews of samples of authorized and approved public accountants.

Audited entities	Central government authorities	Municipalities, Municipal Associations and County Councils	Other central government entities and the Swedish National Pension Insurance Funds
Mandate	An external review is voluntary, for example peer-review	Not applicable	The Supervisory Board of Public Accountants can open a disciplinary investigation.
Follow ups	No formal follow up.	Not acquired by law.	By the Supervisory Board of Public Accountants.
Education and qualification of the auditors	Academic degree is required. There is a study program for becoming an auditor in charge. In order to be an auditor in charge, the candidate has to pass an examination of professional competence; these examinations are arranged by the Supervisory Board of Public Accountants. The purpose of the examinations is to make sure that the accountant has sufficient theoretical knowledge to perform a statutory audit, and the ability to use this knowledge in practice. In order to be admitted the examinations, the candidate must have passed theoretical as well as practical education. Internal accreditation. Continuing education is required.	No qualification needed by the auditors appointed by the Municipal council. The expert advisors should have the insights and experience of Municipal operations that is required (not specified in law). There is an organisation of expert advisors to municipalities and county councils (SKYREV) that certifies auditors on optional basis.	Academic degree is required. There is a study program for becoming a public auditor. In order to be approved and possibly authorized as public accountant, the candidate has to pass an examination of professional competence as approved public accountant or as authorized public accountant; these examinations are arranged by the Board. The purpose of the examinations is to make sure that the accountant has sufficient theoretical knowledge to perform a statutory audit, and the ability to use this knowledge in practice. In order to be admitted the examinations, the candidate must have passed theoretical as well as practical education. When the candidate has passed the examination, he or she may apply for accountant approval. The accreditation must be renewed for 5 year periods. Continuing education is required.
Supervision and evaluation	Internal quality control. . A sample of audits is picked for review each year.	There is no independence review of the auditors.	Disciplinary reminder, warning or retraction of the authorisation by the Supervisory Board of Public Accountants.
Independence of the auditor	The independence is insured by law. Each member of the audit team has to sign a declaration of independence. Consultancy activities are not allowed.	Auditors appointed by the Municipal council are not allowed to be elected to the council, committees or companies for the same period they are elected as auditors.	The independence is insured by law. Each member of the audit team has to sign a declaration of independence.

Bookkeeping system

1015. The bookkeeping system for all entities in the public sector supports accrual accounting.

Nature of the accounting practices at the different levels of government

1016. This section compares the identified accounting practices and evaluates their similarity with IPSAS.

Presentation of the general purpose financial statements

1017. Table 448 compares the components of the financial statement for the central government authorities, other central government entities, the local government as well as social security funds.

Table 448: SE - Comparison of the presentation of general purpose financial statements

Financial statement	Central government authorities	Other central government entities	Local government	Social security funds
Statement of financial position (balance sheet)	Always applies	Always applies	Always applies	Always applies
Statement of financial performance	Always applies	Always applies	Always applies	Always applies

Financial statement	Central government authorities	Other central government entities	Local government	Social security funds
(Income statement/profit and loss statement)				
Statement of changes in net asset	Does not apply.	Does not apply	Does not apply	Does not apply
Cash flow statement	Always applies, is mandatory for authorities with total assets and costs exceeding 1 000 million SEK (approx 60 authorities)	Always applies, mandatory for larger entities	Always applies	Does not apply
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies, in the appropriation report	Does not apply	Always applies	Does not apply
Cash and receipts statement	Does not apply	Does not apply	Does not apply	Does not apply
Other statement(s)	Always applies, see below	Does not apply	Does not apply	Does not apply
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies	Always applies	Always applies	Always applies

1018. When compared with the IPSAS requirements (IPSAS1) for the presentation of financial statements, some components are missing. Indeed, according to Table 448, none of the public entities provide a statement of changes in net asset. This statement is deemed as irrelevant but the central government authorities present extensive note information regarding this.

1019. Other statements: Appropriation report by all state authorities. Accounts for the Swedish pension system and Accounts for the Premium Pension by the Swedish Pension Agency. In the appropriation report the agency shall report on the outcome of the appropriations that the agency has at its disposal and the income headings that the agency shall report on in accordance with the breakdown made in the Government approval document. The outcome shall be compared with the amount allocated or delegated per appropriation or appropriation item and with the estimated amount for each income heading. An analysis shall be made of discrepancies.

Time of recording

1020. Table 449 compares the components of the financial statements for the central government authorities, other central government entities, the local government as well as social security funds.

Table 449: SE - Comparison of the accounting system applied

Financial statement	Central government authorities	Other central government entities	Local government	Social security funds
Statement of financial position (balance sheet)	Accrual accounting	Accrual accounting	Accrual accounting	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting	Accrual accounting	Accrual accounting	Accrual accounting
Statement of changes in net asset	N/A	N/A	N/A	N/A
Cash flow statement	Accrual accounting	Accrual accounting	Accrual accounting	N/A

1021. For each of the financial statement's components, the accounting system is built on an accrual basis.

Measurement of assets and liabilities: Property plant & equipment recognition and measurement

1022. This section deepens the understanding of measurement of assets. Table 450, in particular, details and compares the measurement methods for each of the public entities considered.

Table 450: SE - Comparison of the recognition and measurement of property, plant and equipment

Statement		Central government authorities	Other central government entities	Local Government	Social security funds
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies	Always applies	Always applies	N/A
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies	Always applies	Always applies	N/A
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies	Always applies	Always applies	N/A
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies	Always applies	Always applies	N/A
	The price of an asset is determined at the fair value at the time of acquisition.	Applies similar statement. When acquired at a price much lower than the market price.	Does not apply	Does not apply	N/A
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Always applies	Always applies	Always applies	N/A
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Does not apply	Does not apply	Does not apply	N/A
Depreciation	Depreciation is charged systematically over the useful life	Always applies	Always applies	Always applies	N/A
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies	Always applies	Always applies	N/A

1023. According to Table 450, the method of measurement of plant and equipment is very similar in each public entity and in accordance with IPSAS' recommendation.

Provision recognition and measurement

1024. This section compares the accounting arrangement for the recognition and measurement of provision. IPSAS (IPSAS 19) is used as a reference. The comparison highlights the measurement method and the disclosure requirements.

Table 451: SE - Comparison of the recognition and measurement of provision

Statement	Central government authorities	Other central government entities	Local Government	Social security funds
Financial guarantees to bank and corporate entities are recognized as contingent liabilities	Always applies	Always applies	Always applies	N/A
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Always applies	Always applies	Always applies	N/A
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies	Always applies	Always applies	N/A
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies	Always applies	Always applies	N/A
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies	Always applies	Always applies	N/A
Provisions are recognized for net deficits from future operating activities	Does not apply	Does not apply	Does not apply	N/A
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies	Always applies	Always applies	N/A
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies	Always applies	Always applies	N/A

Statement	Central government authorities	Other central government entities	Local Government	Social security funds
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies.	Always applies	Always applies	N/A

1025. According to Table 451, both the measurement and the disclosure are similar across the differing subsectors of government.

1026. Furthermore, while IPSAS' provision measurement principles are well followed, the information disclosed is limited when compared to IPSAS' recommendations.

The issues with the application of IPSAS

1027. As mentioned above, for the central government authorities the application of IPSAS is an issue. Indeed, the Swedish accounting system is an accrual based accounting system. On a basic level, there are great similarities between the state's accounting principles and IPSAS' definitions and principles. The main difference is found in the demand for supplementary information. IPSAS demands much more supplementary information (note disclosures), and in far greater detail. According to the assessment of the Financial Management Authority, a transition to IPSAS would be very time consuming and costly.

1028. A full application of IPSAS has not been deemed necessary for Swedish purposes.

1029. The respondents pointed out also that the IPSAS do not cover key accounting topics for the government. The IPSAS do not provide sufficient (if any) guidance on the following topics:

- ▶ Recognition of the historical heritage. There is no IPSAS on the recognition of monuments and works of art. While this might not be an issue for "young countries", for Europe, which has a lot of important historical real estate, this is an important issue.
- ▶ Liabilities related to social services. This item is not addressed by IPSAS. This is viewed as a major drawback as many governmental activities fall under that category.
- ▶ Tax revenue. There is no IPSAS regarding the recording of tax revenue on an accrual basis.
- ▶ Consolidation. While IPSAS 6 deals with governments, this IPSA is hardly applicable to the government sector. No guidance is provided for the definition of the controlling entity and/or controlled entities from a government perspective.

Accounting and auditing reforms

1030. Fine-tuning of the accounting and auditing principles is an ever ongoing process, but at present no major accounting or audit reforms are being considered for the central government authorities, the municipalities, the municipal associations, the county councils or the social security funds.

1031. For other central government entities, who as yet have not adopted IFRS, a change of accounting principles might be in the pipeline. New accounting policies for larger non-listed companies will be introduced (K3) and they are designed in accordance with IFRS SME. The K3 project has been delayed but will soon come into play.

3.27 United Kingdom

1032. This section provides an overview of the accounting and auditing arrangements in the UK.

Legal requirements for accounting and auditing

Central government

Table 452: UK - Overview of the accounting and auditing arrangements for the Central Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Central government	Government accounting rules	Financial, value for money and governance audits.	Annually

1033. The Government Accounting Rules were enacted in 2000 at a national level. These rules focus on accounting and budgeting. They refer to the IFRS, adapted as necessary for the public sector.

1034. The institution in charge of enforcing these rules is the National Audit Office which is funded by the parliament. It has to be noted that the NAO is independent from the government and reports to Parliament. At the end of the audit, the Controller and Auditor General state whether, in their opinion, the financial statements give a “true and fair” view of the financial position of the entity, the financial statements have been properly prepared in accordance with underpinning legislation, all material respects the transactions recorded in the financial statements in accordance with Parliamentary or other authority (regularity), and information given in the Management Commentary/Annual Report is consistent with the financial statements, the audited part of the Remuneration.

Local government

Table 453: UK - Overview of the accounting and auditing arrangements for the Local Government

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Local government	Local government accounting rules	Financial, value for money and review other information published with the financial statements including statement on internal control, governance statement and remuneration report. Similar to above.	Annually

1035. The Local Government Accounting Rules were enacted in 2000 at a national level. These rules focus on accounting and budgeting. They are also based on the IFRS, adapted as necessary for the public sector.

1036. The institution in charge of enforcing these rules is the Audit Commission. At the end of the audit, the audit report gives its opinion on the financial statements and its conclusion as to whether it has the proper arrangements in place to secure value for money, and reviews other information.

Public corporations

Table 454: UK - Overview of the accounting and auditing arrangements for Public corporations

Name of the public entity	Accounting laws/ standards	Types of audit performed	Frequency
Public corporations	Generally accepted accounting principles	Audit report Opinion on the financial statements as well as other requirements in line with the private sector audit.	Annually

1037. The Generally Accepted Accounting Practices were enacted in 2000 at a national level. These practices focus on accounting and refer to IFRS. Private sector auditors are in charge of enforcing these principles. At the end of their mission, an audit report is produced. It gives their opinion on the financial statements and their conclusion as to whether it has the proper arrangements in place to secure value for money, and reviews other information.

Current status of the UK accounting arrangements

1038. The central government, local government and social funds all follow an IFRS based accounting law adjusted to the government sector. This accounting law is described in this following section.

Statement of financial position and performances

Table 455: UK - Statement of financial position

Accounting caption	Presented	Time of recording	Measurement
Property, plant and equipment	Yes	Accrual accounting	Historical cost method / Fair value method/Replacement cost method
Investment property	Yes	Accrual accounting	Historical cost method
Intangible assets	Yes	Accrual accounting	Historical cost method / Fair value method
Financial assets	Yes	Accrual accounting	Fair value method
Investments recognized using the equity method	Yes	Accrual accounting	Fair value method
Inventories	Yes	Accrual accounting	Fair value method or Historical cost /fair value method
Recoverable from non-exchange transactions (taxes and transfers)	Yes	Accrual accounting	Present value method
Receivables from exchange transactions	Yes	Accrual accounting	Present value method
Cash and cash equivalents	Yes	Accrual accounting	Historical cost method/Fair value method/Present value method
Taxes and transfers payable	Yes	Accrual accounting	Present value method
Payable under exchange transactions	Yes	Accrual accounting	Present value method
Provisions	Yes	Accrual accounting	Present value method
Financial liabilities	Yes	Accrual accounting	Fair value method
Minority interests, presented in net assets/equity	Yes	Accrual accounting	Historical cost method
Net assets/equity attributable to owners of the controlling entity	Yes	Accrual accounting	Present value method

Table 456: UK - Statement of financial performance

Accounting caption	Presented	Time of recording
Revenue (for current and past year)	Yes	Accrual accounting
Finance cost (for current and past year)	Yes	Accrual accounting

Accounting caption	Presented	Time of recording
Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	Yes	Accrual accounting
Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	Yes	Accrual accounting
Surplus or deficit (for current and past year)	Yes	Accrual accounting

Bookkeeping system

1039. Entities within the central government use a variety of different bookkeeping systems. The most common used is Oracle alongside other systems such as SAP. Some of these systems will automatically update and reconcile budgets.
1040. Double entry is used for financial accounting. Entities are also required to ensure that the budgetary impact of all transactions is recognised. The transaction system used is an ERP. Budgeting tracking at a central level is undertaken using a bespoke system. Transactions are recorded by the qualified accountants of the central government as and when necessary, i.e. when an economic event occurs, the transaction will be recorded. This will mean that some transactions are recorded daily (e.g. expenditure on supplies), some monthly (e.g. depreciation) and some annually (e.g. most fair value adjustments on property, plant and equipment)..
1041. Local governments also use a variety of different bookkeeping systems. Oracle and SAP are of common usage. As for the central government, double entry is used for financial accounting at the local level and the transaction system is an ERP, with transactions recorded when necessary by qualified and trainee accountants.

Consolidation

Scope and description of the consolidation process

Table 457: UK - Description of the consolidation process

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Central Government	<p>For central government Departments, subsidiary entities are only consolidated if they are designated as central government bodies. Designation is dependent on a ruling by the ONS who follow ESA 95 control criteria.</p> <hr/> <p>For arms length bodies, all of their subsidiary entities are consolidated on a full IFRS basis.</p>	EU-adopted IFRS, adapted for central government Departments to ensure that only designated bodies are included, to maintain alignment with the central government budgeting boundary.	All bodies to be consolidated by central government Departments are included in an annual statutory instrument.	Consolidated financial statements are expected to be produced within 3 months of year end. Statutorily, entities have 9 months to publish audited accounts.	Annual report and accounts addressed to Parliament and publicly available.

Name of controlling entity	Scope	Accounting rules	Exceptions	Timetable	Availability/Recipients
Whole of Government accounts	The UK also produces Whole of Government Accounts, which is a consolidated set of financial statements for the entire public sector, as defined by ONS –based classification (central government, local government and Public Corporations).	EU-adopted IFRS as adapted to exclude entities not classed as public sector.	All bodies to be consolidated are included in an annual statutory instrument	Whole of Government Accounts must be published within 20 months of year end.	Annual report and accounts addressed to Parliament and publicly available.
Local Government	Local government entities are required to prepare group accounts in accordance with IFRS, subject to a number of interpretations or adaptations for the public sector (for example local authority pension funds are not considered for consolidation in group accounts)	EU-adopted IFRS as adapted for the public sector.	Main exception is that local authority pension funds are not considered for consolidation in group accounts.	Group accounts must be presented alongside single entity accounts and these are usually completed within six months of year end.	These are produced by each local government entity and are for the use of both local citizens and central government.

Proximity of the consolidation process with IPSAS

Table 458: UK - Evaluation of the proximity of the consolidation process with IPSAS

Statement	Consolidation process
The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated	Always applies
Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately	Always applies
Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.	Always applies
Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination	Always applies
Minority interests in (c) consist of (d) and (e)	N/A

The current financial audit framework

1042. The National Audit Office didn't complete the questionnaires. The EY local team is trying to get further information.

Nature of the accounting practices at the different levels of government

1043. This section qualifies the accounting practice based on four dimensions:

- ▶ Presentation of general purpose financial statements
- ▶ Time of recording
- ▶ Measurement of assets and liabilities
- ▶ Provision recognition and measurement

Presentation of the general purpose financial statements

1044. Table 459 summarizes the components of the financial statements for all subsectors of the government.

Table 459: UK - Presentation of general purpose financial statements

Financial statements	All subsectors of government
Statement of financial position (balance sheet)	Always applies
Statement of financial performance (Income statement/profit and loss statement)	Always applies
Statement of changes in net asset	Always applies
Cash flow statement	Always applies
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	Always applies
Cash and receipts statement	Always applies
Other statement(s)	N/A
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	Always applies

1045. According to Table 459, these financial statements appear to comply with IPSAS.

Time of recording

1046. Table 460 indicates for each component of the financial statement the accounting system applied.

Table 460: UK – Comparison of the accounting system applied

Financial statements	All subsectors of government
Statement of financial position (balance sheet)	Accrual accounting
Statement of financial performance (Income statement/profit and loss statement)	Accrual accounting
Statement of changes in net asset	Accrual accounting
Cash flow statement	Accrual accounting

1047. For each of the component of the financial statement, the accounting system is on an accrual basis.

Property, plant and equipment recognition and measurement

1048. This section deepens the understanding of the measurement of assets. In particular, Table 461 details and compares the measurement methods for each of the public entities considered.

Table 461: UK - Comparison of the recognition and measurement of property, plant and equipment

Statement		All subsectors of the government
The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost		Always applies
If the item of property, plant and equipment is measured at its cost, this cost comprises :	Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	Always applies
	Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	Always applies
	The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	Always applies
	The price of an asset is determined at the fair value at the time of acquisition.	Applies similar statement
After initial recognition your entity applies one of the following models:	The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	Applies similar statement
	Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	Applies similar statement
Depreciation	Depreciation is charged systematically over the useful life	Always applies
	The residual value of an asset is reviewed at least at each annual reporting date	Always applies

1049. According to Table 461, the method of measurement is as proposed by IPSAS.

Provision recognition and measurement

1050. This section presents the accounting arrangement for the recognition and measurement of provision.

1051. In the table below, all statements except two, marked as (*), comply with IPSAS principles.

Table 462: UK - Comparison of the recognition and measurement of provision

Statements	All subsectors of government
Financial guarantees to bank and corporate entities are recognized as contingent liabilities*	Applies sometimes
Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	Applies sometimes
The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	Always applies
Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	Always applies
At each reporting date provisions are reviewed and adjusted to reflect the current estimate	Always applies
Provisions are recognized for net deficits from future operating activities*	Applies sometimes
If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	Always applies
Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	Always applies
Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	Always applies
Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	Always applies
Your entity discloses for each class of provision unused amounts reversed during the period	Always applies
Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	Always applies
Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	Always applies
Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	Always applies
Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	Always applies

The practical issues with application of IPSAS

1052. Public sector entities in the United Kingdom already apply EU-adopted IFRS adapted for the public sector. Overall, the system used is similar to IPSAS principles. Technical accounting guidance is provided within financial reporting manuals that are issued by relevant authorities. These manuals are prepared following consultation with the Financial Reporting Advisory Board, an independent body of experts whose role is to promote the highest possible standard in financial reporting by Government and to help to ensure that any adaptations of, or departures from, EU-adopted IFRS are justified and properly explained. Where EU-adopted IFRS is adapted and interpreted for the public sector, IPSAS is among the standards that can be used as a reference in developing these interpretations and other adaptations.

1053. There are therefore little drawbacks to the application of IPSAS principles. Indeed, if IPSAS principles were to be adopted, some costs from rewriting guidance for accounting and budgeting would be expected as well as the need for some interpretations of standards.

Accounting and auditing reforms

Introduction of EU-adopted IFRS based financial reporting.

1054. The reform introducing EU-adopted IFRS based financial reporting involves all subsectors of the government and was implemented between 2009 and 2010 for the central government and health bodies, and between 2010 and 2011 for local government. It was initiated by both the central government and the Ministry of Finance in order to ensure that all entities follow similar EU-adopted IFRS based standards, with IPSAS principles and other standards used as a reference. More precisely, the reason for implementing this accounting system was to make sure that entities are following international GAAP and use common standards for all the Government Accounts.
1055. The reform is now completed and all public sector entities currently produce EU-adopted IFRS based financial accounts.

Clear Line of Sight

1056. This Clear Line of Sight is an alignment project initiated by the central government and the Ministry of Finance, involving only the central government, in order to simplify the government's financial reporting to Parliament by ensuring improved accountability and greater value-for-money in the use of its resources. Indeed, as explained by the Treasury, the main objectives of this project are two-fold: (i) align budgets, estimates and accounts in a way that allows Treasury to control what is needed to deliver the fiscal rules, incentivises value for money and reduces burdens on government departments, and (ii) combine and/or align the timing of publication of government financial reporting documents in order to avoid duplication and make them more coherent.

Annexes

licensed by HDAM to the MEI pursuant to the MEI and shall be assigned to such Person in accordance with any separate agreements entered into on or after the Closing Date of this Agreement, provided that, in no event, shall the right, title and interests of Sampson, including Newco, in the HDAM Transferred Assets or rights of Sampson or any assignee of Sampson, including Newco, in the HDAM Transferred Assets or rights of Sampson or any assignee of Sampson, (ii) the prosecution, defense, and/or settlement of any claims or actions arising in connection with the settlement of any claims or services of any third party or parties prior to the Closing Date, provided that, in no event, may HDAM enter into any settlement or any transfer of the HDAM Transferred Assets, including Newco, or any licenses herein granted by HDAM to Sampson, (iv) the continued operation of HDAM's existing business tools and authoring systems for use in the software business, and the fulfillment of HDAM's contractual obligations to its Opera-related licensees, but specifically excluding, without limitation, the semiconductor logic device design, hardware architecture and systems development activities relating exclusively to software development and (v) any activities that are consistent with HDAM's current business and do not involve a substantive expansion of HDAM's software, do not compete with any business being conducted by HDAM.

4. Annexes

Annex 1 Technical Annex

1057. This technical annex provides further details on:

- ▶ The scoring system methodology and results
- ▶ The organization of financial reporting
- ▶ The assertion covered by the audit

The scoring system

1058. This note presents the approach followed to assess the similarity of the accounting standards with IPSAS. Taking IPSAS as a benchmark this approach allows comparing the accounting practices at an EU level.

Approach

1059. As a reminder the questions addressed by the Accounting standards questionnaire are the followings:

1060. Q 1-2. Presentation of the financial statement

1061. Q - 3 Statement of financial position

- ▶ Time of recording -Accounting system
- ▶ Financial position assets – time of recording
- ▶ Financial position liabilities – time of recording
- ▶ Financial position measurement of assets
- ▶ Financial position measurement of liabilities
- ▶ Property plant & equipment recognition and measurement
- ▶ Provision recognition and measurement

1062. Q4 - Statement of financial performance

- ▶ Time of recording -Accounting system
- ▶ Financial performance – Time of recording

1063. Q5 - Statement of change in net asset

- ▶ Time of recording -Accounting system
- ▶ Financial performance – Time of recording

1064. Q6 - Cash flow statement

- ▶ Time of recording -Accounting system
 - ▶ Financial performance – Time of recording
1065. Q7 - Bookkeeping system (Name/ Entry/Transaction system/Recording frequency/ Qualification)
1066. Q8 - Accounting irregularities
1067. Q9 - Practical issues with the application of IPSAS
1068. Based on the above questions, the proximity to IPSAS was chosen to be assessed through 4 dimensions:
- ▶ Presentation of the financial statements (Q 1-2)
 - ▶ Time of recording (i.e. cash accounting/modified cash accounting/accrual accounting/modified accrual accounting) (Q3a, 4a, 5a, 6a)
 - ▶ Property plant & equipment recognition and measurement (Q 3f)
 - ▶ Provision recognition and measurement (Q 3g)
1069. For each question a number of points was attributed to the reply given. The sum of points attributed to each question provides a score. Likewise for each dimension a score could be derived which will correspond to the sum of the points attributed for the questions associated with one dimension.

Scoring system

1070. The score given to each reply is increasing as the similarity with IPSAS increases. The maximum score achievable corresponds to the IPSAS standards. Thus if IPSAS is applied by a country this country should get the maximum number of points for all the dimensions presented above.
1071. The scoring system has been scaled such that for each dimension the score varies from 0 to 100.
1072. Note that for the time of recording, to not penalize the absence of some components of the financial statement such as the statement of financial performance and to make sure that each dimension remains independent, the average of the points received on the existing financial statements have been taken as the overall score. Thus the score will not be set to zero if some financial statements are not established and the score will only reflect the time of recording and not the presentation of the financial statement.

Presentation of Financial statement – Scoring system

Question 1-PRESENTATION OF FINANCIAL STATEMENTS: Please describe the presentation of the financial statements. In particular specify the following: <input type="checkbox"/> Components of the financial statements: the first column provides potential components of the financial statements. If a component is presented in your financial reporting please tick the box. <input type="checkbox"/> Frequency & Timing: if the financial statement component has been ticked, please state how often it is reported and how long does the financial reporting process take. <input type="checkbox"/> User & Entity in charge: if the financial statement component has been ticked, please provide details of who receives the information (i.e. general public, ministries, etc.) and which entity(ies) is(are) in charge of reporting?	Tick	Notation	IPSAS	Country
Statement of financial position (balance sheet)	1	30	30	30
IF YES COVER QUESTIONS 3 IF NO PLEASE SKIP QUESTIONS 3				
Statement of financial performance (Income statement/profit and loss statement)	1	5	5	5
IF YES COVER QUESTIONS 4 IF NO PLEASE SKIP QUESTIONS 4				
Statement of changes in net asset	0	14	14	
IF YES COVER QUESTIONS 5 IF NO PLEASE SKIP QUESTIONS 5				
Cash flow statement	1	18	18	18
IF YES COVER QUESTIONS 6 IF NO PLEASE SKIP QUESTIONS 6				

Question 2-PRESENTATION OF FINANCIAL STATEMENTS: If relevant, indicate the additional documents included in the presentation of the financial statements. In particular specify the following: <input type="checkbox"/> Components of the financial statements: If one of the components below is presented in your financial reporting please tick the box. <input type="checkbox"/> Frequency & Timing: if the financial statement component has been ticked, please state how often it is reported and how long does the financial reporting process take. <input type="checkbox"/> User & Entity in charge: if the financial statement component has been ticked, please provide details of who receives the information (i.e. general public, ministries, etc.) and which entity(ies) is(are) in charge of reporting?	Tick	Notation	IPSAS	Country
Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements	1	5	5	5
Cash and receipts statement	0	0	0	0
Other statements Name(s) :.....	0	0	0	0
Notes to the financial statements (summary of significant accounting policies and other explanatory information)	1	5	5	5

Time of recording – Scoring system

<p>Question 3a-FINANCIAL POSITION TIME OF RECORDING: Please indicate whether the accounting systems described below apply to the recognition of the financial position (balance sheet). Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below. If one of the accounting systems below is a legal requirement, please provide the reference in the source column.</p>	Tick	Different	Similar	Identical	Notations			IPSAS	Country
System 1: cash accounting		0	0	0	0	0	0		
„ System 2: modified cash accounting		0	0	0	0	0	0		
„ System 3: accrual accounting	1	0	1	0	0	10	20	20	10
„ System 4: modified accrual accounting		0	0	0	0	5	10		

<p>Question 4.a-FINANCIAL PERFORMANCE TIME OF RECORDING: Please indicate whether the accounting systems described below apply to the recognition of the financial performance (income statement/profit and loss statement). Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below. If one of the accounting systems below is a legal requirement, please provide the reference in the source column.</p>	Tick	Different	Similar	Identical	Notations			IPSAS	Country
System 1: cash accounting	0	0	0	0	0	0	0		
„ System 2: modified cash accounting	0	0	0	0	0	0	0		
„ System 3: accrual accounting	1	0	0	1	0	10	20	20	20
„ System 4: modified accrual accounting	0	0	0	0	0	5	10		

Question 5a-STATEMENT OF CHANGE IN NET ASSET TIME OF RECORDING: Please indicate whether the accounting systems described below apply to the recognition of the statement of change in net asset. Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below. If one of the accounting systems below is a legal requirement, please provide the reference in the source column.	Tick	Different	Similar	Identical	Notations			IPSAS	Country
System 1: cash accounting	0				0	0	0		0
System 2: modified cash accounting	0				0	0	0		0
System 3: accrual accounting	0				0	10	20	20	0
System 4: modified accrual accounting	0				0	5	10		0

Question 6a-CASH FLOW STATEMENT TIME OF RECORDING: Please indicate whether the accounting systems described below apply to the recognition of the cash flow statement. Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below. If one of the accounting systems below is a legal requirement, please provide the reference in the source column.	Tick	Different	Similar	Identical	Notations			IPSAS	Country
System 1: cash accounting	0	0	0	0	0	0	0		
System 2: modified cash accounting	0	0	0	0	0	0	0		
System 3: accrual accounting	1	0	0	1	0	10	20	20	20
System 4: modified accrual accounting	0	0	0	0	0	5	10		

Property plant & equipment recognition and measurement – Scoring system

Question 3f-PROPERTY PLANT & EQUIPEMENT RECOGNITION AND MEASUREMENT: Please indicate in the columns on the right whether each of the statements below does not apply, applies sometimes, always applies to your entity's accounting system. If one of the statements below is a legal requirement, please provide the reference in the source column.	Does not apply	Applies sometimes	Always applies	Notation			IPSAS	Country
				0	2	5		
(a) The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost	0	1	0	0	2	5	5	2
If the item of property, plant and equipment is measured at its cost, please indicate, by ticking the appropriate box, whether this cost comprises:								
1. Its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	0	0	1	0	2	5	5	5
2. Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	0	0	1	0	2	5	5	5
3. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	1	0	0	0	2	5	5	0
(b) The price of an asset is determined at the fair value at the time of acquisition.								
(c) After initial recognition your entity applies one of the following models:								
The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses								
Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses	0	0	1	0	2	5	5	5
(d) Depreciation is charged systematically over the useful life	0	1	0	0	2	5	5	2
(e) The residual value of an asset is reviewed at least at each annual reporting date	0	0	1	0	2	5	5	5

Provision recognition and measurement – Scoring system

Question 3g-PROVISION RECOGNITION AND MEASUREMENT: Please indicate when a provision is recognized, whether the statements below are different, similar, or identical to your recognition system.	Different	Similar	Identical	Notations			IPSAS	Country
				5	2	0		
(a) Financial guarantees to bank and corporate entities are recognized as contingent liabilities	1	0	0	5	2	0	5	5
(b) Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance	0	0	1	0	2	5	5	5

Question 3g-PROVISION RECOGNITION AND MEASUREMENT: Please indicate when a provision is recognized, whether the statements below are different, similar, or identical to your recognition system.	Different	Similar	Identical	Notations			IPSAS	Country
sheet transactions								
(c) The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	0	0	1	0	2	5	5	5
(d) Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	1	0	0	0	2	5	5	0
(e) In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement.								
(f) At each reporting date provisions are reviewed and adjusted to reflect the current estimate	0	0	1	0	2	5	5	5
(g) Provisions are recognized for net deficits from future operating activities	0	0	0	5	2	0	5	0
(h) If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	0	0	0	0	2	5	5	0
(i) Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	0	0	0	0	2	5	5	0
(j) Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	0	0	1	0	2	5	5	5
(k) Your entity discloses for each class of provision the amount used (i.e. incurred and charged against the provision during the period)	0	0	1	0	2	5	5	5
(l) Your entity discloses for each class of provision unused amounts reversed during the period	0	0	1	0	2	5	5	5
(m) Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	1	0	0	0	2	5	5	0
(n) Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	1	0	0	0	2	5	5	0
(o) Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	1	0	0	0	2	5	5	0
(p) Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	0	0	1	0	2	5	5	5

1073. For each dimension, except for the time of recording dimension, the total score is given by the sum of the score obtained by each reply. As mentioned before for the time of recording the total score corresponds to an average of the score of the reply given for each existing statement.

1074. As indicated in the Tables below these scores are then scaled to make sure that the score is between 0 and 100.

	FS Presentation	Prov. Meas. And Rec	P.P.E Meas. and Rec.	Time of recording
Country	63	35	24	16,67

IPSAS	77	75	35	20
Country Scaled Score	81,82	46,67	68,57	83,33
IPSAS Scaled Score	100	100	100	100

Country	Sub Sector	Statement of financial position	Statement of financial performance	Statement of changes in net asset	Cash flow statement	Comparison of budgeted and actual amounts	Cash and receipts statement	Other statement(s)	Notes to the financial statements
Luxembourg	Central						☐	☐	
	Central	☐	☐					☐	☐
	Central/Local	☐	☐						☐
	Local/Public Corporation							☐	☐
Malta	Central	☐	☐	☐	☐	☐	☐	☐	☐
	Social Fund	☐	☐	☐	☐	☐	☐	☐	☐
	Public	☐	☐	☐	☐	☐	☐	☐	☐
	Local	☐	☐	☐	☐	☐	☐		☐
Netherlands	Central	☐	☐	☐	☐	☐	☐	☐	
	Regions	☐	☐	☐		☐			
	Cities	☐	☐	☐		☐			
	Social Fund	☐	☐	☐			☐		
Poland	Central	☐	☐	☐			☐	☐	
Portugal	Central	☐	☐		☐	☐	☐		☐
	Budget Execution				☐	☐	☐	☐	
Romania	Central	☐	☐	☐	☐	☐	☐	☐	☐
Slovakia	Central	☐	☐			☐			☐
Slovenia	Central	☐	☐	☐	☐		☐		☐
Spain	Central	☐	☐	☐	☐	☐			☐
Sweden	Central	☐	☐		☐	☐		☐	☐
	Municipalities	☐	☐		☐	☐			☐
	Social Fund	☐	☐					☐	☐
	Others	☐	☐	☐	☐		☐		☐
UK	Central	☐	☐	☐	☐	☐		☐	☐
	Local	☐	☐	☐	☐	☐		☐	☐

Deadlines for the approval and reporting of the annual budget/financial statement

Table 464: Deadlines for the approval and reporting of the annual budget/financial statement

Country	Level of government	Deadline
Austria	Central	30th September of the following year (9 months after year end) for delivery of financial statement
Belgium	Central	End of June including audit by Court of Auditors
	Local	End of June
Bulgaria	All subsectors	50 days after year end for the April Eurostat reporting End of June for the October Eurostat reporting
Cyprus	Central	Within 3 months after year end
Czech Republic	All subsectors	No information collected
Denmark	Central	31/12 of the previous year (budget) 30 June of the previous year (financial statement to Parliament) 30 June of year+2 (final approval by Parliament)
	Local	15 August of the previous year (preparation of the Budget) 1 October of the previous year (approval of the Budget) 30 September of the following year (approved financial statement)
Estonia	All subsectors	30 June of the following year
Finland	Central	15 March of the current year (for prepared and approved financial statement from State budgetary units, Extrabudgetary funds and government of Åland and its pension fund) The subsidiaries of the entities mentioned above must prepare their annual Financial Statements in time to be included in the parent entity's Financial Statements (if so required). April of the following year for all other entities (for prepared financial statement) June of the following year for all other entities (for approval of the financial statement)
	Local	March 31 of current year for Municipalities and Joint Municipal Boards (for preparation and approval of financial statement)
	Social funds	All other entities must prepare the Financial Statements within four months after the end of the financial period.
France	Central	End of February/beginning of March of the current year for interim accounts End of May of the current year for the final accounts 31 May of the current year for Court opinion
	Social funds	10 March of the current year for interim accounts 15 April of the current year for the final accounts 30 June of the current year for Court opinion
Germany	All subsectors	The time of the audit process is defined by the German Federal Court of Audit itself
Greece	All subsectors	No information collected
Hungary	All subsectors	End of March and end of September of the current year for Eurostat deadlines End of January of the current year for treasury data (available for statisticians in mid-February) Mid-May for annual financial report (available for statisticians in mid-May)
Ireland	All subsectors	Prepared by 31 March, published by 1 July

Country	Level of government	Deadline
Italy	All subsectors	31 December (budget) 30 April (financial statement)
Latvia	All subsectors	15 October for the annual report and audit opinion
Lithuania	All subsectors	January/Beginning February of the following year for approval and reporting of annual budget statement)
Luxembourg	Head of state	31 December of the current year (for revenues) 30 April of the current year (for expenditure)
	Special funds	Trimestrial reporting of the current year (expenditure) 31 December of the current year (for revenues and expenditure final report)
	Services de l'état à gestion séparée	Trimestrial reporting of the current year (expenditure) 31 December of the current year (for revenues and expenditure final report)
	Public establishment and Social funds	31 december of the current year (for balance sheet, income and profit and loss statements and for notes to financial statement)
	Local government	31 December of current year (for the overall annual statement)
Malta	Central	31 March of following year (for certification of figures in the book of accounts by NAO) 31 December of the following year (for the submission of the annual audit report on public accounts to the Speaker of the House of representatives) 31 December of the following year for audited financial statement of the extra-budgetary units)
	Local	31 December of the following year (for audited financial statements) 31 November of the following year (for certification of financial statements by private auditors) May of the current year (for annual financial data)
	Social funds	2 May of the following year (for submission of audited financial statements to the Auditor General)
Netherlands	Central	31 December of the following year (for completion of the audited financial statements)
	Local and Social funds	1 April for reporting to Eurostat 15 November of the current year (for the Budget) 30 days prior the end of the quarter (for quarterly information) 15 February (for annual informative)
Poland	All subsectors	13 April – for budget entities 20 April – for main budget holders 24 April – for public target funds 14 May – for parts of the budget 18 May – for judicial parts of the budget 15 June – for the national budget

Country	Level of government	Deadline
Portugal	All subsectors	15 October of the previous year (for submission by the Government of the Annual Budget Proposal to Parliament) 45 days after budget proposal submission (for its approval by Parliament) 30th June of the following year (for submission of the annual accounts and report to Parliament) 31st December of the following year (for voting and approval of the annual accounts)
Romania	All subsectors	31 December of each year (for submission to Parliament of the Annual Public Report)
Slovakia	All subsectors	No information collected
Slovenia	Central	30 September of the following year (for the annual report of central government budget)
Spain	All subsectors	Three months after the end of the financial year (for the Annual Accounts) Before 1st April and before 1st October of each year (for Eurostat deadlines)
Sweden	Central	22 February of each year (for submission of financial statements to the government by state authorities) April of each year (for submission of the financial statements to the Parliament by the government)
	Local	June of each year (for approval by the municipal or county council)
	Social funds	31 December (for financial statement) February (for issuing the financial statement)
UK	All subsectors	No information collected

Assertion covered by the audit

1076. The Table below presents all the assertion covered by the financial audit.

Table 465: Assertions covered by the audit

Country ⁷³	Existence and occurrence	Completeness	Accuracy and valuation	Rights and obligations	Presentation and disclosure	Lawfulness / rightfulness (compliance with laws and regulations)
Austria	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Belgium						
Bulgaria	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Cyprus (*)						
Czech Republic						
Denmark	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Estonia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Finland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
France						
Germany	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Greece (*)						
Hungary	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Ireland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Italy		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Latvia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Lithuania	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Luxembourg	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Malta	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Netherland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Poland	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Portugal	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Romania	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Slovakia						
Slovenia	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Spain	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sweden	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
UK (*)						

⁷³ Some countries were marked with (*) as they did not provide a filled in questionnaire regarding the nature of the audit yet

Number of covered entities

Table 466: Numbers of covered and not covered entities per country and subsectors⁷⁴

	Covered					Not covered				
	central	state	local	Social funds	SUM	central	state	local	Social funds	SUM
Austria	1	8	2357		2366	171	242	38	228	679
Belgium	169		1789		1958	0	441	0	136	477
Bulgaria	83		264	2	349					0
Cyprus	64			6	70			389		389
Czech Republic	567	0	17115	4	17686	6		5	8	19
Denmark	3378		103	28	3509					0
Estonia	12		226	2	240					0
Finland	89		506	214	809					0
France	561		54505	1200	56266					0
Germany	77	92	1190		1359				206	206
Greece					0					0
Hungary	1218		13926	4	15148					0
Ireland	153		163	1	317					0
Italy	118		10231		10349				24	24
Latvia	25	0	118	0	143					0
Lithuania	631	0	2868	2	3501					0
Luxembourg	182	0	225		407					0
Malta	145		68		213					0
Netherlands	1056		4515	29	5600					0
Poland	515		9502	12	10029					0
Portugal	312		5210	20	5542					0
Romania	49		71	48	168					0
Slovakia	1105		3561	3	4669					0
Slovenia	1491	0	2385	27	3903					0
Spain	5459	5458	5458	1984	18359	766	583	10026		11375
Sweden	249		500	6	755					0
UK	877		555		1432					0

⁷⁴ This table is based on the information gathered

Annex 2 Reforms

Table 467: Current reforms

Country	Subsector	Aim of the reform
Austria	Central	Reform of the accounting system in the course of a wide-ranging Budget Reform. Introduction of a fundamentally new, transparent form of accounting for the federal government, which is structured on the basis of double-entry bookkeeping (accrual accounting). The new system is based on IPSAS (including a few modifications).
Belgium	Central and local	Move to accrual accounting Financial reporting will be accrual based with disclosure of accruals on tax income in 2015
Bulgaria		No planned reform
Cyprus	Central	Move to accrual accounting and adoption of IPSASs
Czech Republic	All	General implementation of qualitative characteristics of modern accrual accounting to all levels of government
Denmark		No planned reform
Estonia		No planned reform
Finland	All	To consolidate the two auditing professions Authorized Public Accountants (KHT) and Chartered Public Finance Auditors (JHTT)
France	Central	For the State, the work consists of review and in-depth analysis focusing on the accrual accounting approach (provisions, details on the operative event, social obligations) to strengthen the consistency of the conceptual framework.
	Local	The CNOCP is working on the enhancement of accounting and the financial statements, notably the notes to the accounts, notably the notes to the accounts. In particular, efforts are being made to improve information on debt. The M 9, 9.1 ... instructions reflect the standards. It should be noted that these changes in terms of presentation should not be major, as the current system enables tight control of the finances of regional and local authorities that no-one wants to call into question. The idea is to upgrade the balance sheet based on the reality of assets and liabilities.
Germany	State and local	Move to accrual accounting
Greece		Not provided
Hungary		No planned reform
Ireland	Central	Move to accrual accounting
Italy	All	Adoption of uniform accounting rules and a common chart of accounts flanked with an accrual accounting system
Latvia	All	Adoption of IPSAS
Lithuania	All	Increase effectiveness of the accrual reform
Luxembourg	Local	Standardisation of the budget received from the localities
Malta	All	Move to IPSAS standard
Netherlands		No planned reforms
Poland	All	To streamline and legally consolidate the audit process
Portugal	Central	Upgrade the IT system in part of a global reform
Romania	All	Improving the quality and reliability of the data reported in the financial statements
Slovakia	Central and local	To improve the accounting and reporting system
Slovenia		No planned reforms
Spain	All	Adaptation of the consolidation process to IPSAS
Sweden	Corporations	New accounting policies for larger none listed companies will be introduced (K3) which are designed in accordance with IFRS SME.
UK	All	Ensure all entities follow similar standards
	Central	Improved accountability and greater VFM in the use of resources

Annex 3 Questionnaires

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

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PLEASE READ THESE GENERAL INSTRUCTIONS CAREFULLY

Reminder

The focus of the study is on upstream accounts of various categories of public entities for all subsectors of the general government sector. (for guidance see Appendix 1 which presents different subsectors of the general government sector).

All interview grids should be completed in English.

Methodological approach

The questionnaire in this section is intended to gain more in-depth understanding of the accounting standards used. This questionnaire is to be submitted to a sample of public accounting practitioners at each level of government.

This questionnaire addresses the following issues:

- ▶ The presentation of the financial statements
- ▶ The time of recording
- ▶ The measurement of assets and liabilities with special emphasis on Property, plant and equipment along with provision
- ▶ The nature of the bookkeeping system
- ▶ The application of IPSAS

Before filling this questionnaire the respondent should indicate in Appendix 2, to which public entity it belongs. In this Appendix the accounting laws of each public entity have been referenced by a number. The respondent of each public entity should fill this questionnaire by accounting law and systematically provide the reference number # of the accounting law.

The reply to this questionnaire should also be based on research study via internet and other means.

Whether the reply to the following questionnaire is based on interviews or research sources, the sources should systematically be documented in the right column to ensure the traceability requested by Eurostat. For this purpose, in the source column indicate a reference number (Ref#) and in the reference page at the end of this document provide the detailed reference associated with each reference number (Ref#). If several sources support your answer, report several reference numbers in the source column

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Question 1-PRESENTATION OF FINANCIAL STATEMENTS: Please describe the presentation of the financial statements. In particular specify the following:	Tick	Frequency & Timing	User & Entity in charge	Source (Refs)
<p>► Components of the financial statements: the first column provides potential components of the financial statements. If a component is presented in your financial reporting please tick the box. <input type="checkbox"/></p> <p>► Frequency & Timing: if the financial statement component has been ticked, please state how often it is reported and how long does the financial reporting process take.</p> <p>► User & Entity in charge: if the financial statement component has been ticked, please provide details of who receives the information (i.e. general public, ministries, etc.) and which entity(ies) is/are in charge of reporting?</p>	<input type="checkbox"/>			
Statement of financial position (Balance sheet) IF YES COVER QUESTIONS 3 IF NO PLEASE SKIP QUESTIONS 3	<input type="checkbox"/>			
Statement of financial performance (Income statement/profit and loss statement) IF YES COVER QUESTIONS 4 IF NO PLEASE SKIP QUESTIONS 4	<input type="checkbox"/>			
Statement of changes in net asset IF YES COVER QUESTIONS 5 IF NO PLEASE SKIP QUESTIONS 5	<input type="checkbox"/>			
Cash flow statement IF YES COVER QUESTIONS 6 IF NO PLEASE SKIP QUESTIONS 6	<input type="checkbox"/>			



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<p>Question 2-PRESENTATION OF FINANCIAL STATEMENTS: If relevant, indicate the additional documents included in the presentation of the financial statements. In particular specify the following:</p> <ul style="list-style-type: none"> ▶ Components of the financial statements: if one of the components below is presented in your financial reporting please tick the box. ▶ Frequency & Timing: if the financial statement component has been ticked, please state how often it is reported and how long does the financial reporting process take. ▶ User & Entity in charge: if the financial statement component has been ticked, please provide details of who receives the information (i.e. general public, ministries, etc.) and which entity(ies) is(are) in charge of reporting? 	Tick	Frequency & Timing	User & Entity in charge	Source
<p>Comparison of budgeted and actual amounts, either as separate additional schedule in the financial statements or as a budget column in the financial statements</p>	<input type="checkbox"/>			
<p>Cash and receipts statement</p>	<input type="checkbox"/>			
<p>Other statement(s) Name(s):.....</p>	<input type="checkbox"/>			
<p>Notes to the financial statements (summary of significant accounting policies and other explanatory information)</p>	<input type="checkbox"/>			



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	Tick	System 1	System 2	System 3	System 4	Source
Question 3b-FINANCIAL POSITION ASSETS PRESENTATION: Please tick if the following information is presented on the statement of financial position. Further, please indicate the system of accounting for each of the items. As a reminder:						
(a) Property plant and equipment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	[Rate]
(b) Investment property	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) Intangible assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Financial assets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(e) Investments recognized using the equity method	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(f) Inventories	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(g) Recoverable from non-exchange transactions (taxes and transfers)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(h) Receivables from exchange transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(i) Cash and cash equivalents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Question 3c-FINANCIAL POSITION LIABILITIES PRESENTATION: Please tick if the following information is presented on the statement of financial position. Further, please indicate the system of accounting for each of the items. As a reminder:	Tick	System 1	System 2	System 3	System 4	Source
(a) Taxes and transfers payable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	[Ref#]
(b) Payable under exchange transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) Provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Financial liabilities (excluding amounts shown under (i), (k) and (l))	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(e) Minority interests, presented in net assets/equity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(f) Net assets/equity attributable to owners of the controlling entity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



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Question 30-FINANCIAL POSITION MEASUREMENT OF ASSETS: For each of the items below please indicate in the left column the measurement methods used among the followings:	Cost	Fair value	Present value	Repl. Cost	Source
<p>▶ Cost is the amount of cash or cash equivalents paid or any consideration given to acquire an asset at the time of its acquisition.</p> <p>▶ Fair value is defined as the amount for which an asset could be settled, between knowledgeable, willing parties in an arm's length transaction.</p> <p>▶ The present value of an asset comprises the discounted cash flows expected to be generated by the asset in the ordinary course of operations.</p> <p>▶ Replacement cost is the cost to replace an asset on the same location with other comparable asset used for the same purpose.</p> <p>If some items are measured via a combination of these methods, tick all of the methods used.</p> <p>If one of the measurement methods is a legal requirement, please provide the reference in the last column.</p>	0	0	0	0	(Ref#)
(a) Property plant and equipment	0	0	0	0	
(b) Investment property	0	0	0	0	
(c) Intangible assets	0	0	0	0	
(d) Financial assets (excluding amounts shown under (e), (g), (h) and (i))	0	0	0	0	

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Question 30-FINANCIAL POSITION MEASUREMENT OF ASSETS: For each of the items below please indicate in the left column the measurement methods used among the following:	Cost	Fair value	Present value	Repl. Cost	Source
<ul style="list-style-type: none"> ▶ Cost is the amount of cash or cash equivalents paid or any consideration given to acquire an asset at the time of its acquisition. ▶ Fair value is defined as the amount for which an asset could be settled, between knowledgeable, willing parties in an arm's length transaction. ▶ The present value of an asset comprises the discounted cash flows expected to be generated by the asset in the ordinary course of operations. ▶ Replacement cost is the cost to replace an asset on the same location with other comparable asset used for the same purpose. If some items are measured via a combination of these methods, tick all of the methods used. If one of the measurement methods is a legal requirement, please provide the reference in the last column.	0	0	0	0	
(e) Investments recognized using the equity method	0	0	0	0	
(f) Inventories	0	0	0	0	
(g) Recoverables from non-exchange transactions (taxes and transfers)	0	0	0	0	
(h) Receivables from exchange transactions	0	0	0	0	
(i) Cash and cash equivalents	0	0	0	0	

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<p>Question 3e-FINANCIAL POSITION MEASUREMENT OF LIABILITIES: For each of the items below please indicate in the left column the measurement methods used among the followings:</p> <ul style="list-style-type: none"> ▶ Cost is the amount of cash or cash equivalents paid or any consideration given to acquire a liability at the time of its acquisition. ▶ Fair value is defined as the amount for which a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. ▶ The present value of a liability comprises the discounted cash flows expected to be generated by the liability in the ordinary course of operations. ▶ Replacement cost is the cost to replace a liability on the same location with other comparable liability used for the same purpose. <p>If some items are measured via a combination of these methods, tick all of the methods used.</p> <p>If one of the measurement methods is a legal requirement, please provide the reference in the last column.</p>	Cost	Fair value	Present value	Repl. Cost	Source
(a) Taxes and transfers payable	0	0	0	0	
(b) Payables under exchange transactions	0	0	0	0	
(c) Provisions	0	0	0	0	
(d) Financial liabilities (excluding amounts shown under (b), (c) and (e))	0	0	0	0	
(e) Minority interests, presented in net assets/equity	0	0	0	0	



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<p>Question 36-FINANCIAL POSITION MEASUREMENT OF LIABILITIES: For each of the items below please indicate in the left column the measurement methods used among the followings:</p> <ul style="list-style-type: none"> ▶ Cost is the amount of cash or cash equivalents paid or any consideration given to acquire a liability at the time of its acquisition. ▶ Fair value is defined as the amount for which a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. ▶ The present value of a liability comprises the discounted cash flows expected to be generated by the liability in the ordinary course of operations. ▶ Replacement cost is the cost to replace a liability on the same location with other comparable liability used for the same purpose. <p>If some items are measured via a combination of these methods, tick all of the methods used.</p> <p>If one of the measurement methods is a legal requirement, please provide the reference in the last column.</p>	<p>Cost</p>	<p>Fair value</p>	<p>Present value</p>	<p>Repl. Cost</p>	<p>Source</p>
<p>(f) Net assets/equity attributable to owners of the controlling entity</p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>

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Question 31-PROPERTY PLANT & EQUIPMENT MEASUREMENT AND RECOGNITION: Please indicate in the columns on the right, whether each of the statements below does not apply, applies sometimes, always applies to your entity's accounting system. if one of the statements below is a legal requirement, please provide the reference in the last column.	Does not apply	Applies sometimes	Always applies	Source
(a) The item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	[Ref#]
if the item of property, plant and equipment is measured at its cost, please indicate, by ticking the appropriate box, whether this cost comprises :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
1. its purchase price, including import duties and non refundable purchase taxes, after deducting trade discounts and rebates	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(b) The price of an asset is determined at the fair value at the time of acquisition.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) After initial recognition, your entity applies one of the following models: ▶ The asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Question 3: PROPERTY PLANT & EQUIPMENT MEASUREMENT AND RECOGNITION: Please indicate in the columns on the right whether each of the statements below does not apply, applies sometimes, always applies to your entity's accounting system. if one of the statements below is a legal requirement, please provide the reference in the last column.	Does not apply	Applies sometimes	Always applies	Source
<ul style="list-style-type: none"> ▶ Subsequent to initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably should be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Depreciation is charged systematically over the useful life	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(e) The residual value of an asset is reviewed at least at each annual reporting date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Question 39-PROVISION MEASUREMENT AND RECOGNITION: Please indicate when a provision is recognized, whether the statements below are different, similar, or identical to your recognition system, if one of the statements below is a legal requirement, please provide the reference in the last column.	Different	Similar	Identical	Source (Ref #)
(a) Financial guarantees to bank and corporate entities are recognized as contingent liabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(b) Financial guarantees to bank and corporate entities are not recognized in the statement of financial position and are treated as off-balance sheet transactions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) The amount recognized as a provision is an estimate of the expenditure required to settle the present obligation at the reporting date	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(e) In the statement of financial performance the expense relating to a provision is presented net of the amount recognized for a reimbursement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(f) At each reporting date provisions are reviewed and adjusted to reflect the current estimate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(g) Provisions are recognized for net deficits from future operating activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(h) If your entity has an onerous contract, the present obligation (net of recoveries) under the contract is recognized and measured as a provision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(i) Your entity discloses for each class of provision the carrying amount at the beginning and at the end of the period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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	Different	Similar	Identical	Source
<p>Question 39: PROVISION MEASUREMENT AND RECOGNITION: Please indicate when a provision is recognized, whether the statements below are different, similar, or identical to your recognition system.</p> <p>if one of the statements below is a legal requirement, please provide the reference in the last column.</p>				
(j) Your entity discloses for each class of provision additional provisions made in the period, including increases in existing provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(k) Your entity discloses for each class of provision the amount used (i.e., incurred and charged against the provision during the period)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(l) Your entity discloses for each class of provision unused amounts reversed during the period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(m) Your entity discloses for each class of provision the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(n) Your entity discloses for each class of provision a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or potential services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(o) Your entity discloses for each class of provision the uncertainties about the amount or timing of those outflows	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(p) Your entity discloses for each class of provision the amount of any expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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<p>Question 4.a-FINANCIAL PERFORMANCE TIME OF RECORDING: PLEASE INDICATE whether the accounting systems described below apply to the recognition of the financial performance (income statement/profit and loss statement).</p> <p>Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below.</p> <p>If one of the accounting systems below is a legal requirement, please provide the reference in the last column.</p>	Tick	Different	Similar	Identical	Source
<p>System 1: an accounting system in which the financial transaction and other events are recognized when cash is received or paid. This system measures financial results for a period as the difference between cash receipts and cash payments.</p>	=	=	=	=	[Ref#]
<p>System 2: an accounting system in which financial transactions and other events are recognized on a System 1 basis during the year, but the payables and/or receivables at year's end are also taken into account. In fact, the books are kept open for about several months after year-end.</p>	=	=	=	=	
<p>System 3: an accounting system in which financial transactions and other events are recognized when they occur and reported in the financial statements of the periods to which they relate.</p>	=	=	=	=	
<p>System 4: an accounting system in which financial transactions and other events are recognized based on System 3, but some modifications are adopted. Certain classes of assets or liabilities are not recognized.</p>	=	=	=	=	

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#	Question 4b-FINANCIAL PERFORMANCE PRESENTATION: Please tick if the following information is presented on the statement of financial performance. Further, please indicate the system of accounting for each of the items. As a reminder:	Tick	System 1	System 2	System 3	System 4	Source
	(a) Revenue (for current and past year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(Refs)
	(b) Finance costs (for current and past year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(c) Share of the surplus or deficit of associates and joint ventures recognized using the equity method (for current and past year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(d) Pre-tax gain or loss recognized on the disposal of assets or settlement of liabilities attributable to discontinued operations (for current and past year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(e) Surplus or deficit (for current and past year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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<p>Question 3a-STATEMENT OF CHANGE IN NET ASSET TIME OF RECORDING: PLEASE INDICATE WHETHER the accounting systems described below apply to the recognition of the statement of change in net asset.</p> <p>Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below.</p> <p>If one of the accounting systems below is a legal requirement, please provide the reference in the last column.</p>	Tick	Different	Similar	Identical	Source (Refs)
<p>System 1: an accounting system in which the financial transaction and other events are recognized when cash is received or paid. This system measures financial results for a period as the difference between cash receipts and cash payments.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>System 2: an accounting system in which financial transactions and other events are recognized on a System 1 basis during the year, but the payables and/or receivables at year's end are also taken into account. In fact the books are kept open for about several months after year-end.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>System 3: an accounting system in which financial transactions and other events are recognized when they occur and reported in the financial statements of the periods to which they relate.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>System 4: an accounting system in which financial transactions and other events are recognized based on System 3, but some modifications are adopted. Certain classes of assets or liabilities are not recognized.</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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=	Question 5b-STATEMENT OF CHANGE IN NET ASSET PRESENTATION: PLEASE TICK IF THE following information is presented on the statement changes in net assets/equity. Further, please indicate the system of accounting for each of the items.	Tick	System 1	System 2	System 3	System 4	Source
	(a) Surplus or deficit for the period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(Refs)
	(b) Each item of revenue and expense for the period that, as required by other standards, is recognized directly in net assets/equity, and the total of these items	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(c) Total revenue and expense for the period (calculated as the sum of (a) and (b)), showing separately the total amounts attributable to owners of the controlling entity and to minority interests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(d) For each component of net assets/equity separately disclosed, the effects of changes in accounting policies and corrections of errors recognized	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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<p>Question 65-CASH FLOW STATEMENT TIME OF RECORDING: Please indicate whether the accounting systems described below apply to the recognition of the cash flow statement.</p> <p>Also please indicate the degree of similarity (different, similar or identical) of your accounting system with the accounting system described below.</p> <p>If one of the accounting systems below is a legal requirement, please provide the reference in the last column.</p>	Tick	Different	Similar	Identical	Source (Refs)
<p>System 1: an accounting system in which the financial transaction and other events are recognized when cash is received or paid. This system measures financial results for a period as the difference between cash receipts and cash payments.</p>	=	=	=	=	
<p>System 2: an accounting system in which financial transactions and other events are recognized on a System 1 basis during the year, but the payables and/or receivables at year's end are also taken into account. In fact the books are kept open for about several months after year-end.</p>	=	=	=	=	
<p>System 3: an accounting system in which financial transactions and other events are recognized when they occur and reported in the financial statements of the periods to which they relate.</p>	=	=	=	=	
<p>System 4: an accounting system in which financial transactions and other events are recognized based on System 3, but some modifications are adopted. Certain classes of assets or liabilities are not recognized.</p>	=	=	=	=	

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#	Question 6B-CASH FLOW STATEMENT PRESENTATION: Please tick if the following information is presented on the cash flow statement from operating activities (RECEIPTS). Further, please indicate the system of accounting for each of the items.	Tick	System 1	System 2	System 3	System 4	Source
	(a) Taxation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	[REF]
	(b) Transfers (to be used for operations) from other government entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(c) Sales of goods and services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(d) Grants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(e) Interest received	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(f) Other receipts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



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	Tick	System 1	System 2	System 3	System 4	Source
Question 6: CASH FLOW STATEMENT PRESENTATION: Please tick if the following information is presented on the Cash flows from operating activities - Payments. Further, please indicate the system of accounting for each of the items.						
(a) Employee costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(b) Superannuation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) Payments to suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Interest paid	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(e) Other payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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Question 60-CASH FLOW STATEMENT PRESENTATION: Please tick if the following information is presented on the Cash flows from investing activities. Further, please indicate the system of accounting for each of the items.		Tick	System 1	System 2	System 3	System 4	Source
Cash flows from investing activities		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(a) Purchase of property, plant and equipment		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(b) Proceeds from the sale of property, plant and equipment		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(c) Proceeds from the sale of investments		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(d) Purchase of foreign currency securities		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Net cash flows from investing activities		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

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#	Question One-CASH FLOW STATEMENT PRESENTATION: PLEASE tick if the following information is presented on the cash flows from financing activities. Further, please indicate the system of accounting for each of the items.	Tick	System 1	System 2	System 3	System 4	Source
	(a) Proceeds from borrowings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(b) Repayment of borrowings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	(c) Distribution/dividend to government	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Net cash flows from financing activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Net increase/(decrease) in cash and cash equivalents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cash and cash equivalents at the beginning of the reporting period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Cash and cash equivalents at the end of the reporting period	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



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#	Entry		Transaction system	Recording frequency	Qualification	Source [Ref#]
	Name	Entry				
<p>Question 7-BOOKKEEPING SYSTEM: For each of the accounting practices identified in question #1 and followed by your entity, please describe the bookkeeping system in use. Also specify on which transaction system your accounting system is based. In particular, provide the following information:</p> <ul style="list-style-type: none"> ▶ Name of the bookkeeping system ▶ Entry. Please indicate whether the bookkeeping system is single entry/double entry, double accounting for budget/others ▶ Transaction system: The underlying transaction system operates via an enterprise resource planning system (such as Oracle, is SQL based, etc.) or via usual software such as Excel, Access, etc. ▶ Frequency of transaction recording. Are transactions recorded in your transaction system on an hourly, daily, weekly basis? ▶ Qualification. What is the level of education of the staff (school leaver certificate, degree, PhD) <p>In the first column provide the accounting practice number provided in question #1.</p>						

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#	Question 7-BOOKKEEPING SYSTEM: For each of the accounting practices identified in question #1 and followed by your entity, please describe the bookkeeping system in use. Also specify on which transaction system your accounting system is based. In particular, provide the following information:				Source
	Name	Entry	Transaction system	Recording frequency	

▶ Name of the bookkeeping system

▶ Entry: Please indicate whether the bookkeeping system is single entry/double entry, double accounting for budget/others

▶ Transaction system: The underlying transaction system operates via an enterprise resource planning system (such as Oracle, is SQL based, etc.) or via usual software such as Excel, Access, etc.

▶ Frequency of transaction recording: Are transactions recorded in your transaction system on an hourly, daily, weekly basis?

▶ Qualification: What is the level of education of the staff (school leaver certificate, degree, PhD)

In the first column provide the accounting practice number provided in question #1.



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#	Question 8-ACCOUNTING IRREGULARITIES: For each of the accounting practices identified, does the audit report mention accounting errors or irregularities? In the first column provide the accounting practice number provided in question #1.		Source [Ref #]
	Accounting topics	Reasons	



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#	Question 9-APPLICATION OF IPSAS: Please describe the practical issues relating to the application of IPSAS (if any). In particular, please specify what the consequences would be if IPSAS were adopted. In the first column provide the accounting practice number provided in question 1.	Source (Ref #)
	Provide option	



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ADDITIONAL NOTES:



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REFERENCES:

[Ref 1]:.....

[Ref 2]:.....

[Ref 3]:.....

[Ref 4]:.....

[Ref 5]:.....

[Ref 6]:.....

[Ref 7]:.....

[Ref 8]:.....

[Ref 9]:.....

[Ref 10]:.....

[Ref 11]:.....

[Ref 12]:.....

[Ref 13]:.....

[Ref 14]:.....

[Ref 15]:.....

[Ref 16]:.....

[Ref 17]:.....

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PLEASE READ CAREFULLY THIS GENERAL INSTRUCTIONS

Reminder

The focus of the study is on upstream accounts of different categories of public entities for all subsectors of the General Government Sector. (for guidance see Appendix 1 which presents the principles underlying the market significant prices).

All different practices should be surveyed for each level of governments in your country as a Member State of European Union covered by this survey.

The survey is focusing on accounting and auditing issues of primary accounts and not on statistical accounting issues related to national accounts.

All interviews grids should be filled in English.

Methodological approach

The questionnaire of this section seeks to gain a deeper understanding of the auditing standards used. THE SCOPE OF THIS QUESTIONNAIRE IS THE FINANCIAL AUDIT OF THE PRIMARY ACCOUNTS. In the questions hereafter, when not made explicit the word audit should be understood as the financial audit of the primary accounts. The reply to this questionnaire concentrates only on the financial audit of the primary accounts, non financial audit and/or audit of non primary account should be disregarded.

Furthermore the answer to this questionnaire should be provided by the practitioners. A previous survey has identified the differing auditing practices for different subsector of the general government. The respondent to this questionnaire should be part of one of the identified entities and auditing authorities. Indeed in the Appendix 2 the respondent should indicate to which public entity or public authority it belongs to.

The reply to this questionnaire should also be based on research study via internet and others means.

Whether the reply to the following questionnaire is based on interviews or research sources, the sources should systematically be documented in the right column to ensure the traceability requested by Eurostat. In the source column indicate a reference number (Ref1) and in the reference page at the end of the present document provide the detailed reference associated to each reference number (Ref1). If several sources support your answer report several references numbers in the source column.

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<p>QUESTION 1: The quality framework of audit depends on different aspects. In particular, consider the followings:</p> <ul style="list-style-type: none"> ▶ Independence. Is an independent review regulated and who is responsible for such a review? ▶ Design. The design of quality reviews (frequency, by whom etc) if applicable. ▶ Mandate. What is the mandate of the supervision institutions, and is this mandate embedded in the country law? Does the institution have the authority to impose penalties and to enforce corrective actions? ▶ Follow up. How is the follow up of findings monitored and by whom? <p>Please indicate whether the elements of the quality framework (as described in the column applies to the four elements of the quality framework (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).</p>							
▶ Independence. Is an independent review regulated and who is responsible for such a review?	Tick mark	No review applicable	Yes, by governmental body. Please indicate if review is required or voluntary.	Yes, by private institution (for example audit firms)	Yes, internal review (for example peer-review)	Other. Please give brief description below	Source (Ref#)
▶ Independence. Is an independent review regulated and who is responsible for such a review?							

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<p>QUESTION 1: The quality framework of audit depends on different aspects. In particular, consider the followings:</p> <ul style="list-style-type: none"> ▶ Independence. Is an independent review regulated and who is responsible for such a review? ▶ Design. The design of quality reviews (frequency, by whom ect) if applicable. ▶ Mandate. What is the mandate of the supervision institutions) and is this mandate embedded in the country law? Does the institution have the authority to impose penalties and to enforce corrective actions? ▶ Follow up. How is the follow up of findings monitored and by whom? <p>Please indicate whether the elements of the quality framework (as described in the column applies to the four elements of the quality framework (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).</p>									
	Tick mark	No review applicable	Frequency (for example yearly etc.)	Preventive	Afterwards	High level review (some aspects)	Integral (all aspects)	Other	Source
#									(Refs)
	▶ Design. The design of quality reviews (frequency, by whom ect) if applicable.	No mandate	Yes, mandate embedded in country law	Yes, authority to impose penalties	Yes, authority to impose corrective actions	Other			Source

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<p>QUESTION 1: The quality framework of audit depends on different aspects. In particular, consider the followings:</p> <ul style="list-style-type: none"> ▶ Independence, is an independent review regulated and who is responsible for such a review? ▶ Design, The design of quality reviews (frequency, by whom ect) if applicable. ▶ Mandate, What is the mandate of the supervision institution(s) and is this mandate embedded in the country law? Does the institution have the authority to impose penalties and to enforce corrective actions? ▶ Follow up, how is the follow up of findings monitored and by whom? <p>Please indicate whether the elements of the quality framework (as described in the column applies to the four elements of the quality framework (as described on the rows), if more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).</p>			
=	findings monitored and by whom?	authority	(Ref#)

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QUESTIONZ: Please provide insights on the level of education and qualifications of the auditors. In particular specify the following aspects: ▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, etc.) of the auditors performing the audits? ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental/financial information? ▶ Independence. How is the independence of the auditor regulated/ensured by law? ▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, etc)? ▶ Supervision. How is the supervision of the audit profession structured and how is this legally embedded? ▶ Enforcement. Describe the structure of the disciplinary measures and how they are legally embedded. Please indicate whether the choices (as described in the column) applies to the aspects of education (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).	No qualification required		Yes, by private institution (for example audit firms)	Yes, internal review (for example peer-review)	Other	Other	Source
	Tick mark		Yes, Please indicate degree of education (for example academic)	Yes, Please give brief description below			[Ref:]
▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, etc.) of the auditors performing the audits?							



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QUESTION 2: Please provide insights on the level of education and qualifications of the auditors, in particular specify the following aspects:							
		Yes	No	Some what	Other (please give brief description)	Source	
		Tick mark				[Refs]	
<ul style="list-style-type: none"> ▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, ect.) of the auditors performing the audits? ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental financial information? ▶ Independence. How is the independence of the auditor regulated/ensured by law? ▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, ect)? ▶ Supervision. How is the supervision of the audit profession structured and how is this legally embedded? ▶ Enforcement. Describe the structure of the disciplinary measures and how they are legally embedded. <p>Please indicate whether the choices (as described in the column) applies to the aspects of education (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).</p>							
<ul style="list-style-type: none"> ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental financial information? 							



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QUESTION 2: Please provide insights on the level of education and qualifications of the auditors. In particular specify the following aspects: <ul style="list-style-type: none"> ▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, etc.) of the auditors performing the audits? ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental financial information? ▶ Independence. How is the independence of the auditor regulated/ensured by law? ▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, etc)? ▶ Supervision. How is the supervision of the audit profession structured and how is this legally embedded? ▶ Enforcement. Describe the structure of the disciplinary measures and how they are legally embedded. <p>Please indicate whether the choices (as described in the column) applies to the aspects of education (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).</p>	Level of independence required:			Source
	Yes, embedded in country/ law and/or other regulations	Specific aspects	Medium/ average	
▶ Independence. How is the independence of the auditor regulated/ensured by law?				[Refer]

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QUESTION 2: Please provide insights on the level of education and qualifications of the auditors. In particular, specify the following aspects:							
▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, etc.) of the auditors performing the audits? ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental/financial information? ▶ Independence. How is the independence of the auditor regulated/ensured by law? ▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, etc)? ▶ Supervision. How is the supervision of the audit profession structured and how is this legally embedded? ▶ Enforcement. Describe the structure of the disciplinary measures and how they are legally embedded.							
Please indicate whether the choices (as described in the column) applies to the aspects of education (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).							
	Tick mark	No requirements	Accreditation (for public auditing) required	Permanent education required	Enrolment quality (or professional association of auditors) registers.	Other	Source
▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, etc)?							[Refer]
▶ Supervision. How is the supervision of the audit profession structured and how	Tick mark	No supervision applicable	Internal review (peer review)	Regulatory requirement regarding	Disciplinary power is applicable	Other (please give brief description)	Source

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QUESTION 2: Please provide insights on the level of education and qualifications of the auditors. In particular specify the following aspects: ▶ Qualifications. What are the qualifications (academic backgrounds, degree of education, etc.) of the auditors performing the audits? ▶ Study programme. Is public auditing part of the study programme to become a certified/qualified auditor with the ability to issue an audit opinion on governmental financial information? ▶ Independence. How is the independence of the auditor regulated/ensured by law? ▶ Expertise. How is the expertise of the auditor ensured (by enforcing (permanent) education, registration, etc)? ▶ Supervision. How is the supervision of the audit profession structured, and how is this legally embedded? ▶ Enforcement. Describe the structure of the disciplinary measures and how they are legally embedded. Please indicate whether the choices (as described in the column) applies to the aspects of education (as described on the rows). If more than one choice is applicable, please tick mark all relevant boxes (more than one choice is possible).							
is this legally embedded?	Enforcement: Describe the structure of the disciplinary measures and how they are legally embedded.	Tick mark	Enforcement embedded in country laws (and/or regulations)?		Disciplinary measurements applicable (such as penalty, corrective actions)	Other (please give brief description)	Source
			No enforcement applicable	Yes			
							[Refer]

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#	Name of the flows under audit	Do not apply		Always applicable	[Ref #]
		Do not apply	Partially applicable		
	Information technology (IT) (IT environment, change management, access to programs etc.)				
	Processes (segregation of duties etc.)				
	Assets			"	
	Liabilities			"	
	Expenditures			"	
	Income			"	
	Cash flow			"	

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#	QUESTION: - Please describe flows and processes under audit, and indicate whether the flows and processes that will be used for EDP calculation/deficit compilation will be audited In particular, please specify the followings: <ul style="list-style-type: none"> ▶ Completeness: is the completeness of the information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) part of the audit approach? if not: how does this information reconcile to the flows and processes under audit, or is there no insight into reconciliation? ▶ Reliability: how is the reliability of this information ensured (such as checks and balances, and automated plausibility checks)? 	Source
	Off balance sheet commitments	"
	Annual report (directors report)	"
	Other (please describe)	
	Are the flows and processes under audit (as specified above) part of the EDP inventory reporting?	Partially Yes X
	Completeness: is the completeness of the information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) part of the audit approach?	Partially please give brief description) Yes X
		No X
	if not: how does this information reconcile to the flows and processes	No reconciliation available (or not clear) Source



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<p>QUESTION 3: +Please describe flows and processes under audit, and indicate whether the flows and processes that will be used for EDP calculation/deficit compilation will be audited</p> <p>In particular please specify the followings:</p> <ul style="list-style-type: none"> ▶ Completeness, is the completeness of the information that should be part of the EDP/deficit compilation (including social funds, state owned entities, etc.) part of the audit approach? if not: how does this information reconcile to the flows and processes under audit, or is there no insight into reconciliation? ▶ Reliability, how is the reliability of this information ensured (such as checks and balances, and automated plausibility checks)? 				Source	
	<p>under audit, or is there no insight into reconciliation?</p>				
<p>Reliability, How is the reliability of this information ensured (such as checks and balances, and automated plausibility checks)?</p>	Reliability not ensured	Plausibility checks	Other checks and balances	Audit	Source
				X	

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Name of the flows under audit	Audit requirements:		Selection process:	Source (Ref #)
	No requirements	Required by laws and/or regulations (specify which law)		
Information technology (IT) (IT environment, change management, access to programs etc.)				
Processes (segregation of duties etc.)				
Assets				
Liabilities				
Expenditures				



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 Hyperlink:

QUESTION 4: Please provide insights into the selection, methods of the flows to be audited and requirements, in particular specify the followings:							Source
<ul style="list-style-type: none"> ► Selection process. Describe which flows and processes are under audit and how are the flows and processes under audit selected. ► Legal requirements. Is there any law, act or regulation that lays down which flows and processes are to be audited? If so, please describe what the major requirements are and to what extent this covers the information flows and processes relevant for the EPP calculation and deficit compilation 							
#				Yes	Partially	No	Source
	Existence and occurrence	Completeness	Accuracy and valuation	Rights and obligations	Presentation and disclosure	Lawfulness / rightfulness (compliance with laws and regulations)	Other requirements (please give brief description)
	Income						
	Cash flow						
	Off balance sheet commitments						
	Annual report (directors report)						
	Are the flows and processes under audit (as specified above) part of the EDP (inventory reporting)?						
	What are assertions covered by the audit?	X	X	X	X	X	

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process :

Country : Source : Prepared by : Date :

Email address of respondent:

Hyperlink :

#	Process (please give brief description)	Requirements for feedbacks		Tracking system		Source [Ref #]
		Yes (please give brief description)	No	Yes (please give brief description)	No	
		Requirements for feedbacks		Tracking system		
	<p>QUESTION 5: Please describe how findings and recommendations are discussed and the process of getting feedback and tracking follow up. The aims of this question are to understand how the audit findings and recommendations are discussed and the process of getting feedback and tracking follow up, it should be clear that the process surveyed here is the process of getting feedback and not one of the audited processes.</p> <p>In particular, please specify</p> <ul style="list-style-type: none"> ▶ Process. The description of the process of getting feedbacks from draft to final report ▶ Requirements for feedbacks. Provide insight into how feedback on the findings and recommendations is requested ▶ Tracking system. Are there tracking systems to follow up on the findings and recommendations? <p>In the first column provides your audited entity/auditing authority number provided in question #1.</p>					
	<p>Please indicate the level the statement below applies to your entity</p> <p>From draft to final report, amendments/changes are made to the content (findings and/or recommendations) are made.</p>	Often	Sometimes (moderate)	Occasionally	Never	Source [Ref]
			X			



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process :

Country : Source : Prepared by : Date :

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Amendments/changes of the report affect essential findings/ recommendations.				X	
The auditee (the entity subject to the audit) gives feedback on the findings and/or recommendations in the report. (Please indicate in the applicable column(s) the job title (for example board of directors, supervisory board or government equivalent such as city board).				X	
Follow up of findings and implementations are monitored / tracked.	X				
EPP information is part of the reporting process.				X	

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



Survey Nature and scope of the auditing process: INTERVIEW SCHEDULE

Country: Source: Prepared by: Date:
 Email address of respondent:
 Hyperlink:

#	QUESTION 6: Please specify the audit time line and frequency. In particular please indicate:			Source
	EUROSTAT deadline	Own deadline	Frequency of the audit	
				[REF#]



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process :

Country : Source : Prepared by : Date :
 Email address of respondent :
 Hyperlink :

QUESTION 7: Please specify the visibility of audit results, in particular.		No legal requirement (voluntary)			Source
#	Are audits made available to the public? Are audit results submitted to a national authority? Which actions are undertaken once the audits results are made available? If more than one choice is applicable, please tick mark all relevant columns (more than one choice is possible).	Legally required	No legal requirement (voluntary)		[Ref]
			Often	Sometimes	
I	Audit results are available to:	the entity			
		the parent entity			
		to government (or subsector of government)			
		to supervision authority			
		Other (please give brief description)			
Actions undertaken once results are made available:	Internal (follow up by the entity)				
	Action by government (or subsector), for example review, corrective actions etc.				
	Action by supervision authority				

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

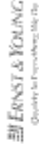


Survey Nature and scope of the auditing process: INTERVIEW SCHEDULE

Country: Source: Prepared by: Date:
 Email address of respondent: Hyperlink:

QUESTION 8: Please describe the applicable audit standards. In particular, specify the followings:				Source
Auditing standards applied	Mandatory/Voluntary	Differences to ISA and ISSAI (if applicable)		
		Different	Close / Identical	
				(Ref #)
Differences with ISA and ISSAI. If auditing standards currently used are not ISA and ISSAI, please explain the main differences compared to ISA and ISSAI				

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process:

Country: _____ Source: _____ Prepared by: _____ Date: _____
 Email address of respondent: _____
 Hyperlink: _____

QUESTION 9: Please describe the audit methodology used and the applicable audit principles. In particular specify the followings:					Source
#	Risk assessment (yes/no)	Process	Key controls	Roles	Results (assurance: yes/no)
					[Ref #]



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process :

Country : Source : Prepared by : Date :

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ADDITIONAL NOTES



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

INTERVIEW SCHEDULE

Survey Nature and scope of the auditing process :

Country : Source : Prepared by : Date :

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Hyperlink :

REFERENCES:

[Ref 1]

[Ref 2]

[Ref 3]

[Ref 4]

[Ref 5]

[Ref 6]

[Ref 7]

[Ref 8]

[Ref 9]

[Ref 10]

[Ref 11]

[Ref 12]

[Ref 13]

[Ref 14]

[Ref 15]

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

Survey Plans and reforms progress INTERVIEW SCHEDULE

Country : _____ Prepared by : _____ Date : _____

Source: _____
 Email address of respondent: _____
 Hyperlink : _____

PLEASE READ CAREFULLY THIS GENERAL INSTRUCTIONS

Reminder

The focus of the study is on upstream accounts of different categories of public entities for all subsectors of the General Government Sector. (for guidance see Appendix 1 which presents the different subsectors of the general government and provides illustrations).

All different practices should be surveyed for each level of governments in your country as a Member State of European Union covered by this survey.

The survey is focusing on accounting and auditing issues of primary accounts and not on statistical accounting issues related to national accounts.

All interviews grids should be filled in English.

Methodological approach

In this section you should interview EY GPS representatives and other relevant governmental representatives such as accounting staff from Ministry of finance and other subsectors of the general government to gain an understanding of the auditing and accounting reforms plans and progresses. The reply to this questionnaire should also be based on research study via internet and others means.

Whether the reply to the following questionnaire is based on interviews or research sources, the sources should systematically be documented in the right column to ensure the traceability requested by Eurostat. In the source column indicate a reference number (Ref#) and in the reference page at the end of the present document provide the detailed reference associated to each reference number (Ref#). If several sources support your answer report several references numbers in the source column.

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



Survey Plans and reforms progress

Country: Source: Email address of respondent: Prepared by: Date:
 Hyperlink:

INTERVIEW SCHEDULE

QUESTION 1: Please specify if there are existing reforms in respect of accounting and/or auditing. Answers examples are highlighted in yellow. In particular please provide the followings:						Source
Reform plan name	Level of government involved	Initiator of the reform	Nature and scope of the existing plans for reform	Objective of this plan	Reasons for implementing a new accounting system	
#						
Reform plans 1	Ministries	Standard setting body	Budget accounting	Move to accrual accounting	Debt crisis	(Self a)



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

Survey Plans and reforms progress

INTERVIEW SCHEDULE

Country : Prepared by : Date :

Source :
 Email address of respondent :
 Hyperlink :

#	intention	Timeline	Source
	<p>QUESTION 2: in the absence of a reform programme in progress, please provide insights (if any) into planned developments, in particular specify the followings:</p> <ul style="list-style-type: none"> ▶ Intention. Does the public entity intend to launch such a programme in future ▶ Timeline. Provide the timeline of these reforms (describe in months, years and the relevant milestones). <p>in the first column provides the accounting practice number provided in question #1.</p>		[Ref #]

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



Survey Plans and reforms progress

INTERVIEW SCHEDULE

Country : Source: Email address of respondent: Hyperlink :

Prepared by : Date :

#	QUESTION 3: PLEASE describe the progress, effectiveness of reforms (objective achieved); in particular please specify the followings:		Source
	Current status	Impact	
			[Ref #]



OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

Survey Plans and reforms progress

INTERVIEW SCHEDULE

Country :
Source:
Email address of respondent:
Hyperlink :

Prepared by :
Date :

ADDITIONAL NOTES:

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OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

Survey Plans and reforms progress

INTERVIEW SCHEDULE

Country :

Source:

Prepared by :

Date :

Email address of respondent:

Hyperlink :

REFERENCES :

[Ref 1] :

[Ref 2] :

[Ref 3] :

[Ref 4] :

[Ref 5] :

[Ref 6] :

[Ref 7] :

[Ref 8] :

[Ref 9] :

[Ref 10] :

[Ref 11] :

[Ref 12] :

[Ref 13] :

[Ref 14] :

[Ref 15] :

[Ref 16] :

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey Consolidation



INTERVIEW SCHEDULE

Country : _____ Source : _____ Prepared by : _____ Date : _____
 Email address of respondent: _____
 Hyperlink : _____

QUESTION 1: If you have controlover other entities according to the definitions below, please reply to the following questions.	Tick
▶ Economic entity means a group of entities comprising a controlling entity (public sector parent) and one or more controlled entities (public sector subsidiaries).	
▶ Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.	
=	
List the names of the controlled entities	
If the followings statement is true, please tick the corresponding row of the last column. You can tick more than one row.	
	(a) Your entity is itself a wholly-owned controlled entity and users of consolidated financial statements of your entity are unlikely to exist or their information needs are met by your controlling entity's consolidated financial statements
	(b) Your entity is partially-owned and controlled by another entity and its owners are informed and do not object to the non-consolidation of the financial statements of your entity and the controlled entities
	(c) The ultimate or any intermediate entity which controls your entity produces consolidated financial statements available for public use that comply with IPSAS
	(d) Your entity has not filed nor is in the process of filing its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market
	(e) Your entity's debts or equity instruments are not traded in a public market

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey Consolidation



INTERVIEW SCHEDULE

Country : _____ Source : _____ Prepared by : _____ Date : _____
 Email address of respondent: _____
 Hyperlink : _____

#	QUESTION 2: Please describe the consolidation process (if any); in particular, provide the following information:				Source
	Scope	Accounting rules	Exceptions	Timetable	
	<ul style="list-style-type: none"> ▶ Scope. Are there specific entities excluded from consolidation? On what basis are the consolidated entities determined (control) approach, risk and reward approach, others)? ▶ Accounting rules. Are balances, transactions, revenues and expenses between entities eliminated in the consolidated accounts? Describe the general procedure for consolidation. ▶ Exceptions. Are there any main exceptions defined by a law or act regarding consolidation? ▶ Timetable. What is the consolidation process timetable? ▶ Availability/Recipients. Is the consolidated information published? Who are the recipients of the consolidated statements (e.g. Parliament, Government, general public, etc.)? <p>In the first column provide the accounting practice number provided in question 1.</p>				[Ref.]

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey Consolidation



INTERVIEW SCHEDULE

Country: _____ Source: _____ Prepared by: _____ Date: _____
 Email address of respondent: _____
 Hyperlink: _____

QUESTIONS: If your entity provides consolidated financial statements please describe the scope for the consolidation process. For each of the statements below tick the corresponding column. = If one of the statements below is a legal requirement please provide the reference in the source column.	None	Some	All	Source
Do the consolidated financial statements take into account the entities from whose activities your entity benefits?				[Ref #]
Does your entity have the power to govern the financial and operating policies of the entity included in the consolidation process?				
Do the consolidated financial statements take into account the entities over which you have control temporarily because they have been acquired and held exclusively for the purpose of disposal, and management is actively seeking a buyer?				

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey Consolidation INTERVIEW SCHEDULE



Country : _____ Prepared by : _____ Date : _____

Source : _____
 Email address of respondent: _____
 Hyperlink : _____

QUESTION 4: Please describe the consolidation process. In particular please indicate whether each of the statements below does not apply, applies or always applies to your entity.	Does not apply	Applies	Always applies	Source
= If one of the statements below is a legal requirement, please provide the reference in the last column. (a) The carrying amount of the shares belonging to the controlling entity in each controlled entity and the controlling entity's share in the net assets/equity of each controlled entity are eliminated				[Ref#]
(b) Minority interests in the surplus or deficit of consolidated subsidiaries for the reporting period are identified separately				
(c) Minority interests in the net assets/equity of consolidated controlled entities are identified and presented in the consolidated statement of financial position separately from liabilities and the controlling entity's shareholders' net assets/equity.				
(d) Minority interests in (c) consist of the amount of the minority interests at the date of the original combination				
(e) Minority interests in (c) consist of the share of changes in net assets/equity attributable to the minority interests since the date of the combination				
(f) Minority interests in (c) consist of (d) and (e)				

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey **Consolidation** **INTERVIEW SCHEDULE**



Ernst & Young
Quality in Accounting, Audit & Tax

Country : Source : Prepared by : Date :
 Email address of respondent:
 Hyperlink :

QUESTION: Based on the definitions below please indicate how investments in subsidiaries, jointly controlled entities and associates are accounted for, by ticking the appropriate column.	Tick	Source
<ul style="list-style-type: none"> ▶ An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture. ▶ Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of significant influence is usually evidenced in one or more of the following ways: <ul style="list-style-type: none"> ▶ Representation on the board of directors or equivalent governing body of the investee ▶ Participation in policy-making processes, including participation in decisions about dividends or other distributions ▶ Material transactions between the investor and the investee ▶ Interchange of managerial personnel ▶ Provision of essential technical information <p>Note that if a public sector investor holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor does have significant influence, unless it can be clearly demonstrated that this is not the case.</p> <p>if one of the statements below is a legal requirement, please provide the reference in the last column.</p>		
<p>■ (a) Investments in subsidiaries, jointly controlled entities and associates are accounted for in separate financial statements</p>		[Ref #]

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey **Consolidation** **INTERVIEW SCHEDULE**



INTERVIEW SCHEDULE

Country : Source : Prepared by : Date :
 Email address of respondent:
 Hyperlink :

QUESTIONS: Based on the definitions below please indicate how investments in subsidiaries, jointly controlled entities and associates are accounted for, by ticking the appropriate column.	Tick	Source
<ul style="list-style-type: none"> ▶ An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture. ▶ Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of significant influence is usually evidenced in one or more of the following ways: <ul style="list-style-type: none"> ▶ Representation on the board of directors or equivalent governing body of the investee ▶ Participation in policy-making processes, including participation in decisions about dividends or other distributions ▶ Material transactions between the investor and the investee ▶ Interchange of managerial personnel ▶ Provision of essential technical information <p>Note that if a public sector investor holds, directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor does have significant influence, unless it can be clearly demonstrated that this is not the case.</p> <p>If one of the statements below is a legal requirement, please provide the reference in the last column.</p>		
(b) Investments in subsidiaries, jointly controlled entities and associates are accounted for at cost		
(c) Investments in subsidiaries, jointly controlled entities and associates are accounted for as financial instruments.		

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES
Survey Consolidation



INTERVIEW SCHEDULE

Country :

Source :

Prepared by :

Date :

Email address of respondent:

Hyperlink :

ADDITIONAL NOTES:

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



Section ACC1 Legal Accounting Requirements

INTERVIEW SCHEDULE

Country : Source : Prepared by : Date :
 Email address of respondent:
 Hyperlink :

#	QUESTION ACC1-3 The objective of this question is to identify the standard setting institution. To do so identify whether there is one or several standard setting bodies in charge of accounting rule. Note that in some countries the enacting of the accounting laws is the parliament whereas the standard setting body is a special-purpose committee. Use the numbering left column to link to the previous question if necessary.	Subsectors				Source
		Central level	State level	Local level	Social Fund	
1						Public corporation
						[Ref #]

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES



Section ACC1 Legal Accounting Requirements

INTERVIEW SCHEDULE

Country :

Source :

Prepared by :

Date :

Email address of respondent:

Hyperlink :

ADDITIONAL NOTES:

OVERVIEW AND COMPARISON OF PUBLIC ACCOUNTING AND AUDITING PRACTICES

INTERVIEW SCHEDULE

Section AUD1 Nature of the scope and power of the audit authorities

Country : Source : Prepared by : Date :
 Email address of respondent:
 Hyperlink :

#	Receiver of the auditor report (legislature, executive level, both)	Subjects included in the reporting (findings, advices, else)	Frequency of the audit reports	Availability of the audit reports (general public, internal use,...)	Mandatory/voluntary reporting	Subsectors				Source	
						Central level	State level	Local level	Social fund		
1										Public corporation	[Ref #]



QUESTION AUD1-2: The objective of this question is to understand the structure of the audit reports.
 To do so the followings need to be identified:

- ▶ To whom does the auditor report
- ▶ The subjects included in reporting (findings, advices, others)
- ▶ The frequency of the reporting
- ▶ The availability of the reporting general public, internal use,...)
- ▶ If reporting is mandatory and required by law

Use the numbering left column to link to the previous question.

Annex 4 List of respondents

List of people contacted in the first wave

Table 468 : List of person who have received the questionnaire

Institution	First Name	Name	Email	Pays
Statistics Austria	Werner	Holzer	Werner.Holzer@statistik.gv.at	Austria
Statistics Austria	Walter	Stübler	Walter.Stuebler@statistik.gv.at	Austria
National Bank of Belgium	Claude	Modart	claudemodart@nbb.be	Belgium
National Bank of Belgium	Kris	Van Cauter	kris.vancauter@nbb.be	Belgium
National Statistical Institute	Antonia	Pacheva	APacheva@nsi.bg	Bulgaria
Ministry of Finance	Tsvetanka	Chipeva	tz.chipeva@minfin.bg	Bulgaria
Bulgarian National Bank	Kornelia	Bezhanova	Bezhanova.K@bnbank.org	Bulgaria
Treasury of the Republic	Leftkos	Papadopoulos	lpapadopoulos@treasury.gov.cy	Cyprus
Audit Office of the Republic of Cyprus	Christakis	Hijlossif	cao@audit.gov.cy	Cyprus
Czech Statistical Office	Ludmila	Vebrova	ludmila.vebrova@czso.cz	Czech Republic
Czech National Bank	Ivan	Matalik	ivan.matalik@cnb.cz	Czech Republic
Ministry of Finance	Vojtech	Cizik	vojtech.cizik@mfcz.cz	Czech Republic
Statistics Denmark	Jesper	Feddersen	jef@dst.dk	Denmark
The National Audit Office (Rigsrevisionen)	Rasmus Hyll	Bruun	rhb@rigsrevisionen.dk	Denmark
Statistics Estonia	Agnes	Naarits	agnes.naarits@stat.ee	Estonia
Statistics Finland	Mira	Lehmuskoski	mira.lehmuskoski@stat.fi	Finland
Directorate General Public Finances	Patrick	Augeraud	patrick.augeraud@dgfip.finances.gouv.fr	France
CNoCP	Daniele	Lajoumard	Daniele.Lajoumard@igf.finances.gouv.fr	France
CNoCP	Delphine	Moretti	delphine.moretti@finances.gouv.fr	France
German Federal Statistical Office	Thomas	Forster	thomas.forster@destatis.de	Germany
Ministry of Finance	Thomas	Knörzer	Thomas.Knoerzer@bmf.bund.de	Germany
National Court of Auditors	Daniel	Tibor	Daniel.tibor@brh.bund.de	Germany
Ministry of Finance	Eleni	Nikolaou	enikolao@edil-elsyn.gr	Greece
Hellenic Court of Audit		Ostopul	kostopul@otenet.gr	Greece
Ministry for National Economy	Gizella	Csonka	Gizella.csonka@ngm.gov.hu	Hungary
Central Statistics Office	Ciara	O'Shea	Ciara.M.OShea@cso.ie	Ireland
CORTE DEI CONTI	Giovanni	Coppola	ufficio.relazioni.internazionali@corteconti.it	Italy
Ministry of Economy	PierPaolo	Italia	pierpaolo.italia@tesoro.it	Italy

List of respondents

Institution	First Name	Name	Email	Pays
Treasury of the Republic of Latvia				Latvia
Ministry of Finance of the Republic of Lithuania/ Accounting Methodology Department	Ingrida	Muckute	I.Muckute@finmin.lt	Lithuania
National Audit Office of Lithuania/ Audit Development Department/ Audit Methodology Division	Kristina	Navickiene	Kristina.navickiene@vkontrolė.lt	Lithuania
STATEC	Marc	Origer	Marc.Origer@statec.etat.lu	Luxembourg
STATEC	David	Soppelsa	David.Soppelsa@statec.etat.lu	Luxembourg
National Statistics Office	Mark	Galea	mark.b.galea@gov.mt	Malta
Treasury Department	Paulanne	Mamo	paulanne.mamo@gov.mt	Malta
National Audit Office Malta	Charles	Deguara	charles.deguara@gov.mt	Malta
Financial Management and Monitoring Unit, Budget Affairs Division	Michael	Zammit Munro	Michael.zammit-munro@gov.mt	Malta
Ministry of Finance	Noel	Camilleri	noel.camilleri@gov.mt	Malta
Central Statistical Office of Poland	Jerzy	Krysta	J.Krysta@stat.gov.pl	Poland
Supreme Audit Office	Kurzyca	Wiesław	wieslaw.kurzyca@nik.gov.pl	Poland
Statistical Office Portugal	Rute	Dourado	rute.dourado@ine.pt	Portugal
Budget General Directorate	Conceição	Amaral	Conceicao.amaral@dgo.pt	Portugal
National Institute of Statistics	Oana	Mavlea	Oana.mavlea@insse.ro	Romania
National Institute of Statistics, National Accounts Division	Doina	Stanisor	doina.stanisor@insse.ro	Romania
Romanian Court of Accounts, Department II	Iuliu	Tugulescu	iuliu.tugulescu@rcc.ro	Romania
Romanian Court of Accounts, Department II	Dumitru	Teiusanu	N/A	Romania
Statistical Office of Slovakia	František	Bernadic	Frantisek.Bernadic@statistics.sk	Slovakia
National Bank of Slovakia	Jana	Jirsakova	jana.jirsakova@nbs.sk	Slovakia
Statistical Office of the Republic of Slovenia	Andrej	Flajs	andrej.flajs@gov.si	Slovenia
Bank of Slovenia	Sasa	Kovacic	Sasa.Kovacic@bsi.si	Slovenia
Ministry of finance	Belén	Hernández Fernández-Canteli	bhernandez@igae.meh.es	Spain
Ministry of finance	Mercedes	Lebrancón Cortés	mlebrancon@igae.meh.es	Spain
Statistics Sweden	Linda	Lagnerö	Linda.lagnero@scb.se	Sweden
Statistics Netherlands	Léonard	Haakman	lpa.haakman@cbs.nl	The Netherlands
Ministry of Finance	Patrick	Schuerman	p.e.m.w.schuerman@minfin.nl	The Netherlands
Office for National Statistics	David	Bailey	david.bailey@ons.gsi.gov.uk	United Kingdom

Institution	First Name	Name	Email	Pays
H. M. Treasury	Tom	Orford	Tom.Orford@hmtreasury.gsi.gov.uk	United Kingdom

List of people contacted in the 2nd wave

Table 469: List of people contacted - Austria

Institution/ Division	First name	Name	Email
Statistics Austria	Walter	Stübler	walter.stuebler@statistik.gv.at
Rechnungshof	Günter Klaus	Bauer Pichler	pichler@rechnungshof.gv.at
Statistics Austria	Alexander	Ninaus	Alexander.ninaus@statistik.gv.at
Statistics Austria	Karl	Schwarz	Karl.schwarz@statistik.gv.at
Ministry of Finance	Philipp	Paecklar	philipp.paecklar@bmf.gv.at

Table 470: List of people contacted - Belgium

Institution/Division	First name	Name	Email
Federal Public Service of Budget and Management Control	Ludo	Gouber	ludo.goubert@budget.fed.be
	Faska	Khrouz	fkhrouz@ulb.ac.be

Table 471: List of people contacted - Bulgaria

Institution/Division	First name	Name	Email
Minsitry of Finance/Budget Accountning and Payment Procedures	Tsvetanka	Chipeva	Tz.Chipeva@minfin.bg
Minsitry of Finance/Budget Accountning and Payment Procedures	Svetla	Kostova	S.Kostova@minfin.bg
Minsitry of Finance/Government Financial Statistics	Pavel	Kyuchukov	P.Kyuchukov@minfin.bg
Minsitry of Finance/Budget Accountning and Payment Procedures	Nikola	Pavlov	N.Pavlov@minfin.bg
Minsitry of Finance/Budget Accountning and Payment Procedures	Valentin	Pagelski	V.Pagelski@minfin.bg
National Statistical Institute/Unit: Financial statistics/Division: Macroeconomics statistics	Antonia	Pacheva	Apacheva@nsi.bg
National Audit Office/Methodology Unit		Tsvetanova	
National Audit Office/Methodology Unit	Milka	Ivanova	Milka.Ivanova@bulnao.government.bg

Table 472: List of people contacted - Cyprus

Institution/Division	First name	Name	Email
Treasury of the Republic	Chloe	Haralambous	charalambous@treasury.gov.cy
Office of the Accountant General (Treasury of the Republic)	Lefkos	Papadopoulos	lpapadopoulos@treasury.gov.cy

Table 473: List of people contacted – Czech Republic

Institution/Division	First name	Name	Email
Ministry of Finance	Vojtech	Cizik	vojtech.cizik@mfcz.cz
Czech Statistical Office	Ludmila	Vebrova	ludmila.vebrova@czso.cz
Ministry of Finance	Michal	Svoboda	michal.svoboda@mfcz.cz
Ministry of Finance	Miroslav	Halek	miroslav.halek@mfcz.cz
Ministry of Finance	David	Bauer	david.bauer@mfcz.cz

Table 474: List of people contacted – Denmark

Institution/Division	First name	Name	Email
The National Audit Office (Rigsrevisionen)	Rasmus Hyll	Bruun	rhb@rigsrevisionen.dk
The National Audit Office (Rigsrevisionen)	Nanna	Henning	nh@rigsrevisionen.dk
National Statistical Institute	Martin	Rasmussen	MRA@dst.dk
Agency for Modernisation of Public Administration	Erik	Hammer	eha@oes.dk

Table 475: List of people contacted – Estonia

Institution/Division	First name	Name	Email
Statistics Department	Agnes	Naarits	
Ministry of Finance)	Juta	Maar	
National Audit Office	Gert	Schultz	

Table 476: List of people contacted – Finland

Institution/Division	First name	Name	Email
Government finance statistics	Mira	Lehmuskoski	mira.lehmuskoski@stat.fi
National Audit Office	Jaakko	Eskola	Jaakko.eskola@vtv.fi

Table 477: List of people contacted – France

Institution/ Division	First name	Name	Email
CNoCP	Danièle	Lajoumard	Daniele.Lajoumard@igf.finances.gouv.fr
CNoCP	Delphine	Moretti	delphine.moretti@finances.gouv.fr
EY	Thibault	Gontier	thibault.gontier@fr.ey.com
CNAMTS	Joel	Dessaint	
DGFIP	Stephanie	Ledoux	stephanie.ledoux@dgfip.finances.gouv.fr
DGFIP	Alain	Josserand	alain.josserand@dgfip.finances.gouv.fr
Cours des comptes	Marie Pierre	Cordier	
Ministry of health and social services	Camille	Lhernaut	Camille.LHERNAUT@sante.gouv.fr
Ministry of health and social services	laurent	Caussat	laurent.CAUSSAT@sante.gouv.fr
Cours des Comptes	Lionel	Vareille	LVareille@ccomptes.fr

Table 478: List of people contacted – Germany

Institution/ Division	First name	Name	Email
Ministry of Finance	Thomas	Knörzer	Thomas.Knoerzer@bmf.bund.de

Table 479: List of people contacted – Greece

Institution/Division	First name	Name	Email
ELSAT	Maria	Stavropoulou	
Hellenic Court of Audit		Ostopul	kostopul@otenet.gr

Table 480: List of people contacted – Hungary

Institution/Division	First name	Name	Email
Expert group of Ministry for National Economy	Gizella	Csonka	gizella.csonka@ngm.gov.hu
Expert group of Ministry for National Economy	Zoltán	Pankucsi	
Expert group of Ministry for National Economy	Judit	Adácsi	
Expert group of Ministry for National Economy	Edit	Németh	

Table 481: List of people contacted – Ireland

Institution/ Division	First name	Name	Email
Central Statistics Office	Ciara	M.OShea	Ciara.M.OShea@cso.ie

List of respondents

Institution/ Division	First name	Name	Email
Dept. of Public Expenditure & Reform	Joan	Curry	Joan.Curry@per.gov.ie
Dept. of the Environment	Emma	Reeves	Emma.Reeves@environ.ie
Local Government Audit Service	Conor	Cummins	Conor.Cummins@environ.ie

Table 482: List of people contacted – Italy

Institution/Division	First name	Name	Email
Ispettorato generale per la contabilità e la finanza pubblica - I.Ge.Co.Fi.P. -	Ministry of Finance	Italia	pierpaolo.italia@tesoro.it
Ispettorato generale per la contabilità e la finanza pubblica - I.Ge.Co.Fi.P. -	Ministry of Finance	Scafuri	emilia.scafuri@tesoro.it
Ispettorato generale per la contabilità e la finanza pubblica - I.Ge.Co.Fi.P. -	Ministry of Finance	Bessone	marcello.bessone@tesoro.it

Table 483: List of people contacted – Latvia

Institution/Division	First name	Name	Email
The Treasury of the Republic of Latvia	Ilze	Meldere	kase@kase.gov.lv
The Treasury of the Republic of Latvia	Ligita	Agleniece	kase@kase.gov.lv

Table 484: List of people contacted – Lithuania

Institution/Division	First name	Name	Email
Ministry of Finance of the Republic of Lithuania/ Accounting Methodology Department	Muckute	Ingrida	I.Muckute@finmin.lt
National Audit Office of Lithuania/ Audit Development Department/ Audit Methodology Division	Navickiene	Kristina	Kristina.navickiene@vkontrole.lt

Table 485: List of people contacted – Luxembourg

Institution/Division	First name	Name	Email
Statec	David	Soppelsa	David.Soppelsa@statec.etat.lu
Statec	Marc	Origer	Marc.Origer@statec.etat.lu
IGF	Jean-Marie	Haensel	Jean-Marie.Haensel@igf.etat.lu
Ministère de l'intérieur	Marc	Leonhard	Marc.Leonhard@ml.etat.lu
Inspection générale de la Sécurité Sociale IGSS	Raymond	Wagener	Raymond.wagener@igss.etat.lu

Table 486: List of people contacted – Malta

Institution/ Division	First name	Name	Email
Treasury Department	Paulanne	Mamo	paulanne.mamo@gov.mt
Financial Management and Monitoring Unit, Budget Affairs Division	Michael	Zammit Munro	Michael.zammit-munro@gov.mt
NAO Malta	Charles	Deguara	charles.deguara@gov.mt
NAO Malta	Brian	Vella	brian.vella@gov.mt
Treasury department	Sharon	Debono	sharon.debono@gov.mt
National Statistics Office	Mark	Galea	mark.b.galea@gov.mt

Table 487: List of people contacted – The Netherlands

Institution/Division	First name	Name	Email
statistics	Leonard	Haakman	lpa.haakman@cbs.nl
Ministry of Finance	Patrick	Schuerman	
EY Accountant specialist central government		M. de Vries	Michiel de Vries@nl.ey.com

Table 488: List of people contacted – Poland

Institution/Division	First name	Name	Email
Ministry of Finance Dep. Supreme Audit Office National Council of Regional Offices of Accounts	Wieslaw	Kurzyca	wieslaw.kurzyca@nik.gov.pl
Ministry of Finance Accounting Department	Michal	Bareja	michal.bareja@mf.gov.pl
Central Statistical Office of Poland	Jadwiga	Niszczoła	Sekretariat-BAK@stat.gov.pl

Table 489: List of people contacted – Portugal

Institution/Division	First name	Name	Email
General Budget Directorate	Conceição	Amaral	Conceicao.amaral@dgo.pt
National Statistics Institute	Rute	Dourado	rute.dourado@ine.pt
General Budget Directorate	João	Lucas	joao.lucas@dgo.pt

Table 490: List of people contacted – Romania

Institution/Division	First name	Name	Email
National Institute of Statistics, National Accounts Division	Oana	Mavlea	oana.mavlea@insse.ro
National Institute of Statistics, National Accounts Division	Doina	Stanisor	doina.stanisor@insse.ro
Romanian Court of Accounts, Department II	Iuliu	Tugulescu	iuliu.tugulescu@rcc.ro
Romanian Court of Accounts, Department II	Dumitru	Teiusanu	N/A
Romanian Court of Accounts, Department I	Aurona	Marta Pelea	aurona.pelea@rcc.ro
Romanian Court of Accounts, Department I	Mariana	Punguta	mariana.punguta@rcc.ro
Romanian Court of Accounts, Department I	Moise	Popescu	moise.popescu@rcc.ro
Romanian Court of Accounts, Department I	Adrian	Gogolan	adrian.gogolan@rcc.ro
Ministry of Public Finance, General Department of Budgetary Politics Synthesis	Dumitru	Costache	dumitru.costache@mfinante.ro
Ministry of Public Finance , General Department of Budgetary Politics Synthesis	Anne	Stefan	anne.stefan@mfinante.ro
Ministry of Public Finance, General directorate: Methodology for the Accounting of Public Institutions	Georgeta	Alecu	georgeta.alecu@mfinante.ro

Table 491: List of people contacted – Slovakia

Institution/Division	First name	Name	Email
Ministry of Finance	Lucia	Kašiarová	lucia.kasiarova@mfsr.sk
Ministry of Finance	Miriam	Majorová	miriam.majorova@mfsr.sk

Table 492: List of people contacted – Slovenia

Institution/Division	First name	Name	Email
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Institution/Division	First name	Name	Email
Statistical Office of the Republic of Slovenia National accounts	Marjana	Klinar	Marjana.Klinar@gov.si
Court of Audit of the Republic of Slovenia	Petra	Zemljč	petra.zemljic@rs-rs.si
Court of Audit of the Republic of Slovenia	Nevenka	Cukon Mavec	nevenka.cukon-mavec@rs-rs.si

Table 493: List of people contacted – Spain

Institution/Division	First name	Name	Email
Ministry of finance	Belén	Hernández Fernández-Canteli	bhernandez@igae.meh.es
Ministry of finance	Mercedes	Lebrancón Cortés	mlebrancon@igae.meh.es
Administrador de infraestructuras ferroviarias	Manuel	Martinez Cepeda	mcepeda@adif.es

Table 494: List of people contacted – Sweden

Institution/Division	First name	Name	Email
Statistics Sweden	Linda	Lagnerö	Linda.lagnero@scb.se
Swedish National Financial Management Authority	Ingemar	Härneskog	Ingemar.harneskog@esv.se
Swedish National Financial Management Authority	Claes-Göran	Gustafsson	Claes-goran@gustafsson@esv.se
Swedish National Audit Office	Filip	Cassel	Filip.cassel@riksrevisionen.se
Swedish National Audit Office	Inge	Danielsson	Inge.danielsson@riksrevisionen.se
Swedish Association of Local Authorities and Regions	Karin	Tengdelius	Karin.tengdelius@skl.se
Swedish Association of Local Authorities and Regions	Kajsa	Jansson	Kajsa.jansson@skl.se

Table 495: List of people contacted – UK

Institution/ Division	First name	Name	Email
HM treasury	Philip	Trotter	philip.trotter@hmtreasury.gsi.gov.uk
HM treasury	Chris	Wobschall	Chris.Wobschall@hmtreasury.gsi.gov.uk

