THE PUBLIC SECTOR ACCOUNTING REFORM IN SLOVAKIA

LUCIA KAŠIAROVÁ
MINISTRY OF FINANCE OF THE SLOVAK REPUBLIC
VIENNA
26 NOVEMBER 2018
THE PUBLIC SECTOR ACCOUNTING REFORM IN SLOVAKIA

- Why Slovakia introduced the Public Sector Accounting Reform
- What were the main components of the reform
- What we have learned from the reform
Before the reform, the public sector struggled with the following issues:

- Not unified accounting methodologies for public sector accounting units
- No or limited data about revenues, expenses, provisions, contingent liabilities
- System for collecting of accounting and financial information without access to individual data
- Not sufficient controls over the data quality
- Poor understandability of financial statements for the public
- No systematic educations of public sector accountants
The objective was to address the main issues in order to strengthen the institutional capacity for budgeting, expenditure management and the financial management of government operations:

- Program budgeting
- Multi-annual budgeting
- State Treasury
- Agency for Debt and Liquidity Management
- Uniform accrual accounting and reporting
The accounting reform **initiation, steering and political support:**

- The project: *Implementation of Uniform State Reporting and Accrual Accounting* started after the strategy for accruals implementation was adopted by the government.
- Main motivation: Strengthen public finance management and transparency
- The project was overseen by the Steering Committee, that regularly updated the government about the project progress.
- The project was managed by the senior management with good expertise of accounting
- The project benefits and progress were intensively communicated with the local governments associations and other important stakeholders
The accounting reform **initiation, steering and political support:**

- The project was not a part of the government primary objectives (Manifesto of Slovak Government) at the beginning.

- An intensive involvement of high level management in communication across the central government during the first years was later gradually replaced by standard processes (education process, consolidation and audit)

- Changes in the National Accounts, the government’s key accountability document, during accruals implementation added to the project acceptance and visibility.
Timetable of **milestones** and **activities**: 

- Project management 2005 - 2012
- Trainings 2006 – 2010
- IT system for collection of data and consolidation 2007 - 2010
- Implementation on Individual level 1.1.2008
- Implementation on Consolidated level 2010-2011
- External Audit and Annual Report 2012
After the reform, the Slovak public sector **benefits** from:

- New accounting standards contain the accrual principle and consolidation principle.
- Unification of accounting practices: as all public sector accounting entities are using the same accounting standards.
- Uniform structure of financial statements given to ensure consistency for collection and aggregation of accounting data.
- IPSAS based accounting framework (developed in cooperation with external experts auditors and experts from universities)

* Differences between national accounting legislation and IPSAS are documented and regularly discussed *
Main components of the reform:

- New accounting and reporting standards,
- Improvement of information systems for recording, processing and analyzing accounting data,
- Communication and improvement of public sector accountants skills.
Roadblocks encountered:

- The public sector’s structure, the number of public sector entities
- Direct adoption of IPSAS versus national accounting standards
- Development of one central accounting system versus development of information systems for data collection, processing and consolidation
- Consolidation process
- External audit of consolidated financial statements
Primary **benefits:**

- Available accrual accounting data for fiscal reporting
- Better control about the quality of accounting data
- Financial statements in public sector are comparable and are understandable for wider public
- Higher level of knowledge and skills of public accountants
- Improved understanding of costs, but still an emphasis on “near cash” appropriations
Lessons learnt:

- Integral Part of Public Finance Management Reform
- Strong but Silent Political Support
- Use of Private Sector Experience
- Dedicated Internal (MoF) Capacities
- Trainings for Public Sector Accountants
- Communication is the key
- On-Going Process
Current status and way forward:

- External Audit of Consolidated Financial Statements
- Fine-tuning of Consolidation Process
- Learn to use the information that the accrual accounting system offers in an effective way
- Centralization and unification of economic systems
Ministry of Finance of the Slovak Republic

Štefanovičova 5
P.O.Box 82
817 82 Bratislava 15
Slovak Republic
www.finance.gov.sk

Lucia Kašiarová FCCA
State Reporting Section
lucia.kasiarova@mfsr.sk
THANK YOU FOR YOUR ATTENTION