



THE PUBLIC SECTOR ACCOUNTING REFORM IN SLOVAKIA

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- Why Slovakia introduced the Public Sector Accounting Reform
- What were the main components of the reform
- What we have learned from the reform



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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



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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
- New accounting and reporting standards preparation 2005 - 2006
- 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



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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



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