



Lessons Learned

Reform of the public sector accounting and reporting system in Slovakia

Case study

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October 2011

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1. Executive summary

The purpose of the case study is share the experience of public finance reforms implemented in the Slovak Republic and to provide recommendations to the beneficiary countries of the Public Finance for Development Programme and to other transition countries in the region.

Lessons Learned summarized:

- the reasons, why the Ministry of Finance in Slovakia (MF SR) decided to introduce public sector accounting reform,
- the reform components and milestones,
- the key aspects of the reform we have had to take seriously into account.

The Slovak Ministry of Finance (MF SR) commenced the reform of public sector accounting and reporting formally in the year **2005** starting the Project: **Introduction of the uniform state accounting and reporting**. However, an early debate about the implementation of accrual accounting, the main objective of the Project, started already in the year 2004.

Before the reform of public sector accounting and reporting system, the accounting system used in the public sector in Slovakia was a **modified cash basis**.

Under the modified cash-based accounting system, the general government sector entities had to record not only cash receipts and cash payments but also long term assets, inventories, receivables, liabilities and of course also cash. They were not obliged to account for accrued expenses, revenues, provisions and value adjustments. In addition to fiscal reporting they had to prepare a general financial statement containing balance sheet and notes, and some selected types of general government sector entities also had to prepare an income statement.

The following main weaknesses of the public sector accounting and reporting system in Slovakia, before the implementation of accrual accounting were identified:

- Different accounting methodologies for general government sector accounting units,
- No, or limited, data about accrued revenues, expenses, provisions, contingent liabilities,
- System for collecting summarized accounting and financial information without access to individual data,
- Poor understandability of financial statements for the public,
- No systematic education of public sector accountants.

To ensure the quality of reported data, the MF SR needed to have access to detailed accounting information. When preparing the ESA 95 reports MF SR experts used estimates to adjust reports with obviously faulty data since they did

not have any access to detailed accounting information from general government accounting entities.

The first and important step of the reform was the adoption of the public sector accounting definition:

Public Sector Accounting is the information system that records, analyses, classifies, summarizes and communicates public sector entity's financial and economic events, and their impacts, in terms of both:

- *The provision of information required by management and senior executives for planning, organizing and control, and*
- *The preparation and provision of financial statements and fiscal reports under specific accounting and reporting standards for external users.*

This definition set the main objective of the public sector accounting and reporting reform. It defined how the accounting and reporting systems in the public sector should be designed and what roles they should play in the management of public finance. The public sector accounting and reporting system should provide timely, accurate and reliable information for management decisions and also for external reporting such as ESA 95 reporting.

During the years **2005 and 2006**, in line with this objective, **new accounting and reporting legislation and standards** were prepared reflecting the following:

- New accounting standards contain accrual and consolidation principles,
- Public sector accounting entities account for and present accounting transactions in the period to which they relate in terms of time and substance,
- All public sector accounting entities use the same accounting standards,
- Uniform structure of financial statements is given to ensure consistency for collection and aggregation of accounting and fiscal statistics data.

The accrual principles were adopted by all general government sector entities from **1 January 2008**, when the new accounting legislation entered into force.

New accrual accounting and reporting standards (accounting legislation, policies, methodology and instructions) were prepared through implementing **the International Public Sector Accounting Standards (IPSAS) by incorporating them into the nation-wide accounting standards.**

However, IPSAS were not taken over in full. **Why did the MF SR decide not to take IPSAS over in full?**

- The main reason is that full understanding of complex standards may be too demanding for public sector accountants. In Slovakia we have nearly 8,000 public sector entities and majority of them have their own accountant. Especially the accountants in small organizations do not have appropriate professional training to understand all IPSAS standards.

- The second reason was to achieve smooth but reasonably gradual transition to accrual accounting principles, so that every phase of IPSAS implementation is analyzed properly, prepared and evaluated with respect to the expected benefits from the transition to particular IPSAS standards.

A detailed description of the current accounting methodology used in the public sector in Slovakia is provided in chapter 4.1. The reader may find the list of currently valid legislation in chapter 4.3. We also list the major differences between IPSAS principles and the current accrual accounting standard in the Slovak public sector in chapter 6.

From the **year 2009**, public sector entities are obliged to prepare not only individual financial statements but also **consolidated financial statements**. That means one set of financial statements (balance sheet, income statement and notes) for a group of entities controlled by another entity, for example all organizations in one budget chapter or entities controlled by a municipality.

Information about the consolidation process and consolidation is provided in chapter 3.4.2.

Besides the development of accrual accounting legislation and standards, the public sector accounting reform had two other very important components:

- Development of an **information system** which would support the data collection and the consolidation process in public administration and,
- Motivation and **education** of the accountants in the public sector to adapt to the changes, because accrual accounting implementation is also a huge cultural change (this, in fact, has turned into a very important component of the reform).

Information system (IS JUS)

Public sector entities may separately procure an accounting information system to keep their accounting evidence in line with legal requirements. Before the implementation of accrual accounting requirements, the central information system had been used only for data collection, summarization and data archiving (Information system of State Treasury and Data Centre).

To support the consolidation process an accounting information system was built by the MF SR – IS JUS (Information system of uniform state accounting). The IS JUS formalizes the procedures of data collection for accounting consolidation and also for statistical consolidation and other fiscal reporting. The data are collected via a “consolidation pack”.

The IS JUS was built not only to collect input data but also to maintain them in the form of a database, to process them, including recording consolidation entries at the top level of the consolidation, and to provide outputs. The development of IS JUS is still in the process and will be finished by the end of the year 2011.

Education

The new accounting and consolidation methodologies required a fundamental change in thinking of accountants. In respect to this, the MF SR provided a free and high quality education program for public sector accountants. In the period from 2006 to 2010 more than fifteen thousand (15 000) public sector accountants were given professional accrual accounting and MF SR systems training. Most of the trainings took place in years 2007 and 2008, shortly before and after the accrual accounting principles were entered in to force.

The MF SR political leadership and senior management recognized that accounting reform is a continuing process.

In 2011, the public sector accounting and reporting system reforms continue with:

Building the IT system – IS JUS enhancement to enable to process the full extent of data from municipalities and from specific public sector entities, such as Social Insurance Agency, State Funds, Public Universities, etc).

Auditing of consolidated financial statements – budget chapters, higher territorial units and municipalities are obliged to have an independent audit of their consolidated financial statements. The MF SR will procure audits of the consolidated financial statements of budget chapters, consolidated financial statements of central government, and summarized statements of public administration (including the public corporations) from independent auditors.

Learning to use the information that the new accounting system offers in an effective way.

Changing the structure and content of the final account– the balance sheet data and information will be included in wider extent.

Based on experience with public sector accounting reforms in Slovakia we would like to conclude that the key **reform success factors** were:

- **High level support from the hierarchy, political and senior support is crucial.** The reform needs a powerful internal project sponsor. In Slovakia this role was ensured by in the MF SR political leadership and senior management. On the strategic level the project was guided by a steering committee composed of the MF SR senior management:
 - The two State Secretaries of MF SR,
 - The MF SR Head of office,
 - The Director General of the National Reporting Section, and
 - The Director General of the Budgetary Policy Section.

The involvement of MF SR senior management was important in decision-making about the IT support, for improving accounting and reporting processes, and in the acceptance of the need of accrual accounting by all affected public sector entities (other ministries, municipalities etc).

- **A High level of expertise of the Project team is essential.** In addition to MF SR employees, external experts and auditors were involved in several stages of the project. Within the education program for public sector accountants, MF SR cooperated with public universities.
- **Adoption/Development of Accounting Standards** must be a joint effort of civil servants and professional accountants/consultants. Based on the Slovak experience it is recommended that this crucial step is led by the Government and conducted jointly with the accountancy profession. This it will be conducted professionally, objectively, and consistently with private sector accrual accounting standards concepts; and linked to appropriate budget management, accountability and transparency goals.
- **Effective communication of the rationale for the reforms.** In this way the overall project perception and acceptance will be improved and the risk of resistance to accounting reform eliminated.
- **Provision of a free and high quality education program for public sector accountants.** The transition from modified cash to accrual accounting requires a fundamental change in thinking by accountants. Accrual accounting also requires more accounting technical skills and knowledge.
- **Recognition that adoption of accrual accounting is part of the overall public finance reform process.** Accrual accounting processes, systems, and reporting should be seen as processes facilitating the attainment of better management of public resources and greater accountability and transparency of public financial management.

2. Public finance reform in Slovakia

The implementation of accrual accounting was a part of the public finance reform in Slovakia. The MF SR started its public finance reform in 2002. The reform had several important components and implementation of accrual accounting was one of them. In Chapter 2 we briefly describe the components of the public finance reform. **To show the effect of public finance reform on the organizational structure of the MF SR, Appendix 6.3 compares the organizational structures in the years 2000, 2004 and 2011.**

2.1. The major components of the public finance management reform in Slovakia

The objective of public finance management reform was to achieve sustainable development of public finances and to meet the criteria for real and nominal convergence, which enabled Slovakia enter to the European Monetary Union. The strategy was based on international experience, which was generalized in the documents issued by OECD, IMF, European Union and other institutions, as well as on experience in managing public finance in Slovakia before the reform.

The main reform initiatives were implemented through the end of 2006. These were mainly related to the development of the legislative framework, institutional building, staffing and capacity development.

The main areas of public finance reform were:

- identification and resolution of old contingent liabilities and hidden debts,
- creation of the methodological and institutional framework for a medium-term macroeconomic framework of fiscal policy,
- implementation of modern methods in budgeting, in particular, results-oriented budgeting (program budgeting) and multi-year budgeting, to increase the efficiency of public resources,
- budget execution through a State Treasury System,
- introduction of a uniform accounting system,
- IT systems integration and support for improved public financial management,
- creation of a public sector training system,
- fiscal decentralization to strengthen the independence and responsibility of the local governments for the use of public funds and provision of services to citizens.

The public finance management reform was a complex technical and institutional reform and became more or less a continuing process. The progress which has been made in recent years has produced a significantly higher quality of public finance



management, increased transparency, significantly reduced risk of sudden fiscal shocks and is positively evaluated in an international context.

In 2002 and 2003 two new budgetary organizations were established: The State Treasury and The Debt and Liquidity Agency as a part of the Public Finance Reform Project. These organizations play an important role in the public sector accounting and reporting system in Slovakia.

The State Treasury

The objective of the State Treasury is to more efficiently execute the public budget. The State Treasury System is the primary tool for comprehensive financial management of state cash, state debt, and the investment of public sector surplus liquidity in short-term periods. The State Treasury ensures the centralization of revenues and implementation of the public budget; manages assets and liabilities of the state budget, and ensures the daily liquidity of the state budget. The State Treasury System also supports the public sector reporting as we describe in chapter 4.2 The Financial Reporting System.

The Debt and Liquidity Management Agency (Agency)

The Agency was legally established on February 1st, 2003. The Agency undertook full competence for operational management of the state debt and liquidity, which resulted in lower costs for state debt management. The strategy of debt Policy remains the responsibility of the MF SR.

In January 2005 The MF SR decided to implement the Project on Introduction of Uniform State Accounting and Reporting (the Project) that became the core of the public sector accounting and reporting reform. In other parts of this document (Part 1, Part 3 and 4) the different areas of this project are described in more detail.

The Project was focused primarily on central and local government organizations which represent almost all public administration. Due to the large number of public sector entities the reform was difficult in respect to administration and process organization.

3. Transition to accrual accounting

3.1. Chronology and brief description of transition period

Discussions about the need to reform public sector accounting in Slovakia started in 2004. In 2005, the MF SR commenced the Project on Implementation of Uniform State Reporting and Accrual Accounting System (the Project) within the PFMR framework. The objective of the Project was to improve macroeconomic performance and fiscal transparency of public finance in Slovakia and ensure compliance with "Acquis Communautaire" requirements related to the budget of European Commission, financial relationships, accounting and public sector reporting on an accrual basis.

Below is the description of the main Project milestones:

Strategy setting

Years 2005 to 2006

The strategy for introduction of public sector accrual accounting was developed by the MF SR and approved by the Slovak Government.

The preparatory phase

Year 2006

The existing fiscal and financial reporting framework was evaluated. The differences between IPSAS and Slovak public sector accounting standards were analyzed. Consequently the new accounting standards were elaborated, whereby:

- Accrual principles were incorporated,
- Methods and principles were set for the consolidation of the public sector entities.

Year 2007

Adequate accounting and fiscal reporting systems and reports including general purpose financial statements were designed.

New accounting legislation was elaborated, approved and put in force.

In order to prepare public sector accountants for the changes in accounting legislation a set of training materials was prepared. The accountants in the public sector were trained for new accounting methodology.

The implementation phase

Years 2008 to 2009

Since 1 January 2008, the general government sector entities account for financial transactions in accordance with accrual accounting standards. General government sector entities also prepare ESA 95 reports on a quarterly and yearly basis from accrual accounting data.

The information system was built for:

- Collecting accounting data from central government entities for preparing the fiscal reports and consolidated financial statements,
- Collecting consolidated data from local governments for preparing the consolidated financial statements,
- Collecting accounting data from local governments for preparing fiscal statistics reports,
- Preparing the consolidated financial statements.

Years 2010 to 2011

In 2010 the general government sector entities in Slovakia prepared for the first time their consolidated financial statements for the accounting period ended at 31 December 2009.

3.2. Project management and project team

The Project is implemented by the MF SR National Reporting Section.

The National Reporting Section is responsible for preparing statistics on general government and data on the general government debt, and also is responsible for preparing public sector accounting legislation. The structure of the National Reporting Section is as follow:

- Division for Legislation and State Reporting (responsible also for external reporting ESA 95 and GFS statistics on general government),
 - Department of Accounting and Reporting Legislation (1 head officer, 3 officers),
 - Department of Consolidation and State Reporting (1 head officer, 6 officers),
 - Department of Implementation of Statistics Standards (1 head officer, 3 officers),
 - Department of Accounting and Reporting of MF SR Chapter (1 head officer, 2 officers).

- Division of Methodology of the State Treasury System,
- Division for Specialised State Operations,

Within the National Reporting Section, the Division of Legislation and State Reporting has overall responsibility for the whole project. The above organizational structure represents the current institutional framework for public sector accounting and reporting at the MF SR. Its formation and changes during the reform implementation period are presented in appendix 6.4. The Project team remained stable for the whole project period and has grown from **3** people in 2005 to **12** in 2011. The increase of the number of the Project team members was triggered mainly by the new capacity needed for the consolidation process, which requires good management of accounting by all public sector entities.

The Project was overseen by the **Steering Committee**, composed of the following members from the MF SR:

- Two State Secretaries,
- Head of Office,
- General Director, National Reporting Section,
- General Director, Budget Section,
- Director of Division for Legislation and State Reporting,
- Project manager (external consultant).

3.3. Strategy setting

In 2004, the public sector accounting system in Slovakia was primarily on a modified cash basis. The public financial management reform up to 2004 was focused mainly on the budget, performance measurement and transparency of public sector finances.

The management of the MF SR recognised that it was important to implement accrual based public sector accounting, in order to:

- Produce error free ESA 95 reporting,
- Strengthen public finance management and transparency.

The transition to public sector accrual accounting in Slovakia began in January 2005. The management of the MF SR and the Slovak Government Office approved the strategy for introduction of accrual accounting in general government sector administration. The main goals of accrual accounting introduction were the improvement of the ESA 95 reporting processes and the quality and timing of accounting information needed for management of the state budget and fiscal position.

Before the decision to introduce accrual accounting in the public sector, the MF SR analyzed the world trend in public sector accounting. For this and other related

activities the MF SR used a World Bank loan to finance technical assistance from an international consultant to:

- Conduct an assessment of the cash modified public sector accounting system,
- Prepare a SWOT analysis for the extension of public sector accounting requirements, in particular regarding the introduction of accrual accounting,
- Analyze the best practice in public sector accounting systems in other countries, and
- Develop the road map – the migration plan - for extension to accrual based accounting practices.

Other countries' experiences

The international consultant prepared for the MF SR management an analysis of implementation process of accrual accounting in several countries, including Canada, France, Netherlands, United Kingdom and the European Commission. The analysis was focused on the scope of accounting reform in these countries, on the transition time frame and on transition resources required. The experiences of the countries and institutions analyzed have highlighted the following areas as needing particular attention:

- From seven to ten years has been needed for public sector transition to accrual accounting, from early debate to full implementation.
- Hiring and retaining people with the needed technical skills is very important to the success of the implementation and continued effective use of accrual accounting.
- Extensive training, at the right times with appropriate focus, is very important to the success of the transition process.

Documents prepared by the international consultant supported the management of MF SR in the decision to introduce the accrual accounting in the general government sector. His close cooperation with the MF SR employees helped the MF SR employees to gain important knowledge about accrual accounting, and about the accounting systems in different countries. His work was also important in communicating the idea of public accounting reform.

The senior management of the MF SR (the Steering Committee) agreed that the International Public Sector Accounting Standards (IPSAS) will provide a base for new accounting and reporting systems in the public sector. A new accrual accounting and reporting methodology (accounting policies and instructions) was prepared by incorporating IPSAS into the nation-wide statutory accounting methodology. **The decision not to take IPSAS as framework and not to apply all standards in public sector accounting in Slovakia was based on the following reasons:**

- **The number of public sector entities** (the public sector hierarchy in Slovakia is shown in Appendix 1). The public sector of the Slovak Republic comprises approximately 8,000 entities. A majority of them are small organizations established by local governments.
- **Gradual introduction of accrual accounting principles.** It was decided by the MF SR that the new accounting legislation will be gradually amended to fully comply with IPSAS.

3.4. Preparatory and implementation phases

In 2006 the MF SR used EU funds to finance the implementation of accrual accounting in the general government sector. The MF SR signed a contract with a consortium of two international consulting companies, university experts and members of the Slovak Chamber of Auditors (SKAU).

The consortium or “group of providers” provided to the MF SR advisory services in 2006 and 2007 in the following components:

- Accounting - preparation of accrual accounting methodology.
- Education – training of 5,470 public sector accountants for accrual accounting and consolidation.
- Consolidation – preparation of a consolidation methodology, draft of consolidation processes, data collection for consolidation purposes.
- Fiscal (ESA 95) reporting – creation of a common database for accounting and statistical reporting.

3.4.1 Accounting

Before transition to accrual accounting

Before the transition to accrual accounting started, the Slovak Government had adopted a partial set of accrual accounting principles for governmental units based on the private sector accounting practices used in Slovakia. The Slovak private sector accounting practices were based on the International Accounting Standards/International Financial Reporting Standards - IAS/IFRS concepts, but with many important exceptions. There were notable omissions in the financial statements.

In addition to that, the accrual principles had been applied differently by some general government sector entities, depending on the type of entity and progressively only in certain areas.

For example:

Selected types of organizations were allowed to keep evidence only on cash inflows and cash outflows.

Generally, all general government sector entities had to account for:

- Non-current assets (property, plant and equipment, non tangible assets, Investments),
- Receivables,
- Liabilities.

Only selected types of public sector entities had to account for:

- Revenues,
- All expenses,
- Provisions,
- Accruals.

All general government sector entities had to prepare financial statements including a balance sheet and notes. The profit and loss statement was different in different types of entities.

In the following section we describe the differences in application of accrual principles in 3 types of public sector entities before transition to accrual accounting: Budgetary organizations, Municipalities and semi-budgetary (or contributory) organizations:

Budgetary organizations established by central government and municipalities).

A budgetary organization is a legal entity of the state, municipality or higher territorial unit, which is connected to the state budget, municipality budget or higher territorial unit budget through its receipts and payments. Budgetary organizations manage budgeted funds and funds received from other entities, and prepare a budget of receipts and payments.

- The budgetary organizations had to keep their accounts using the double-entry bookkeeping system.
- The budgetary organizations did not account for revenues - they only accounted for and reported on specific expenses. The creation, use and release of provisions, as well as the recording of accruals, deferred expenses and revenues were not performed by the budgetary organizations.
- The result (the profit or loss) for the accounting period was not calculated by a comparison of accrual revenues and accrual expenses.
- The budgetary organizations had to prepare financial statements which consisted of a balance sheet, statement of selected expenses and notes to the financial statements.

Municipalities and higher territorial units (local government)

- The municipalities and higher territorial units had to keep their accounts using the double-entry bookkeeping system.
- The municipalities and higher territorial units determined their result for the period (positive or negative difference between receipts of the municipality or higher territorial unit and payments of the municipality or higher territorial unit), using the cash basis of accounting.
- Revenues were not recognized by them; they accounted for and reported defined expenses. The creation, use and release of provisions, as well as the recording of accruals, deferred expenses and revenues was not performed by municipalities and higher territorial units.
- The municipalities and higher territorial units prepared financial statements, consisting of the balance sheet, income statement and notes to the financial statements.

Semi-budget (or contributory) organizations (owned by central government and local government). Contributory organizations are legal entities established by the state, municipality or higher territorial unit. They are linked to the state budget, municipality budget or higher territorial unit budget through contributions from the budget.

- Selected contributory organizations could keep their accounts using the single-entry bookkeeping system (accounting only for receipt and payment).
- Contributory organizations applied the accrual basis of accounting, when recognizing expenses and revenues in their books. However, expenses and revenues did not include those related to the creation, use and release of provisions. Provisions were not recorded in a contributory organization's accounts.
- Contributory organizations determined the result for the period as the difference between their expenses and revenues.
- Contributory organizations had to prepare financial statements consisting of a balance sheet, income statement and notes to the financial statements (if using the double-entry bookkeeping system) or a Report on receipts and payments and a Report on assets and liabilities (if using the single-entry bookkeeping system).

Activities performed during the transition period

After the assessment of public sector accounting the new accounting regulation for public sector, based on IPSAS was prepared and adopted:

- Regulation for the preparation of individual financial statements,
- Guidance on accounting principles, procedures,
- The structure of the balance sheet, income statement and notes to the financial statements.

The current accounting system and overview of valid accounting legislation are discussed in chapters 4.1 and 4.3.

3.4.2 Education

Before transition to accrual accounting

The systematic education of public sector accountants was not developed in Slovakia. A majority of public sector accountants in Slovakia are responsible also for budget preparation and execution. The municipal government employees responsible for accounting also carry out also other supporting functions. Cash based accounting requires less accounting technical skills and knowledge in comparison with accrual accounting, which is for an accountant more demanding.

Activities performed during the transition period

The new accounting and consolidation methodologies required a fundamental change in thinking of accountants. In respect to this, the following trainings were delivered within the Project:

- foundations of accrual accounting,
- accrual accounting of the state and of the self-administration per the IPSAS principles,
- consolidation pack,
- consolidated financial statements, and
- IPSAS.

This training program increased the knowledge of accrual accounting in the Slovak public sector and increased the quality of public sector accounting data.

Overview of number of trainees per training types and year:

Training/year	2006	2007	2008	2009	2010	Total
Foundation of accrual accounting	2 054					2 054
Accrual accounting		7 630	351	103		8 084
Consolidation pack		837	2285			3 122
Consolidated FS		16	418	674	1017	2 125
IPSAS		28				28
Total	2 054	8 511	3 054	777	1 017	15 413

3.4.3 Consolidation

Before transition to accrual accounting

The consolidation process for the public sector financial statement accounting did not exist. However, the process of fiscal statistics data collection and aggregation for statistical consolidation already operated and was strongly supported by the existing IT function.

Activities performed during the transition period

In accordance with IPSAS, an entity that prepares and presents financial statements under the accrual basis of accounting and controls another entity or entities, shall prepare also **consolidated financial statements** for an economic entity. The **economic entity** comprises a group of entities which includes a controlling entity and one or more controlled entities - for example a budget chapter, or a municipality that has subordinate budgetary organizations.

The concept of control is the key for the consolidation of accounting data where an entity which controls other entities prepares consolidated financial statements that also include the controlled entities. The concept of control is defined in IPSAS 6 as "the power to govern the financial and operating policies of another entity so as to benefit from its activities." IPSAS 6 provides detailed guidance for the analysis by a reporting entity in order to determine whether or not it controls another entity.

The accounting legislation was prepared to regulate the consolidation process in line with the principle of economic entity.

It was concluded, that no control relationship exists between:

- higher territorial units and municipalities on their territories,
- the entity of the Central Government (the State) on one side and entities of local governments (higher territorial units and municipalities) on the other side.

In accordance with new accrual accounting legislation, general purpose government entities are obliged to prepare the following financial statements:

- 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);
- The National Reporting Section of MF SR prepares consolidated financial statements for the central government;
- The National Reporting Section of MF SR prepares **summarized financial statements** of public sector using consolidation techniques.

The **summarized financial statements** are not prepared under the control principle, because the scope of the summarization does not represent any economic entity. In fact, the summarized financial statements represent an aggregation of the consolidated financial statements of the central government and of the consolidated and the individual financial statements of the local governments.

The scope of the summarized financial statements of the public sector is provided in Annex 7.2 of this document.

In addition to the legislation that established the consolidation principle in the public sector, the following instructions and methodology were elaborated to support the consolidation process in the public sector:

- Methodological handbook for consolidation,
- Process handbook for consolidation administrator,
- Process handbook for accounting entities preparing consolidated financial statements,
- Process handbook for accounting entities not preparing consolidated financial statements,
- Consolidation pack,
- Consolidation pack manual.

The process handbooks included all aspects needed to define a new process, i.e. they defined:

- all entities involved in this process (competence framework),
- all sub-processes within the main consolidation process,
- activities within sub-processes, including time-schedule, related inputs, outputs, responsibilities,
- mode of using the information systems, including the IS JUS.

During 2009 the budgetary and contributory organizations and local self-governments adapted their accounting systems and procedures to be able to prepare consolidation packages and consolidated financial statements.

The budgetary chapters and local governments prepared for the first time in 2010 the consolidated financial statements for the period ended at 31.12.2009. The MF SR prepared for the first time in 2010 the consolidated financial statements of the central government (the State) for the period ended 31.12.2009.

The MF SR will prepare for the first time the summarized financial statements for the period ended 31.12.2010 of the public sector.

3.2.4 Fiscal reporting

Before transition to accrual accounting

The centralized data collection in electronic form in State Treasury and Data Centre was identified at the beginning of the transition as a significant strength of the fiscal reporting system. Large portions of the required data were obtained electronically from the reporting entities' trial balances. However, since these data did not include accounting accruals and provisions the MF SR experts ran separate statistical investigation using purpose-fit return forms to obtain the information on needed accruals.

The fiscal reporting system was inherently risk-prone due to:

- Reliance on statistical information provided on separate forms to reduce the risk related to missing accounting accruals and provisions.
- The processes of collecting and processing statistical information were not designed or organised to support an accrual accounting framework. These processes neither embed controls and checks comparable to those in the accounting process, nor rely on traceable information. As a result, statistical information typically had lower reliability than accounting information;
- Reliance on end-user computing (MS Excel sheets) for reporting the critical fiscal information.

Activities performed during the transition period

Under the transition to accrual accounting the “data sources” used by MF SR experts for ESA 95 reporting now incorporate accrual data. There is now no need for further adjustments of the aggregate data. The increased quality and availability of accounting data contributed also to the quality of ESA 95 reporting.

The following synergies in financial and fiscal reporting were identified:

- common use for both financial and fiscal reporting of those accounting data that are input for both of them,
- use of activities carried-out within the accounting consolidation for the benefit of the fiscal consolidation,
- use of the same data collection system and of the common information system both for the financial and for fiscal reporting (IS JUS).

The relevant requirements of ESA 95 reporting were reflected in the instructions and consolidation pack that were developed by the Project.

3.2.5 Information systems

Before transition to accrual accounting

Before the implementation of accrual accounting, the central information systems (State Treasury and Data Centre) were used only for data collection, summarization and data archiving.

Public sector entities had to separately procure an accounting information system to be able to keep their accounting evidence in line with legal requirements. They are responsible for the compliance with the accounting legislation. To be compliant they have to set up their accounting procedures in such a way, than enables them fulfil all reporting and other legislative requirements. These rules do not change with the accrual accounting implementation.

Activities performed during transition period

To support the consolidation process an accounting information system was built by MF SR – IS JUS (Information system of uniform state accounting).

The IS JUS formalizes the procedures of data collection for accounting consolidation, fiscal statistics consolidation, and for other fiscal reporting. The following accounting data are collected via the consolidation pack:

- general financial statements,
- transactions between the public sector entities,
- overdue receivables,
- details on provisions,
- details on financial assets,
- details on financial liabilities,
- analytical accrual of expenses and revenues.

IS JUS is designed not only to collect the input data but also to maintain it in the form of a database, to process them including recording consolidation entries at the top level of the consolidation, and to provide outputs in the form and content needed to better manage public sector finances.

3.2.6 Communication

Communication of the reform is very important. The MF SR had to find appropriate channels to present the aims and objectives of the reform of public sector accounting. The progress and status of the project was communicated regularly to the Government. The MF SR was obligated to submit regular reports to the Government every half-year. This semi-annual report included information on Project progress and planned steps in the next semester.

Communication with the professional accountancy public was realized mainly by participation of MF SR`s staff in workshops and conferences. The MF SR prepared and published a lot of information about the Project and important terms through contributions to professional journals and newspapers.

Each budget chapter was offered MF SR help in solving specific accounting problems which arise from their specific activities. During these working meetings a uniform interpretation of accounting standards was provided by the MF SR, which made the transition to new standards easier and without significant problems.

Since May 2008 the MF SR has been providing a Help Desk for all public sector accountants. It is a tool for centralizing all questions and requests for advice on accounting standards, reporting system and consolidation process.

Communication of the MF SR to the general public and all public sector organizations was realized under the Project Communication Strategy prepared in cooperation with consulting companies.

4. Current accounting and reporting system in Slovakia

This section describes the current state of the public accounting and reporting system in Slovakia. It builds on Part 3 of this document, which describe the situation before the reform.

4.1. Accounting

Current accounting standards represent a qualitative movement in accounting for transactions and economic events in the public sector. They make various accounting procedures for different types of organizations in the public sector more uniform. The following issues were standardized for all organizations:

- 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.

The MF SR has adopted the **accrual-basis accounting** principles of IPSAS issued up through 2007. The new Slovak public sector accounting standards are not fully IPSAS compliant, but they are based on IPSAS.

Accrual basis means a basis of accounting under which transactions and other events are recognized when they occur and not only when cash or its equivalent is received or paid, as is used under the cash based or modified cash based accounting systems.

This accrual accounting principle is incorporated in the Slovak Act on Accounting. In accordance with the Act on Accounting, organizations record revenues and expenses in the accounting period in which they are incurred regardless of the date of payment or collection thereof or the date of settlement by other methods. In opposite to this, cash income and cash expenditures shall always be recorded in the accounting period in which they are paid or received.

All public sector administrations keep their accounts using the double-entry bookkeeping system.

An accounting period is identical to calendar year and no exceptions are allowed.

MF SR does not set technical requirements for the accounting information systems used by general government entities. There does not exist a single and uniform accounting information system for all general government entities. However, whichever accounting information system is used, it must meet the substantive requirements for bookkeeping which are defined in the Act on Accounting.

Central government entities and local government entities use the same framework chart of accounts, which consists of 59 accounting groups and 268 synthetic accounts. Synthetic accounts are represented by a three-digit number, for example 021 – Construction.

Revenues and expenses from business activities and from main activities have to be presented separately. Main activity is defined as an activity for which the governmental organization was founded or established. Business or entrepreneurial activity is optional and provides additional resources for financing of main activities. The result (surplus or deficit) is calculated by a comparison of revenue and expenses, in both types of activities.

Accounting of cash income and cash expenditures is based on recording cash transactions realized on bank account or client`s account kept in the State Treasury. Organizations have to use also economic classification for cash income and cash expenditures, which allows for monitoring and assessment of the budget fulfillment.

Assets and their valuation

In the national public sector accounting standards used in Slovakia we use the general account classification “Assets”. Assets can be classified as non-current assets and current assets.

Non-current assets are assets whose useful life, agreed maturity, or other settlement at the time of the accounting transaction exceeds one year. Current assets are assets whose useful life, agreed maturity, or other settlement at the time of the accounting transaction is less than or equal to one year.

But if a specific type of assets can not be classified according this principle, the purpose for which the accounting entity acquired an asset is decisive.

Non-current assets are further classified as:

- non-current intangible assets,
- property, plant and equipment,
- non-current financial assets and
- non-current receivables.

Current assets are further classified as:

- inventory,
- current financial assets, and
- current receivables.

At the date of initial recognition (when first controlled by the organization), assets are valued according to one of the following methods:

- at their acquisition cost,
- at their conversion cost,
- at their nominal value,
- at their replacement cost,

The value of each asset is adjusted at the date of the financial statements to reflect decreases in its future economic benefits or service potential over the reporting period. The reduction in asset value comes from two different types of accrual accounting adjustments made to reflect economic reality:

- depreciation, which is the systematic allocation of the cost of an asset (less its residual value) over its useful life; and
- impairment, which is a loss in the future economic benefits or service potential of an asset, over and above depreciation.

“Fair value” for valuation is not allowed. The main reasons against using fair value are:

- in the Slovak Republic there currently are not sufficiently active markets generating comparable data to determine fair value,
- the use of fair value is still being discussed within the international professional accounting community, and
- at this time, Slovak public sector accountants have not gained enough experience for making fair value judgments.

General Financial Statements

General government entities prepare financial statements in compliance with the Slovak accounting standards defined by the MF SR. The structure of balance sheets and income statements are set by law to ensure consistency for collection and aggregation of statements.

Public sector organizations prepare:

- ordinary financial statements,
- extraordinary financial statements (in case of termination of activities),

Property in the balance sheet is classified by its useful life and liabilities are reported by maturity. Expenses and revenues in the income statement are classified as operating activities, financial activities and extraordinary activities. Surplus or deficit is calculated by comparison of all expenses and all revenues.

The individual financial statements of local governments have to be audited by an independent auditor in accordance with the Act on Accounting.

Consolidated Financial Statement

The content and structure of a consolidated financial statement is consistent with the structure of an individual financial statement.

The Consolidated Financial Statements have to be audited by an independent auditor in accordance with the Act on Accounting.

4.2. Financial reporting system

The system to collect public sector financial data and reports in the Slovak Republic is managed by three organizations – the MF SR, the State Treasury and the Data Centre. The State Treasury and Data Centre are both subordinate organizations of the MF SR. The MF SR sets the relevant requirements, types of forms and determines the dates and methods of their presentation through regulatory measures.

In order to comply with general government sector fiscal statistics reporting requirements of ESA 95 and GFS 2001, the MF SR prepares a full set of reports for Eurostat and the IMF. These fiscal statistics reports have to be prepared by all or selected general government sector entities according to the size of the entity and the method of financing (budgetary or contributory organizations). Entities below a *de minimus* level are excluded from selected reporting.

Central government entities and higher territorial units submit financial reports through the State Treasury System and municipalities submit reports to the Data Centre. An obligation to prepare and submit reports exists for each organization classified as a general government entity. The Statistical Office of the Slovak Republic is responsible for the classification of general government entities. In 2011 Slovak general government sector contains approximately 8,000 entities.

Types of financial reports (except for a general financial statement)

Title	Content	Time preparation	Frequency	Valid for
Fiscal report (1-04) for assessment on budget fulfillment	Cash revenues and cash expenditures under economic classification, functional classification, sources and expenditures by programs. Approved budget, modified budget and actual budget results.	30 days	quarterly	All general government sector entities
Financial report (2-04) on selected assets and selected liabilities	Assets and liabilities except equity, in similar structure to FS.	30 days	quarterly	All general government sector entities
Financial report (3-04) on increasing and decreasing of financial assets and financial liabilities by sectors	Financial instruments on side of assets and on side of liabilities (shares, notes, bonds, loans, bank credits...)	30 days	quarterly	Contributory organizations and local governments (municipalities with more than 3 000)
Financial report (4-01) on classification financial assets and financial liabilities by sectors	Financial instruments on side of assets and on side of liabilities (shares, notes, bonds, loans, bank credits...)	35 days	annually	Contributory organizations and local governments (municipalities with more than 3 000)
Financial report (5-04) on debt by currency and residents	Debt instruments classified by currency and residents (domestic and foreign)	30 days	quarterly	Contributory organizations and local governments (municipalities with more than 3 000)
Financial report (6-01) on debt by maturity	Debt classified by currency, financial instruments, interest rate, maturity	35 days	annually	All public sector entities
Financial report (7-04) on selected receivables and liabilities	Five synthetic accounts with prescribed analytic classification	30 days	quarterly	All public sector entities

The MF SR regularly evaluates the content and structure of all financial reports. Changes are made mainly due to additional or new requirements on financial data required by EU and IMF. Changes in the structure of reports are published after approval by the MF SR and are applied from the beginning of the following year in order to provide organizations with sufficient time to implement these changes into their information systems.

Final Account for each level of public administration

Title	Content	Time preparation	Frequency	Valid for
Final State Budgetary Account, Final Account of Public Administration	Budget revenues and expenditures for state budget and general government sector; data from accounting and other prescribed information	6 months	annually	MF SR
Final Account of Budget Chapter, state funds and other central government units	Information according to directive of MF SR	2 months	annually	Budget chapters, State Funds, Central government units
Final Account of Municipality and Final Account of Higher Territorial Unit	Information according to the Act on Budget rules for local governments	6 months	annually	Municipalities, higher territorial units
Annual Report and Consolidated Annual Report	Information according to the Act on Accounting	1 year	annually	Municipalities, higher territorial units

The Final State Budgetary Account and Final Account of Public Administration

Currently this document consists of three parts, which are called books.

The first part provides an analysis of the macro-economic framework of the economy, overall budget results under the ESA 95 methodology, and developments in central government debt and liquidity management in previous year.

The second part contains budget results only for the state budget – for the state budgetary organizations.

The third part is devoted to other public sector entities such as local governments, state funds, the social insurance agency, public universities and others.

The data presented in the publication are evaluated based on various criteria, for example according to economic classification, functional classification, expenditures according to realized programs, and the use of EU funds resources.

According to the Act on Budget Rules the Final State Budgetary Account contains mainly:

- data about incomes and expenditures of the state budget for the corresponding budget year,
- a summary about the state and development of the public service's debt,
- data about the assets and liabilities of public service including the balance of state assets and state liabilities,
- a summary of reimbursable financial aids and state guarantees rendered,

- a summary about the use of reserve funds,
- a summary of reliefs rendered according to a particular regulation,
- a summary about the state of tax and customs receivables, and
- a summary report about the result of financial control and internal audit.

This document is prepared by the MF SR within 6 months after the end of the previous year and it is submitted for approval to the Slovak Government and the National Council. The National Council decides about the usage of state budget surpluses and about the way of financing state budget deficits.

The Final Account of Budget Chapters

A directive of the MF SR lays down the scope of the data submitted for the purpose of compiling the State Final Account for the respective budgetary year and regulates the content, structure and deadlines for the preparation and submission of final accounts for individual State Budget Chapters and State Funds in the Slovak Republic.

A key section of the Final Account of a Budget Chapter is the one on the Budgetary Performance. It has the following structure:

- Summary characteristics of the Chapter and its performance during the budgetary year concerned,
- Revenues of the Chapter,
- Expenditures of the Chapter,
- The results of the Chapter's budgetary performance,
- Financial operations,
- Employment evaluation,
- Evaluation of audit results,
- Evaluation of the Chapter's balance-sheet position,
- State capital participations in companies,
- Semi-budgetary organizations within the Chapter,
- Prescribed tables about budget results and accounting data.

The Final Account of the Budget Chapters must be submitted to the Division for legislation and state reporting of the MF SR by 20 April of the following calendar year.

According to the Act on Budgetary Rules the Final Budgetary Account of municipality or higher territorial unit contains mainly:

- data about fulfillment of the budget in classification according to budgetary classification,
- balance of assets and liabilities,
- summary about the state and development of debt,
- data about the management of contributory organizations in their competence,
- a summary about guarantees rendered – classified by individual acceptors,
- data about the costs and profits of entrepreneurial activity.

The Final Account of the municipality or of the higher territorial unit is discussed by its governing body within six months after the end of the budget year, at the latest. Final Accounts of municipalities or higher territorial units are not submitted to the MF SR for the purpose of review or approval.

Annual Report and Consolidated Annual Report

Beside the general financial statements and Final Account, the municipalities and higher territorial units have the obligation to prepare Annual Reports and Consolidated Annual Reports. The content of the Annual Report is prescribed in the Act on Accounting - generally for all legal entities (in both the public and the private sectors).

4.3. Slovak accounting standards valid for public sector entities

This section briefly describes all important acts, measures (lower legislation form set in accordance with an act) and directives set by the MF SR for public sector entities.

Accounting

Title	Legal form	Subject of legislation	Drafted by	Applicable to
Act on Accounting	Act (Law)	General rules for: accounting, evaluation methods, financial statement, consolidation, annual report,	MF SR (Taxation and Customs Section)	All public sector organizations and also for all legal persons and natural persons – accounting entities
Regulation of the MF SR defining the details of the accounting procedures and the framework chart of accounts.	Measure	Accounting procedures, accounting methods, content of accounts, framework chart of accounts	MF SR (National Reporting Section)	Budgetary organizations, semi budgetary organizations, state funds, higher territorial units, municipalities
Regulation of the MF SR which defines the structure and content of the <u>individual financial statement</u> , and terms and location for submission of individual financial statement	Measure	Structure and content of a general financial statement,	MF SR (National Reporting Section)	Budgetary organizations, semi budgetary organizations, state funds, higher territorial units, municipalities
Regulation of the MF SR which defines the arrangement, structure and content specification of items of an <u>consolidated financial statement</u> , and terms and location for submission of consolidated financial statement	Measure	Structure and content of a consolidated financial statement,	MF SR (National Reporting Section)	Budgetary organizations, semi budgetary organizations, state funds, higher territorial units, municipalities

Act on Accounting

The law regulates in particular accounting standards, valuation of assets and liabilities, financial statements, the consolidation process in the public sector, and penalties for breaking the law. It is legally binding for all legal organizations in the Slovak Republic, and for entrepreneurs and foreign legal entities operating in the Slovak Republic. There is no version of this act specific to public sector entities. The law is in accordance with EU directives, in particular with Directive No. 4 (Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies), No. 7 (Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts), and Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, Council Directive 91/674/EEC of 19 December 1991 on annual accounts and consolidated accounts of insurance undertakings.

MF SR Regulations for accounting

In accordance with Act on Accounting the MF SR lays down details regarding the framework of charts of accounts applicable to individual groups of accounting entities that keep accounts in the double-entry bookkeeping system; accounting transaction dates; accounting procedures; the structure and designation of items in the individual financial statements and in the consolidated financial statements in public administration, including the contents of such items; the extent of data in financial statements intended for publication, and; the dates, methodologies and location for submitting financial statements.

Reporting

Title	Legislation form	Subject of legislation	Setter	Valid for
Act on Budgetary Rules of the public service	Act (Law)	Final account of Public Administration, Final State Budgetary Account, Final Account of Budget Chapter	MF SR (Budgetary Policy Section)	MF SR, budget chapters
Directive governing the preparation of final account for budget chapters, state funds and preparation of the final account for public administration	Directive	Data submitted for the purpose of compiling the final account for public administration, content, structure and deadlines for the preparation and submission of final accounts for state budget chapters and state funds	MF SR (National Reporting Section)	MF SR, budget chapters, state fund, central government institutions
Act on Budgetary Rules of the Local Self-Administration	Act (Law)	Final Account of the municipality, Final Account of the higher territorial unit	MF SR (Budgetary Policy Section)	Municipalities, Higher territorial units
Act on State Treasury	Act (Law)	Submission of data necessary for assessment of budget fulfillment and others information from accounting for statistical purposes	MF SR (National Reporting Section)	All general government sector entities

Title	Legislation form	Subject of legislation	Setter	Valid for
Regulation which defines detail and content of fiscal and statistics reports, terms, location and method of their submission	Measure	Content of financial reports, their structure and deadlines for the preparation and submission of financial reports	MF SR (National Reporting Section)	All general government sector entities
Methodological regulation for execution of measure on defining detail and content specification of items of fiscal and statistics reports, terms, location and method of their submission	Regulation	Methods of submission of financial reports, financial statements and consolidated financial statement for public sector entities using the following information systems: State Treasury System, Data Centre, IS JUS (for Consolidation)	MF SR (National Reporting Section)	All general government sector entities

4.4. Information systems

The MF SR develops the budget and accounting information systems that process data provided by all public sector entities, compiles different kinds of documents and generates reports to be provided to the Slovak Government, the Slovak Parliament, general public, EU organizations (EUROSTAT), IMF, financial institutions, rating agencies and other subjects interested in economic data.

The most important information systems are:

- Information system of the State Treasury (State Treasury System),
- Information system for consolidation (IS JUS)
- Information system for budget,
- Help desk - Information system for supporting of accounting, reporting and consolidation.

IS of State Treasury

The State Treasury System executes payments for their clients, executes the general government budget, centralizes budget revenues, collects accounting data, and fiscal and statistical reports for aggregation, and manages client accounts.

The State Treasury is also responsible for monitoring current accounts and revenue and expenditure accounts of all state budgetary organizations to report on the state budget fulfillment. The report is published daily on the MF SR website.

The second most important task of State Treasury System is collecting financial reports. Public sector entities are obliged to submit financial reports to the MF SR in compliance with the MF SR Measure laying down content, structure, terms and procedures of fiscal reporting and reporting for assessment of budget fulfillment.

Central government entities are connected directly to the State Treasury System and they submit reports electronically. Other public sector organizations submit reports in data files sent by e-mail. Subordinate organizations also submit reports in paper form to their respective budget chapter for control. The data sent to the State Treasury System are automatically aggregated at the level of central government and general government, as required for reporting purposes.

Information System for Consolidation

The Information System for Consolidation (IS JUS) has been built since 2008. All central government organizations and higher territorial units are connected to this system. The main function of this system is compilation of consolidated financial statements and preparation of data necessary for statistical reporting according to the ESA 95 methodology.

The process of data collection is performed by each entity filling out the Consolidation Package. The Consolidation Package is a set of forms currently in the form of spreadsheet program (MS Excel) file. The Consolidation Package contains financial statement, data for transactions between related entities and statistics. The aim was to provide different options for recording data in the Consolidation Package, because the level of information system capability varies in individual public sector entities.

Other functions of this system are:

- checking the integrity of data by comparison to the financial statements,
- comparison of reciprocal transactions and reporting of differences,
- elimination of those transactions and making needed accounting entries for consolidation of financial statements realizing of accounting entries,
- processing the data for statistical reporting.

Help Desk

The Help Desk system receives questions from public sector accountants related to the accounting, reporting and consolidation legislation and to accounting processes in the public sector. The Help Desk was created in May 2008 to assist in applying the new accounting standards uniformly in all public sector entities. During the period from May 2010 to April 2011, 577 questions in the areas related to accounting and reporting were answered via the Help Desk using following channels:

Channel	Email	Fax	Telephone	Web	Total
Number of Questions	411	3	147	16	577

The MF SR responds to most of the questions within 5 days from their receipt. The effectiveness of the help desk is regularly evaluated.

4.5. Education

The education process of public sector accountants continued in 2011. In 2011 the main subject of training was the process of consolidation and preparation of data for consolidation – filling out the consolidation package and working with the information system for consolidation (IS JUS). New accounting standards are in force since 2008, and minor modifications have been made and entered into force in 2011. Given the above training, we can say that public sector accountants have managed the transition successfully and they continue applying the new standards.

Trainings in 2011 are designed for organizations of central government and higher territorial units, which are technically linked to the information system for consolidation (IS JUS). Trainings were conducted in the areas of methodology and area of working with the system for consolidation.

Training on preparation of data for consolidation

This training is designed to explain the work of the IS JUS for consolidation of financial statements. In 2010 the IS JUS system was available to approximately 1 200 central administrations and to approximately 420 organizations under Higher Territorial Units. Trainings for users are organized separately for each budget chapter or Higher Territorial Unit after agreement with the MF SR.

Training on consolidation procedure

This training is aimed at users who work with the IS JUS and are responsible for compiling the consolidated financial statements - at the level of State Budget Chapters and Higher Territorial Units. The number of trained users in 2011 is expected to be 60 - 44 persons from State Budget Chapters, and 16 persons from Higher Territorial Units.

All training documents and manuals are published on the MF SR website and public sector accountants may use them for their work.

5. Key reform success factors and recommendations

We believe that the project objectives were reached primarily thanks to the stable project team, strong support from the MF SR senior management and good training of public sector accountants.

As accrual accounting implementation is a long term process, it was also crucial to ensure sufficient project funding. In Slovakia, adequate funding was obtained from multiple sources: the State Budget, EU funds and also World Bank loans.



The key reform success factors can be summarized as follows:

Strong leadership and political commitment - strong commitment to implement the new accounting methodology

High level support from the hierarchy, political and senior support, powerful internal project sponsor on part of the MF SR. On the strategy level the project was directed by steering committee composed of senior management of MF SR (2 State Secretaries of the MF SR, Head of Office of the MF SR, Director General of the MF SR National Reporting Section, and the Director General of the MF SR Budget Section. The involvement of senior management was important in decisions about the IT support of accounting and reporting process and the acceptance of the need of accrual accounting by all affected public sector entities (other ministries, municipalities etc)

High expertise of the Project team – In addition to MF SR employees, in several stages of the project SKAU-certified auditors with years of experience in IAS/IFRS accrual accounting were also involved in the project. Within the education program for public sector accountants the MF SR cooperated with public universities.

Recognition that the progress of accrual accounting implementation is slow. According to our pre-studies the transition to accrual accounting took in other countries from 7 to 12 years (or even more). The MF SR had to face this fact. In Slovakia the transition to accrual accounting took approximately **5 years** (from early debates in the second half of 2004 to the first consolidation in the first half of the year 2010). Even after the year 2010 the reform continues with:

Building the IT system – IS JUS enhancement to enable to process the full extent of data from municipalities and from specific public sector entities, such as the Social Insurance Agency, State Funds, Public Universities, etc)

Audit of consolidated financial statements – Budgetary chapters and municipalities are obliged to have an independent audit of their consolidated financial statements. The MF SR will procure an audit of consolidated financial statements of budgetary chapters, consolidated financial statements of central government, and summarized statements of public administration (including the public corporations). These audits will be performed by independent private sector auditors.

Learn to use the information that the new accounting system offers in an effective way

Change the Final Account for the Annual Report – the balance sheets data and information will be included to provide more information useful to information users.

MF SR recognized that accounting reform is a continuous process.

Adoption/Development of Accounting Standards.. The MF SR established public sector accounting standards, policies and procedures jointly with the accountancy

profession - professionally, objectively, and consistent with private sector accrual accounting standards concepts, and linked to appropriate budget management, accountability and transparency goals.

Effective communication of the rationale for the reforms. The overall project perception and acceptance was improved and the risk of resistance to accounting reform eliminated.

Provision of free and high quality education program for public sector accountants. The transition from cash modified to accrual accounting requires a fundamental change in thinking of accountants. The accrual accounting requires also more accounting technical skills and knowledge, which was provided by extensive and timely training.

Recognition that Accrual Accounting is Part of a Complex Reform Process. Accrual accounting processes, systems, and reporting are seen as facilitating processes for attainment of better management of public resources and greater accountability and transparency.

6. Roadblocks encountered

During the Project, the project team encountered several major issues and problems. Those major issues and problems may be grouped into following categories:

Decision about the accounting treatment of several transactions in the new accounting legislation

Development of the information system support for consolidation

Decision about the accounting treatment of several transactions in the new accounting legislation

As mentioned earlier in this document, IPSAS were not implemented in full in the Slovak public sector accounting standards. There are many differences between IPSAS and current Slovak accrual public sector accounting standards. All these differences were discussed and documented during the development of the new public sector accrual accounting standards. The MF SR intends to amend accounting legislation gradually and eliminate these differences in the future years. Below we list the major differences between current accounting public sector standards and IPSAS:

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 in 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”.

Construction contracts - the Slovak public sector accounting standards do not define work in progress for construction contract, this issue was considered as not relevant for public sector entities in Slovakia.

The information system support for consolidation

The general government sector entities in Slovakia use several types of information systems to record accounting transaction and to produce financial reports. Before the Project started, the MF SR used the information system of the State Treasury and Data Centre for:

- Collection of financial reports from all general government sector entities,
- Archiving of collected data.

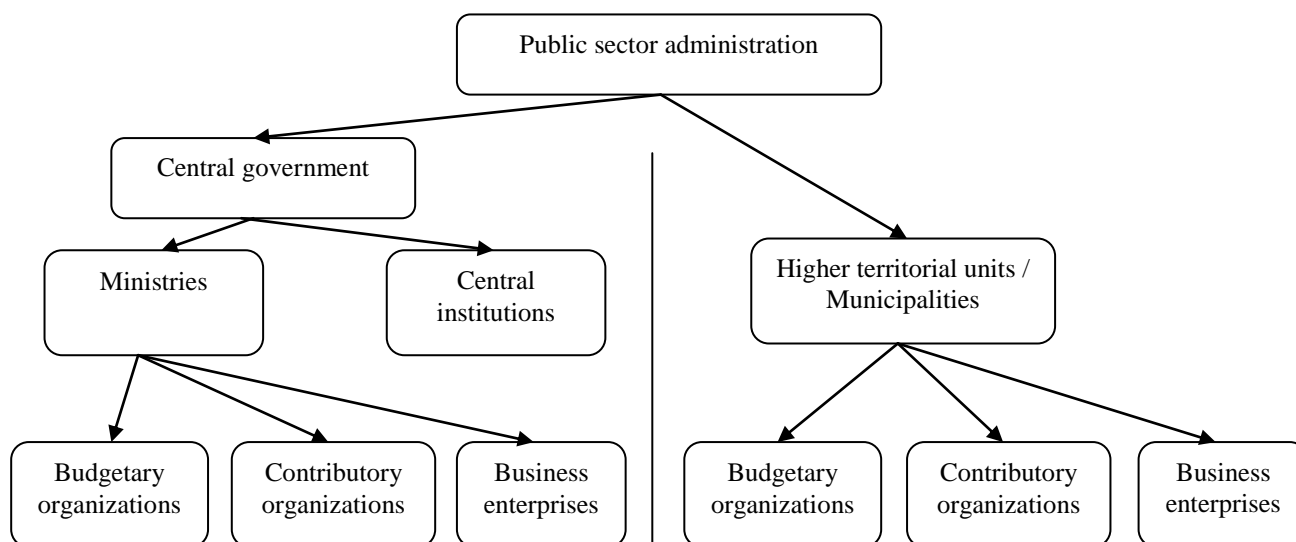
These information systems did not allow analysis of the related party transactions between general government entities and did not perform the accounting entries needed by the consolidation process in the public sector. During the Project a new information system was developed – IS JUS, which is a transaction system based on SAP software. This system supports the analysis of related party transactions between general government entities, which enables higher quality fiscal statistics reporting. The IS JUS supports also the consolidation process in the public sector.

7. Appendixes

7.1. Structure of public administration in Slovakia

	Number of entities	The basis of accounting used
<i>Central state administration</i>	<i>1 175</i>	
State budget chapters	31	
Ministries	13	Accrual
Central institutions	18	Accrual
Subordinated organizations established by them	1 110	
Budgetary organizations	911	Accrual
Contributory organizations	199	Accrual
Organizations established by law	34	
Public universities	22	Accrual
State funds	3	Accrual
Others	9	Accrual
<i>Local self-administration</i>	<i>6 675</i>	
Upper territorial units and organizations established by them:	8	Accrual
Budgetary organizations	678	Accrual
Contributory organizations	547	Accrual
Municipalities and organizations established by them:	2 891	Accrual
Budgetary organizations	2 091	Accrual
Contributory organizations	460	Accrual
<i>Funds of social and health insurance</i>	<i>4</i>	
Social Insurance Agency	1	Cash modified
Health insurance companies	3	Accrual
<i>Other organizations</i>	<i>116</i>	
Subsidiaries	34	Accrual
Associates and joint ventures	35	Accrual
others (< 20%)	47	Accrual
Grand total	7 970	

7.2. Consolidation scope of public sector and scope of the summarized FS in 2011



MF SR expects that there will be prepared for the year 2011:

- 21 consolidated financial statements for budget chapters,
- 8 consolidated financial statements for Higher territorial units,
- approx. 1 200 consolidated financial statements for municipalities,
- 1 consolidated financial statement for central government,
- 1 summarized financial statement for public sector.

7.3. Organizational structure of MF SR in the year 2000, 2004 and 2011

2000

Minister of Finance

Office of the Minister

Financial Policy Institute

Department of State Treasury project

Department of National Fund

Head of the Service Office

2 State Secretaries

Operating services Section

Budget Section

European integration and international relations Section

Financial Market Section

Taxation and Customs Section

Legislation and Property Law Section

Final State Budgetary Account, Debt and Accounting Section

Control Section

2004

Minister of Finance

Office of the Minister

Internal Audit Unit

Control Section

Head of the Service Office

Personnel Office

Division of Budget and Management of Organizations within

MF SR Chapter

Separate Legal Department

IT Division

Administration Office

1. State Secretary

Financial Policy Institute

Division of Financial and Internal Audit methodology

Budgetary Policy Section

EU Affairs Section

2. State Secretary

Central Financial and Coordination Unit

National Reporting Section

Financial Market Section

Taxation and Customs Section

Legislation and Property Law Section

2011

Minister of Finance

Office of the Minister

Audit and Control Section

Internal Audit Unit

Head of the Service Office

Personnel Office

Division of Budget and Management of Organizations within

MF SR Chapter and the Paying Unit

Separate Legal Department

IT Division

Property Administration and Services Section

Centralised Public Procurement Division

Separate Administrative Procedure Department

1. State Secretary

Financial Policy Institute

Budgetary Policy Section

EU and International Affairs Section

Informatisation of Society Section

2. State Secretary

National Reporting Section

Financial Market Section
Taxation and Customs Section
Legislation and Property Law Section

7.4. Organizational structure of National Reporting Section in the years 2000, 2004 and 2011

2000

Final State Budgetary Account, Debt and Accounting Section

Division for Final State Account

Department of Final State Account

Department of statistic and budgetary analyses

Department of central accounting unit of State Treasury

Division for Accounting methodology

Department for accounting for entrepreneurs

Department for accounting for non-profit units

Department for accounting for banks, insurances, investments companies and stock exchanges

Department for accounting for State Treasury

Division for State Debt Management

Department for domestic debt management

Department for foreign debt management

Department for state guarantees

Department for administration and exaction of foreign state receivables

2004

National Reporting Section

Division for state accounting and reporting

Department for accounting unit of selected budget chapters

Department for consolidation of state accounting

Department for accounting and reporting methodology

Separate department for selected assets and liabilities administration

Separate department for implementation of statistical standards

2011

National Reporting Section

Division for legislation and state reporting

Department for accounting and reporting legislation

Department for consolidation and state reporting

Department for implementation of statistical standards

Department for accounting and reporting of MF SR chapter

Division for methodology of the State Treasury system

Department for administration of State Treasury system



Department for accounting of state transactions
Division for specific state transactions
Department for administration of specific state transactions
Department for domestic and international legal relations

6.5. Structure of general financial statement

Balance sheet

Designation	ASSETS	Line No	Current accounting period			Preceding accounting period
			Gross	Correct ions	Net	Net
A	b	c	1	2	3	4
	TOTAL ASSETS line 002 + line 033 + line 110 + line 114	001				
A.	Non-current assets I. 003 + I. 011 + I. 024	002				
A.I.	Non-current intangible assets Total (I. 004 to I. 010)	003				
A.I.1.	Capitalised development costs (012) - (072+091AÚ)	004				
2.	Software (013) - (073+091AÚ)	005				
3.	Valuable rights (014) - (074+091AÚ)	006				
4.	Low-value non-current intangible assets (018) - (078+091AÚ)	007				
5.	Other non-current intangible assets (019) - (079+091AÚ)	008				
6.	Acquisitions of non-current intangible assets (041) - (093)	009				
7.	Advance payments for non-current intangible assets (051) - (095AÚ)	010				
A.II.	Property, plant and equipment Total (I. 012 to I. 023)	011				
A.II.1.	Land (031) - (092AÚ)	012				
2.	Artwork and collections (032) - (092AÚ)	013				
3.	Precious metal articles (033) - (092AÚ)	014				
4.	Structures (021) - (081+092AÚ)	015				
5.	Moveable assets and sets of moveable assets (022) - (082+092AÚ)	016				
6.	Means of transport (023) - (083+092AÚ)	017				
7.	Perennial crops (025) - (085+092AÚ)	018				
8.	Livestock (026) - (086+092AÚ)	019				
9.	Low-value property, plant and equipment (028) - (088+092AÚ)	020				
10.	Other property, plant and equipment (029) - (089+092AÚ)	021				
11.	Acquisitions property, plant and equipment (042) - (094)	022				
12.	Advance payments for property, plant and equipment (052) - (095AÚ)	023				
III.A.	Non-current financial assets Total (I. 025 to I. 032)	024				
A.III.1.	Shares and ownership interests in subsidiary accounting unit (061) - (096AÚ)	025				
2.	Shares and ownership interests with significant influence over enterprises (062) - (096AÚ)	026				
3.	Marketable securities (063) - (096AÚ)	027				
4.	Debt securities held to maturity (065) - (096AÚ)	028				
5.	Intercompany loans (066) - (096AÚ)	029				
6.	Other loans (067) - (096AÚ)	030				
7.	Other non-current financial assets (069) - (096AÚ)	031				
8.	Acquisitions of non-current financial assets (043) - (096AÚ)	032				
B.	Current assets I. 034 + I. 040 + I. 048 + I. 060 + I. 085 + I. 098 + I. 104	033				
B.I.	Inventory Total (I. 035 to I. 039)	034				
B.I.1.	Raw material (112 + 119) - (191)	035				

2.	Work in progress and semi-finished products (121 + 122) - (192 + 193)	036			
3.	Finished goods (123) - (194)	037			
4.	Animals (124) - (195)	038			
5.	Merchandise (132 + 139) - (196)	039			
B.II.	Transactions between general government entities, sum (l. 041 to l. 047)	040			
B.II.1.	Revenue transferred by budgetary organizations to the budget of the founding entity (351AÚ)	041			
2.	State budget transfers (353AÚ)	042			
3.	Budget transfers from municipalities and higher territorial units (355AÚ)	043			
4.	State budget transfers within consolidated group (356AÚ)	044			
5.	Other budget transfers from municipalities and higher territorial units (357AÚ)	045			
6.	Transfers from the state budget to other entities (358AÚ)	046			
7.	Transfers between general government entities (359AÚ)	047			
B. III	Non-current accounts receivable	048			
	Total (l. 049 to l. 059)				
B.III.1.	Accounts receivable from customers (311AÚ) - (391AÚ)	049			
2.	Bills of exchange and notes receivable (312AÚ) - (391AÚ)	050			
3.	Accounts receivable in respect of discounted securities (313AÚ) - (391AÚ)	051			
4.	Other accounts receivable (315AÚ) - (391AÚ)	052			
5.	Accounts receivable from employees (335AÚ) - (391AÚ)	053			
6.	Accounts receivable from associations (369AÚ) - (391AÚ)	054			
7.	Accounts receivable and liabilities on account of fixed-term transactions (373AÚ) - (391AÚ)	055			
8.	Accounts receivable under leasing agreements (374AÚ) - (391AÚ)	056			
9.	Accounts receivable on account of issued bonds (375AÚ) - (391AÚ)	057			
10.	Purchased options (376AÚ) - (391AÚ)	058			
11.	Other accounts receivable (378AÚ) - (391AÚ)	059			
B.IV.	Current accounts receivable, total (l. 061 to l. 084)	060			
B.IV.1.	Accounts receivable from customers (311AÚ) - (391AÚ)	061			
2.	Bills of exchange and notes receivable (312AÚ) - (391AÚ)	062			
3.	Accounts receivable in respect of discounted securities (313AÚ) - (391AÚ)	063			
4.	Operating advance payments provided (314AÚ) - (391AÚ)	064			
5.	Other accounts receivable (315AÚ) - (391AÚ)	065			
6.	Accounts receivable from non-tax budget revenues (316AÚ) - (391AÚ)	066			
7.	Accounts receivable from tax and customs budget revenues (317AÚ) - (391AÚ)	067			
8.	Accounts receivable from non-tax revenues of municipalities and higher territorial units and budgetary organizations established by municipalities and higher territorial units (318AÚ) - (391AÚ)	068			
9.	Accounts receivable from the tax revenues of municipalities and higher territorial units (319AÚ) - (391AÚ)	069			
10.	Accounts receivable from employees (335AÚ) - (391AÚ)	070			
11.	Debts receivable from and payable to social security and health insurance funds (336AÚ) - (391AÚ)	071			
12.	Income tax (341) - (391AÚ)	072			
13.	Other direct taxes (342) - (391AÚ)	073			
14.	Value-added tax (343) - (391AÚ)	074			
15.	Other taxes and fees (345) - (391AÚ)	075			
16.	Accounts receivable from associations (369AÚ) - (391AÚ)	076			
17.	Accounts receivable and liabilities under fixed-term transactions (373AÚ) - (391AÚ)	077			
18.	Accounts receivable under leasing agreements (374AÚ) - (391AÚ)	078			

19.	Accounts receivable on account of issued bonds (375AÚ) - (391AÚ)	079			
20.	Purchased options (376AÚ) - (391AÚ)	080			
21.	Other accounts receivable (378AÚ) - (391AÚ)	081			
22.	Linking account for associations (396)	082			
23.	Transactions with the European Communities (371AÚ)- (391AÚ)	083			
24.	Transfers and other transactions with entities outside general government (372AÚ) - (391AÚ)	084			
	B.V. Financial accounts, total (l. 086 to l. 097)	085			
B.V.1.	Cash on hand (211)	086			
2.	Duty and postage stamps and luncheon vouchers (213)	087			
3.	Bank accounts (221AÚ +/- 261)	088			
4.	Bank deposits for fixed periods in excess of one year (221AÚ)	089			
5.	Budgetary expenditure account (222)	090			
6.	Budgetary revenue account (223)	091			
7.	Marketable equity securities (251) - (291AÚ)	092			
8.	Marketable debt securities (253) - (291AÚ)	093			
9.	Debt securities with maturity of up to one year held to maturity (256) - (291AÚ)	094			
10.	Other marketable securities (257) - (291AÚ)	095			
11.	Acquisitions of current financial assets (259) - (291AÚ)	096			
12.	State Treasury accounts (Group of Accounts 28)	097			
	B.VI. Long-term lending, total (l. 099 to l. 103)	098			
B.VI.1	Lending to entities within consolidated group (271AÚ) - (291AÚ)	099			
2.	Lending to other general government entities (272AÚ) - (291AÚ)	100			
3.	Lending to businesses (274AÚ) - (291AÚ)	101			
4.	Lending to other organizations (275AÚ) - (291AÚ)	102			
5.	Lending to natural persons (277AÚ) - (291AÚ)	103			
	B.VII. Short-term lending, total (l. 105 to l. 109)	104			
B.VII.1	Lending to entities within consolidated group (271AÚ) - (291AÚ)	105			
2.	Lending to other general government entities (272AÚ) - (291AÚ)	106			
3.	Lending to businesses (274AÚ) - (291AÚ)	107			
4.	Lending to other organizations (275AÚ) - (291AÚ)	108			
5.	Lending to natural persons (277AÚ) - (291AÚ)	109			
	C. Accruals and deferrals (l. 111 to l. 113)	110			
C.1.	Prepaid expenses (381)	111			
2.	Complex prepaid expenses (382)	112			
3.	Accrued income (385)	113			
	D. Relations to accounts of State Treasury clients (Group of Accounts 20)	114			
	Control number, total (l. 001 to l. 114)	888			

Designation	LIABILITIES AND EQUITY	Line No	Current accounting period	Preceding accounting period
a	b	c	5	6
	EQUITY AND LIABILITIES l. 116 + l. 126 + l. 179 + l. 182	115		
A.	Equity Total l. 117 + l. 120 + l. 123	116		
A.I.	Revaluation differences, total (l. 118 + l. 119)	117		
A.I.1.	Differences from revaluation of assets and liabilities (+/- 414)	118		

2.	Investment revaluation reserves (+/- 415)	119		
A.II.	Funds			
	Total (l. 121 to + l. 122)	120		
A.II.1.	Statutory reserve fund (421)	121		
2.	Other funds (427)	122		
A.III.	Net profit/net loss (+/-)			
	Total (l. 124 to + l. 125)	123		
A.III.1.	Retained earnings/accumulated losses from previous years (+/- 428)	124		
2.	Net profit/net loss for accounting period (+/-) l. 001 - (l. 117 + l. 120 + l. 124 + l. 126 + l. 179 + l. 182)	125		
B.	Liabilities			
	Total l. 127 + l. 132 + l. 140 + l. 151 + l. 172	126		
B.I.	Provisions - total			
	Total (l. 128 to l. 131)	127		
B.I.1.	Statutory provisions, long-term (451AÚ)	128		
2.	Other provisions (459AÚ)	129		
3.	Statutory provisions, short-term (323AÚ, 451AÚ)	130		
4.	Other short-term reserves (323AÚ, 459AÚ)	131		
B.II.	Transactions between general government entities, (l. 133 to l. 139)	132		
B.II.1.	Revenue transferred by budgetary organizations to the budget of the founding entity (351AÚ)	133		
2.	State budget transfers (353AÚ)	134		
3.	Budget transfers from municipalities and higher territorial units (355AÚ)	135		
4.	State budget transfers within consolidated group (356AÚ)	136		
5.	Other budget transfers from municipalities and higher territorial units (357AÚ)	137		
6.	Transfers from the state budget to other entities (358AÚ)	138		
7.	Transfers between general government entities (359AÚ)	139		
B.III.	Non-current liabilities			
	Total (l. 141 to l. 150)	140		
B.III.1.	Other non-current liabilities (479)	141		
2.	Non-current advance payments received (475AÚ)	142		
3.	Non-current bills of exchange/promissory notes to be paid (478AÚ)	143		
4.	Liabilities related to Social Fund (472)	144		
5.	Liabilities under leasing agreements (474AÚ)	145		
6.	Unbilled non-current supplies (476AÚ)	146		
7.	Accounts receivable and liabilities on account of fixed-term transactions (373AÚ)	147		
8.	Options sold (377AÚ)	148		
9.	Other liabilities (379AÚ)	149		
10.	Bonds issued, non-current (473AÚ) - (255AÚ)	150		
B.IV.	Current liabilities			
	Total (l. 152 to l. 171)	151		
B.IV.1.	Suppliers (321)	152		
2.	Bills of exchange/promissory notes to be paid (322, 478AÚ)	153		
3.	Advance payments received (324, 475AÚ)	154		
4.	Other liabilities (325, 479AÚ)	155		
5.	Unbilled supplies 326, 476AÚ)	156		
6.	Liabilities under leasing agreements (474AÚ)	157		
7.	Accounts receivable and liabilities on account of fixed-term transactions (373AÚ)	158		
8.	Options sold (377AÚ)	159		
9.	Other liabilities (379AÚ)	160		
10.	Liabilities under subscribed and not paid up securities and direct investments (367)	161		

11.	Liabilities to association (368)	162		
12.	Employees (331)	163		
13.	Other liabilities to employees (333)	164		
14.	Debts receivable from and payable to social security and health insurance funds (336)	165		
15.	Income tax (341)	166		
16.	Other direct taxes (342)	167		
17.	Value-added tax (343)	168		
18.	Other taxes and fees (345)	169		
19.	Transactions with the European Communities (371AÚ)	170		
20.	Transfers and other transactions with entities outside general government (372AÚ)	171		
B.V.	Bank loans and financial assistance	172		
	Total (l. 173 to l. 178)			
B.V.1.	Bank loans, long-term (461AÚ)	173		
2.	Current bank loans (461AÚ 221 AÚ 231, 232)	174		
3.	Bonds issued, short-term (473AÚ, 241) - (255AÚ)	175		
4.	Other short-term financial assistance (249)	176		
5.	Financial assistance received from general government entities, long-term (273AÚ)	177		
6.	Financial assistance received from general government entities, short-term (273AÚ)	178		
C.	Accruals and deferrals	179		
	l. 180 + l. 181			
C.1.	Accrued expenses (383)	180		
2.	Deferred income (384)	181		
D.	Relations to accounts of state treasury clients (Group of Accounts 20)	182		
	Control number, total (l. 115 to l. 182)	999		

Income Statement

Account or Group No	Expenses	Line No	Current accounting period			Preceding accounting period
			Core activity	Business activity	Total	
a	b	c	1	2	3	4
50	Consumed purchases (l. 002 to l. 005)	001				
501	Consumption of raw materials	002				
502	Energy consumption	003				
503	Consumption of other non-inventory supplies	004				
504	Cost of merchandise sold	005				
51	Services (l. 007 to l. 010)	006				
511	Repairs and maintenance	007				
512	Travel expenses	008				
513	Entertainment expenses	009				
518	Other services	010				
52	Personnel expenses (l. 012 to l. 016)	011				
521	Wages and salaries	012				
524	Statutory social security	013				
525	Other social security	014				
527	Statutory social expenses	015				

528	Other social expenses	016				
53	Taxes and fees (I. 018 to I. 020)	017				
531	Road tax	018				
532	Property tax	019				
538	Other taxes and fees	020				
54	Other operating expenses (I. 022 to I. 028)	021				
541	Carrying value of sold intangible and tangible non-current assets	022				
542	Raw material sold	023				
544	Contractual fines, penalties and late payment interest	024				
545	Other fines, penalties and late payment interest	025				
546	Write-off of accounts receivable	026				
548	Other operating expenses	027				
549	Shortages and damage	028				
55	Depreciation, provisions and value adjustments from operating transactions and expenses from financial transactions and accruals/deferrals (I. 030 + I. 031 + I. 036 + I. 039)	029				
551	Amortisation of non-current intangible assets and depreciation of property, plant and equipment	030				
	Provisions and value adjustments from operating transactions (I. 032 to I. 035)	031				
552	Creation of statutory provisions from operating transactions	032				
553	Creation of other provisions from operating transactions	033				
557	Creation of statutory value adjustments from operating transactions	034				
558	Creation of other value adjustments from operating transactions	035				
	Provisions and value adjustments from financial transactions (I. 037 to I. 038)	036				
554	Creation of provisions from financial transactions	037				
559	Creation of value adjustments from financial transactions	038				
555	Reversal of complex prepaid expenses	039				
56	Financial expenses (I. 041 to I. 048)	040				
561	Securities and shares sold	041				
562	Interest expense	042				
563	Exchange rate losses	043				
564	Loss on the revaluation of securities	044				
566	Expenses related to current financial assets	045				
567	Expenses related to derivative transactions	046				
568	Other financial expenses	047				
569	Shortages and losses of financial assets	048				
57	Extraordinary expenses (I. 050 to I. 053)	049				
572	Damage	050				
574	Creation of provisions	051				
578	Other extraordinary expenses	052				
579	Creation of value adjustments	053				
58	Transfer costs and income allocation costs (I. 055 to I. 063)	054				
581	Cost of transfers from state budget to state budgetary and semi-budgetary organizations	055				

582	Cost of transfers from state budget to other general government entities	056				
583	Cost of transfers from state budget to entities outside general government	057				
584	Cost of transfers from local or territorial government budgets to budgetary and semi-budgetary organizations established by municipalities or higher territorial units	058				
585	Cost of transfers from local or territorial government budgets to other general government entities	059				
586	Cost of transfers from local or territorial government budgets to entities outside general government	060				
587	Cost of other transfers	061				
588	Cost of income allocation	062				
589	Cost of future income allocation	063				
Groups of Accounts 50-58, total (1.001 + 1.006 + 1.011 + 1.017 + 1.021 + 1.029 + 1.040 + 1.049 + 1.054)		064				
Control number, total (1. 001 to 1. 064)		994				

Account or Group No	Revenue, income tax, net profit/loss	Line No	Current accounting period			Preceding accounting period
			Core activity	Business activity	Total	
A	B	c	1	2	3	4
60	Revenues from own outputs and merchandise (1. 066 to 1. 068)	065				
601	Revenue from own products	066				
602	Revenue from sale of services	067				
604	Revenue from sale of merchandise	068				
61	Change in internal inventory (1. 070 to 1. 073)	069				
611	Change in work-in-progress	070				
612	Change in semi-finished products	071				
613	Change in finished products	072				
614	Change in animals	073				
62	Own work capitalised (1. 075 to 1. 078)	074				
621	Own work capitalised - raw material and merchandise	075				
622	Own work capitalised - internal services	076				
623	Own work capitalised - non-current intangible assets	077				
624	Own work capitalised - non-current tangible assets	078				
63	Tax and customs revenue and fees-related revenue (1. 080 to 1. 082)	079				
631	Tax and customs revenue of the state	080				
632	Tax revenue of local governments	081				
633	Fees-related revenue	082				
64	Other operating revenue (1. 084 to 1. 089)	083				
641	Revenue from the sale of non-current intangible and tangible non-current assets	084				
642	Revenue from the sale of raw material	085				
644	Contractual fines, penalties and late payment interest	086				
645	Other fines, penalties and late payment interest	087				
646	Revenue from written off accounts receivable	088				
648	Other operating revenue	089				

65	Reversal of provisions and value adjustments from operating transactions and from financial transactions and reversal of accruals/deferrals (l. 091 + l. 096 + l. 099)	090				
	Reversal of provisions and value adjustments from operating transactions (l. 092 to l.095)	091				
652	Reversal of statutory provisions from operating transactions	092				
653	Reversal of other provisions from operating transactions	093				
657	Reversal of statutory value adjustments from operating transactions	094				
658	Reversal of other value adjustments from operating transactions	095				
	Reversal of provisions and value adjustments from financial transactions (l. 097 to l. 098)	096				
654	Reversal of provisions from financial transactions	097				
659	Reversal of value adjustments from financial transactions	098				
655	Reversal of complex prepaid expenses	099				
66	Financial income (l. 101 to l. 108)	100				
661	Revenue from the sale of securities and shares	101				
662	Interest income	102				
663	Exchange rate gains	103				
664	Income from revaluation of securities	104				
665	Income from non-current financial assets	105				
666	Income from current financial assets	106				
667	Income from derivative transactions	107				
668	Other financial income	108				
67	Extraordinary income (l. 110 to l. 113)	109				
672	Indemnities received	110				
674	Income from reversal of provisions	111				
678	Other extraordinary income	112				
679	Reversal of value adjustments	113				
68	Income from transfers and budget revenue allocations in state budgetary and semi-budgetary organizations (l. 115 to l. 123)	114				
681	Income from current state budget transfers	115				
682	Income from capital state budget transfers	116				
683	Income from current transfers from other general government entities	117				
684	Income from capital transfers from other general government entities	118				
685	Income from current transfers from European Communities	119				
686	Income from capital transfers from the European Communities	120				
687	Income from current transfers from other entities outside general government	121				
688	Income from capital transfers from other entities outside general government	122				
689	Income from budget revenue allocations	123				
69	Income from transfers and budget revenue allocations in municipalities, higher territorial units and in budgetary and semi-budgetary organizations founded by municipalities or higher territorial units (l. 125 to l. 133)	124				
691	Income from current transfers from the budgets of municipalities or higher territorial units in budgetary and semi-budgetary organizations established by municipalities or higher territorial units	125				
692	Income from capital transfers from the budgets of municipalities or higher territorial units in budgetary and semi-budgetary organizations established by municipalities or higher territorial units	126				

693	Local and territorial governments' income from current transfers from the state budget and other general government entities	127				
694	Local and territorial governments' income from capital transfers from the state budget and other general government entities	128				
695	Local and territorial governments' income from current transfers from the European Communities	129				
696	Local and territorial governments' income from capital transfers from the European Communities	130				
697	Local government revenue from current transfers from other entities outside general government	131				
698	Local and territorial governments' income from capital transfers from other entities outside general government	132				
699	Local government revenue from budget income allocations	133				
Class of Accounts 6, total (l. 065 + l. 069 + l. 074 + l. 079 + l. 083 + l. 090 + l. 100 + l. 109 + l. 114 + l. 124)		134				
Profit/loss before taxes (l. 134 minus l. 064) (+/-)		135				
591	Income tax payable	136				
595	Additional income tax payable	137				
Profit/loss after taxes, l. 135 minus (l. 136, l. 137) (+/-)		138				
Control number, total (l. 065 to l. 138)		995				

7.5. Glossary of Acronyms

MF SR	– Ministry of finance of Slovak republic
IPSAS	– International Public Sector Accounting Standards
IFRS	– International Financial Reporting Standards
IAS	– International Accounting Standards
IMF	– International Monetary Found
EU	– European Union
NBS	– National Bank of Slovakia
IS JUS	– Information system for uniform state accounting
ESA 95	– European system of accounts
Slovak GAAP	– legislation governing the accounting in Slovak public sector
GFS	– Government Finance Statistics
GFS 2001	– Government Finance Statistics 2001
FS	– Financial Statement
VUC	– Higher Territorial Unit
OECD	– Organization for Economic Co-operation and Development
PFMR	– Public Finance Management Reform