



**Ministry of Finance SR**

Project: Providing advisory  
services for improving accounting  
and reporting systems of public  
finance  
Progress report 1



KPMG Slovensko, spol. s r.o.



PricewaterhouseCoopers Slovensko, s.r.o.

Submitted by: Richard Farkaš, KPMG Slovensko, spol. s r.o.  
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# **1 Executive summary**

This report ("Report") is a progress report to the project "Providing advisory services for improving accounting and reporting systems of public finance" ("Project") prepared in compliance with the contract on service delivery of 27 February 2006 between MF SR as the beneficiary and KPMG Slovensko spol. s r.o. as the leader of the group of providers. This group of providers is hereinafter collectively named "Provider". The purpose of the report is to inform about activities performed in the reporting period, objectives for the next period, main findings, issues, recommendations and requirements.

## **1.1 Accounting**

The responsible workgroup of the Provider became familiar with the current accounting methodology and proposed methodology in the extent of accounting procedures, contents of the financial statements and the methodological instruction for transition from the existing accounting methodology to the proposed one. The workstream analysed in detail differences between the proposed methodology and IPSAS in the form of meetings with responsible representatives of MF SR. The following was considered:

Discussions to relevant IPSAS will continue also in the next period and they will result into classification of differences into those that will be incorporated in the proposed new accounting methodology and into those that will be resolved by MF SR later after the implementation of the accrual accounting.

## **1.2 Consolidation**

It was the key task to provide wording of art. 23 for the amendment of the Act 432/2002 Z.z. on Accounting. This task was fulfilled. It was necessary to regard the control principle as the key pre-condition for accounting consolidation. This resulted into creation of so called "reported whole" which the summarised financial statements of public administration will be prepared for. This reported whole is broader than the statistical general government sector. This follows directly from the applied methodology per IPSAS. There will be entities in the reported whole where control exists between them, primarily entities in the state-administration line, but also entities without control relationship between each other. This relationship does not exist between the entity of public administration and entities of self-administration. However, the consolidation techniques per IPSAS 6, 7, 8 will be used also here to prepare summarised financial statements of the public administration.

## **1.3 Fiscal reporting**

We have described the existing fiscal reporting process at the level of details needed to understand opportunities of using accounting data for the benefit of simplifying statistical reports preparation or improving their quality. We have identified and documented these opportunities. They can be divided into data needed for fiscal reporting that are missing in the accounting system due to

- different methodological viewpoint on reported matters,
- requirements of statistical bases of reporting for deeper level of details,
- errors in financial or budgetary statements.

In the following period we will be investigating opportunities for incorporating the identified requirements into the new accounting methodology.

## **1.4 Organisation**

Within the task of analysing the as-is processes of the financial and fiscal reporting of MF SR, we performed the analysis of the as-is process of the fiscal reporting. We have identified improvement opportunities for the process. Concrete possibilities of implementing these opportunities will be investigated in the next period.

The analysis of the as-is process of the fiscal reporting will start in the next period. In this stage, we are considering to map at the high level the both chapters administered by the MF SR where selected parts of processes will be mapped in deeper detail on as-needed basis in some of the chapters.

## **1.5 Information technology**

We have described the developments during the reported period in the area of creating the common database for financial and fiscal reporting and in the area of the pilot project of accounting aggregation and elimination of MF SR. We have been informed that a tender has been issued for the project "Architecture of State Accounting IS". The key task for the next period will be to ensure cooperation of our Project with the Architecture project in transferring our knowledge for sake of defining information requirements on the new database.

In the area of the pilot project, we have been informed that the aggregation and elimination process has been mastered from the IT point of view. Issues in the accounting content to be reported are currently being solved. In the course of our project up till now we have not been asked for our involvement in this area.

## **1.6 Training**

The work has focused on defining the contents of the foundation training – Accrual accounting essentials and on creating organisational conditions for it. The time-schedule of courses per intended locations has been elaborated. The total need for lecturers has been estimated and work has started to acquire additional lecturers.

In the area of continuation accounting courses, a change has been proposed from the 3-day training to 2-phases training, i.e. 1-day training essential information on approved new accounting methodology and 2-day training focused on explanation of the new methodology, including examples. This change needs to be discussed further.

## **1.7 Communication**

The recommendations of the Project Team in the area of communication have been summarised in the working document “Workstream COMMUNICATION” which was approved by the Steering Commission of the Project of implementation of uniform state accounting and reporting. The ultimate objective of the communication, apart from the information aspect, will be to achieve the widest possible acceptance of the reform. Further on, we have defined communication principles, recipients and forms of communication in combination with recipients. The document includes also recommendations for the next period and proceeding for updating the communication strategy.

## **2 Accounting**

### **2.1 Introduction to the current accounting methodology and the proposed accounting methodology**

As part of introducing the working group to the current accounting methodology, besides self-study, the group attended a two day seminar delivered by Doc. Ing. Kovalčíková, PhD. Ms Majorová actively participated in the seminar by providing a summary of fundamental principles of the current methodology from her point of view.

The working group further reviewed the following documents:

- The proposed Regulation for accounting procedures per new methodology, including the chart of accounts for budgetary and contributory organisations and upper territorial units and municipalities to be applicable to state administration entities, upper territorial units and municipalities as well as to budgetary and contributory organisations established by them,
- Proposed Regulation on the content of financial statements,
- Proposed methodology for transition from existing accounting methodology to proposed accounting methodology on accrual basis, including a mapping between the old and new chart of accounts.

### **2.2 Analysis of differences between IPSAS and proposed new methodology**

Ministry of Finance prepared new accounting methodology on accrual basis by means of incorporating IPSAS standards into existing accounting methodology. We have started analyzing the differences between IPSAS and the new methodology draft and providing judgement on deviations, in accordance with agreed time table.

The deviations found are classified as:

- Those that would be incorporated into the new methodology draft. Working group will propose a solution.

- Those that would be considered by MF SR after the accrual public accounting will have been implemented (These are deviations in accounting procedures that are present also in private sector accounting procedures. Their incorporation into the new methodology draft would lead to discrepancies between public sector and private sector accounting methodology. It could potentially lead into misunderstanding and inconsistency.)

The following IPSAS have been analyzed at meetings of the working group where besides the members of the provider's team, also Ms. Kaszasová, Ms. Majorová and other representatives of the State Reporting Section were present.

### **2.2.1 IPSAS 6, 7, 8 – Consolidated Financial Statements**

Conclusions of our analysis are presented in section 3 – Consolidation.

### **2.2.2 IPSAS 9 – Revenue from Exchange Transactions and ED 29 – Revenue from Non-Exchange Transactions (Including Taxes and Transfers)**

Analysis of revenue from exchange transactions focused on revenue from services rendered, revenue from sale of products and merchandize, interest gains, dividends and revenue from licence fees.

Analysis of revenue from non-exchange transactions focused on revenue from taxes, transfers, subsidies, gifts and debt forgiving.

We have summarised all different types of taxes in order to identify the categories of taxes, where the date of tax return or notification duty is after the date of preparation of financial statements of public sector and the revenue has to be estimated. We have identified three types of taxes that fulfil this criterion:

- Corporate income tax
- Personal income tax
- Tax on nuclear facilities

#### **2.2.2.1 Income tax revenue**

There are two methods of accounting for income tax revenue in Europe, based on our research:

- Accounting for revenue at time of submission of tax return and tax settlement (the revenue is recognized in the accounting period that is subsequent to the one when the revenue was earned). This method is used in more European countries.
- Accounting for revenue based on advance payments and statistic estimate. When the statistic estimate is opted for, there is a need to comply with requirement on the estimate reliability and to prove this reliability within a longer period, five years at least.

Working group continues to collect information about the accounting procedures concerning income tax in European and non-European countries in order to assess the reliability of MF SR model used for tax estimates.

#### **2.2.2.2 Accounting for transfers**

Working group has agreed on accounting procedures for transfers.

Working group proposed to adjust the new methodology draft so that in a situation where an accounting entity receives a transfer but has not yet fulfilled all the conditions related to transfer, a liability be recorded.

Ms. Majorová has updated the proposed accounting for transfers (including double entries) based on the above analysis.

We have conducted the research concerning accounting procedures abroad related to transfers for budgetary and contributory organisations in order to identify possible differences in the accounting due to a different flow of money related to budget drawdown. Revenue from transfer is accounted for on the same principles in budgetary and contributory organisations. The basis for recognition of revenues is fulfilment of purpose for funding regardless whether the funds are transferred to the organization or not.

#### **2.2.3 IPSAS 16 – Investment Property and IPSAS 17 – Property, Plant and Equipment**

Analysis of investment property was oriented on relevancy of such a category for public sector entities and comparison of IPSAS with new methodology draft definitions.

Analysis of property, plant and equipment was focused on following areas:

- Accounting for infrastructure
- Accounting for heritage
- Use of accounting depreciation (depreciation over useful life of asset)

#### **2.2.4 IPSAS 19 – Provisions, Contingent Liabilities and Contingent Assets**

Working group analyzed the following areas:

- Accounting for creation, usage and release of provisions
- Discounting of long term provisions
- Definition of contingent liabilities and contingent assets
- Definition of constructive obligations



- Insight into specific reserves i.e. for restructuralisation, contracts at loss

The representatives of MF SR informed about reserves defined in Act on Budgetary Rules that do not fulfil the accounting definition of reserve and hence are not accounted for. Such reserves are deserved to provide for unexpected expenditures.

Accounting information about creation of reserves and contingent liabilities would be qualitatively new to public administration representatives and officials in the position of decision-makers.

### **2.2.5 IPSAS 3 – Fundamental Errors and Changes in Accounting Policies, ED 26**

The accounting information in years 2007 and 2008 would not be comparable because of the transition to accrual basis of public accounting and resulting changes in accounting procedures. It is not permitted to apply new standards and procedures retrospectively in order to allow comparability in time.

### **2.2.6 Further standards**

Except for above-mentioned standards, we have further discussed:

IPSAS 4—The Effects of Changes in Foreign Exchange Rates

IPSAS 5—Borrowing Costs

IPSAS 12—Inventories

IPSAS 13—Leases

IPSAS 14—Events After the Reporting Date

IPSAS 18—Segment Reporting

IPSAS 20—Related Party Disclosures

IPSAS 21—Impairment of Non–Cash Generating Assets

The related discussion points have also been included into the agenda for amending the drafted accounting methodology.

### **2.2.7 Other topics**

Other topics discussed by working group include:

- Use of ‘substance over form’ principle
- Comparison of definition of ‘fair value’ defined in IPSAS and ‘replacement cost’ defined by Act on Accounting
- Discounting of long term receivables
- Use of effective interest rate

- Content of Annual Report and Closing Accounts (per budgetary rules) prepared by public administration entities.

### 3 Consolidation

A key task in the area of the accounting consolidation was to create legislative pre-conditions for this process. We proposed the wording of art. 23 of the Act 431/2002 Z.z. on accounting in the framework of the prepared amendment defining the accounting consolidation of the public administration.

#### 3.1 Reported whole

The reported whole representing the summarised financial statements of the public administration ("Reported whole") will consist of:

1. entity of the public administration,
2. state administration,
3. entity of self-administration (= aggregation of local governments and municipalities),
4. administrators of the state budget chapters,
5. upper regional units ("VÚC" = local governments) and municipalities,
6. ROs and POs established by administrators of the state budget chapters, by VÚCs or by municipalities,
7. subsidiaries established by administrators of the state budget chapters, by VÚCs or by municipalities,
8. State funds,
9. Fund of National Property of the Slovak Republic, Slovak Land Fund, Social Insurance Agency, health insurance companies, Office for Health Care Supervision, public universities, Slovenská konsolidačná a.s., Nation's Memory Institute, Slovak National Centre for Human Rights.

We use the term "summarised financial statements of the public administration" from the reason that there is no control relationship between some entities of the public administration which is a pre-assumption for an accounting consolidation. We analyse this topic in section 3.3. A graphical illustration of the relationships between entities of the reported whole in appendix A.

#### 3.2 Difference between accounting and statistical consolidated whole

The reported whole as defined in section 3.1 will be broader than a statistical general government sector for entities in the item 7 that do not belong into the general government sector. These could be e.g. non-profit organisations financed by some ministries or business entities of VÚCs and municipalities. This difference is among the key differences between IPSAS and statistical bases of reporting. It was stated on the first place by the research report of IPSASB on differences between IPSAS and statistical bases of reporting of January 2005. Resolving this difference is not likely as it results from different use of financial statements per IPSAS and fiscal statements per statistical bases of reporting.

Financial statements per IPSAS provide information on financial situation, performance and cash flows of reporting subjects. It is assumed that the user of the statements will use them to make and evaluate decisions on resource allocation. It can be whatever user, i.e. not only establisher but also a financing bank in case of municipalities or municipality council evaluating financial performance of the municipality. From this reason, IPSAS denotes its financial statements as "general purpose financial statements".

Fiscal reports compatible with the system of national accounts ("SNA"), i.e. ESA 95 and GFSM 2001 focus on specific needs of recipients of statistical fiscal information, e.g. evaluation of budgetary deficit and public debt and payments to budgets of international institutions. This accounting system is simplified for aspects insignificant for recipients of statistical fiscal information that led to, except other, that the statistical consolidation is not based on the principle of control of one entity over another entity, which is a key principle in the accounting consolidation, but it is understood as a technique of eliminating intra-sectoral transactions, flows and balances where the consolidated whole is stipulated administratively as the general government sector.

Due to the fact that IPSAS were selected within public finance management reform to be a foundation methodology for the new public administration accounting system, we recommend to adopt the conception of general purpose financial statements in the IPSAS understanding, i.e. to include into the reporting whole also controlled entities outside the general government sector. This will contribute the better understanding of assets, liabilities and results of operations of the public administration as a whole than it would be the case in limiting the consolidation to the general government sector.

### 3.3 Application of control principle in accounting consolidation

The concept of control is the key one for the accounting consolidation where the entity preparing consolidated financial statements ("CFS") controls entities included into the CFS. 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 a detailed guidance for the analysis by the reporting entity in order to determine whether or not it controls another entity.

When applying the control principle per IPSAS 6 we concluded that

1. there is no control relationship between:
  1. VÚCs and municipalities on their territories,
  2. VÚCs and municipalities on one side and a theoretical entity of "Self-administration" on the other side,
  3. the entity of Public Administration on one side and entities of Self-administration, VÚCs and municipalities on the other side.
2. there is a control relationship between:
  1. Administrators of state budget chapters, VÚCs and municipalities on one side and budgetary organisations ("RO"), contribution organisations ("PO") and subsidiaries (non-profit organisations and business entities) established by them on the other side;
  2. the theoretical entity of State Administration and administrators of state budget chapters.

It follows from the above that public administration entities will prepare the following financial statements:

1. Administrators of state budget chapters, VÚCs and municipalities will prepare CFS if they established RO, PO or a subsidiary;
2. State Reporting Section of MF SR will prepare CFS for the state-administration from CFS of state budget chapters, or from separate financial statements of those state budget chapters that do not have obligation to prepare CFS;
3. CFS will not be prepared for the self-administration, see abovementioned relationships 1.1 and 1.2;
4. State Reporting Section of MF SR will prepare summarised financial statements of public administration by using consolidation techniques from CFS of the state-administration and CFS or separate financial statements of VÚCs and municipalities constituting self-administration.

This proceeding was proposed in the article 23 of the Act 431/2002 Z.z. on accounting.

## **4 Fiscal reporting**

In the last project period we focused on high-level understanding of the as-is fiscal reporting process. It is described in the following part, indicating key issues perceived and solution opportunities which the design of the to-be process will be derived from. We will be dealing also with the topic of statistical consolidation and its relation to the future accounting consolidation.

### **4.1 Process objective**

The objective of the fiscal reporting process is to meet the MF SR reporting obligation to the EU and IMF. MF SR submits to the EU the following key information

- quarterly tables on general government debt,
- half-yearly notifications of deficit and debt of general government (estimate and actual for the whole year),
- complementary tables to the half-yearly notifications of deficit and debt - on capital injections in public corporations, on balances and flows of receivables from public corporations, tax receivables, receivables from the EU, receivables from the 3rd countries, receivables and payables related to military expenditures, balance of balances and flows related to guarantees.

The key MF SR output submitted to the IMF is integrated balance of receipts, expenditures, assets and liabilities in yearly and quarterly periodicity.

## 4.2 Information collection

Data collection for the fiscal reporting in the existing practice can be distinguished into routine and non-routine.

### 4.2.1 Routine information collection

Routine information collection represents the administrative source of data. It is regulated by:

- MF SR instruction regulating scope, form and time of data submission for general government budget evaluation ("Instruction 1"). Instruction 1 is issued for the period of a calendar year. The instruction for 2006 was issued on 7 Dec. 06 in Finančný spravodajca 10/2005.
- MF SR instruction stipulating data submission on financial assets and liabilities for public finance assessment in 2006 ("Instruction 2"). Instruction 2 valid for 2006 was issued on 20 Dec. 06 in Finančný spravodajca 1/2006.

Instruction 1 defines, except other:

- reporting entities (in compliance with art. 3 of the Act Nr. 523/2004 Z.z. on budgetary rules of the public administration and on amending some acts),
- information submission form, as follows
  1. Statement on budget fulfilment and on compliance with selected financial indicators,
  2. Balance Sheet and
  3. respective part of Income Statement,where individual statements exist in variants per type of reporting organisation.
- periodicity of information submitting: information is submitted quarterly, including financial statements that in the 1st-3rd quarter are not prepared as component parts of accounting closing.
- technical conditions of data collection: in overall, the procedure is:
  - organisations - ISŠP clients - send their statements electronically via ISŠP,
  - municipalities submit their statements electronically and in hard copies to the methodologist of locally relevant tax office who submits them, after carrying-out prescribed procedures, to Datacentrum,
  - ROs and POs of municipalities submit their statements electronically to their municipalities,
  - integrity of electronically sent data is ensured by a control where
    - the entity sending data via ISŠP is obliged to check the data uploaded by ISŠP to its hard-copy statements,

- the methodologist of the Tax Office is obliged to check the data uploaded by Datacentrum to hard-copy statements of municipality, that were submitted by the municipality

Instruction 2 defines, except other:

- reporting entities, scope is limited in comparison to art. art. 3 of the Act Nr. 523/2004 Z.z. on budgetary rules of the public administration and on amending some acts,
- form of information submission:
  1. Statement on sectoral split of increase/decrease in financial assets and liabilities
  2. Statement on sectoral split of financial assets and liabilities
  3. Quarterly statement on debt structure per foreign exchange
  4. Yearly statement on debt structure per maturity
- periodicity of statements submission: statements 1 and 3 are submitted quarterly, statements 2 and 4 yearly,
- technical conditions of data collection are analogical to the Instruction 1.

#### **4.2.2 Non-routine information collection**

Non-routine information collection is represented by statistical investigation of Independent Department for Implementing Statistical Standards ("Department") for missing information with general government entities, or specialised MF SR divisions, which was not provided by the routine information collection. The need for additional information is identified during processing the routine information. Some needs for additional data, however, can be anticipated because absence of this information in the routine collection results from limitations of the existing financial and budgetary statements. It is e.g. need for accrual on receivables and liabilities in the general government sector, information on market value changes of financial assets and liabilities etc. Contrary to that, existence of some data to be reported cannot be anticipated by the Department, e.g. arising of rise of reportable liabilities not yet recorded in the accounting records. It is therefore in the interest of the fiscal reporting quality to formalise also collection of statistical data as much as possible.

### **4.3 Data processing**

ISŠP and Datacentrum prepare aggregated statements per types of organisation processed by them in the form of Excel tables that are submitted to the Department. The Department elaborated mappings between relevant items of the economic classification of the State Budget and items per ESA95 and GFSM2001. However, these mappings are not enough to prepare full statistical reports, due to reasons analysed below:

### 4.3.1 Missing data on establishing and closing of organisations, activity delimitations

Problems with reporting the prior period can arise in statistical consolidation in case of establishing or closing RO/PO or delimitations of activities to another RO/PO. This is because the financial statements show only net figures for the prior period, both gross and net figures are shown only for the current period. The correct statistical reporting requires both gross and net figures also for the prior period. We will investigate the following solution opportunities:

1. Reporting the prior period both gross and net in the financial statements. This would be a non-traditional solution from the accounting point of view, however, not impossible.
2. Reporting the prior period both gross and net in notes, for all categories of assets and liabilities.
3. Expanding data providing to the Department by ISŠP and Datacentra.  
In case of expanded functionality of aggregating systems or in case of direct connection of the Department to this systems the Department would have available not only the aggregated data for subsectors, but it would have also the option to drill down individual items, e.g. down to organisations constituting a subsector. Such an option would automatically eliminate a need for many questions.

A combination of solutions can be considered in practice, e.g. 2 and 3.

### 4.3.2 Missing accrual data

Statement of budget fulfilment and of compliance with selected financial indicators reflect cash movements while statistical standards require accrual information. Missing accrual data are obtained by statistical investigations, see section 4.2.2. Among the most significant accruals are tax receivables and receivables for social insurance.

It can be expected that implementation of accrual accounting will remove in significant extent the need for additional investigation for these accruals. It can be illustrated on the tax receivable where for the September notification of the Maastricht debt, a method of tax receipts adjusted for the administrative time shift of tax maturity against tax period will be used. This complies with the accrual accounting approach which recognises as a receivable only virtually certain future receipts. It should be noted here that the method used up till now calculates the tax receivable from tax returns adjusted for probability of collection. For the purpose of recognising the receivable in the accounting, only a probability of being virtually certain would be acceptable. In practice, there would be a different amount in the accounting and in the statistical reports. The future solution rests in:

1. maximum possible harmonisation of accounting recognition criteria with statistical reporting criteria, e.g. as in the case of presented tax accrual,
2. in documenting all remaining methodological differences between the accrual accounting and the statistical bases of reporting, e.g. in the form of internal procedure. More such differences identified in this phase as relevant are presented in the following sections;
3. calculating differences per item 2. each time when preparing a statistical report.

### 4.3.3 Different valuation in accounting and fiscal reporting

According to the statistical bases of reporting, assets and liabilities are valued in principle at market values, or if they are not available, in replacement costs. The proposed new accounting methodology, as well as the current methodology, prefers valuation in historical costs. Market values are applied only for selected short-term financial assets and liabilities.

Up till now, the Department has not carried out on its own revaluations from historical costs to market values/replacement costs, i.e. if the accounting records have not provided the fair values, historical costs were used also in the statistical reports. It is the task of the Department for the current year to comply with the statistical bases of reporting and to find appropriate way of assets and liabilities valuation

In this situation, the following solutions can be considered:

1. In the accounting, assets and liabilities will be kept in fair values in all cases where allowed by IPSAS. These are in principle all types of assets and liabilities except for inventories or deferred tax. The disadvantage of this solution is that
  - criteria for revaluation to fair value are more strict in the accounting than in the statistics and they could lead to increased costs, e.g. for expert valuation of real estate,
  - the accounting entities may currently not dispose of sufficiently qualified accountants and especially during the running-in period of the accrual accounting, the provided valuation may not be reliable for items where an accounting entity itself would perform the valuation,
  - this would result in inconsistencies with accounting procedures for other types of accounting entities where historical costs are still applied,
  - fiscal reporting needs also an information on historical costs, see section 4.3.4.3.
2. Assets and liabilities will be held in principle at historical costs in the accounting records and fair values will be presented in notes. The advantage of this solution compared to the solution 1 is that
  - even in cases of possible valuation errors, a reliable basis at historical costs remains,
  - accounting can offer data on historical costs to the fiscal reporting.

A disadvantage of this solution is increased size of notes.

3. Assets and liabilities will be held in principle at historical costs in the accounting records and fair values will not be determined beyond the requirements of the existing accounting procedures. The obligation to provide for the valuation adjustment will be left to the Departments.

Currently, a combination of the solution 2 and 3 appears to be the most plausible solution. The accounting entities will provide in the notes the fair values as at the reporting date for assets and liabilities where reliable data can be expected, e.g. traded securities. Recalculation of interest expense using effective interest rate will not be needed. The accounting entities will neither



ensure expert real estate valuations nor revaluation of inventories to replacement costs. Statistical revaluation will be provided for by the Department.

Further requirements on notes to assets and liabilities are presented

- in section 4.3.4.3 in connection with the need to separate for the fiscal reporting the accounting changes in volume of assets and liabilities into transactions and holding gains/losses,
- in section 4.3.5.2 in connection with the need to check consistence between the Statement on fulfilling budget and on compliance with selected financial indicators with the accounting information for financial assets and liabilities.

#### **4.3.4 Requirements of statistical bases of reporting for more details**

In some cases, statistical bases of reporting require more details than it is provided by the accounting records. This results from the need to analyse the deficit and the debt of the general government in detail. As an example, the following can be stated:

##### **4.3.4.1 Dividend income**

ESA95 methodology has more detailed rules for reporting the dividend than it is in the accounting. For example, a dividend from the profit on disposal of fixed assets, and from reserves created from profit if these were not specifically determined for smoothing-out dividends between years. Such a dividend is classified as a transaction decreasing net assets per ESA95, thus having impact on the EDP.

Solution options:

- a) additional statistical investigation on profit on disposal of fixed assets for significant dividend income,
- b) reporting general government entity will be made aware of ESA95 requirements on reporting dividends and it will be obliged to report in the notes the dividends statistically decreasing net assets. This solution appears to be more appropriate.

##### **4.3.4.2 Capital injections**

This concept is relevant for Eurostat even though it is not defined by ESA95 methodology. A broad definition of it is provided by ESA95 manual for government deficit and debt: "many types of payment from government to a public corporation which in national accounts have to be classified under quite different headings as capital transfers or as financial transactions. For example, it includes transactions that might be described in public accounts as investment grants, capital grants, commutation grants, loans, equity injections, acquisition of share capital or public dividend capital."

In principle it holds that grants, lendings, capital contributions including in-kind, are taken for non-financial transaction if return is not expected on such a transaction, with impact on the deficit. The first indication of need to apply such an approach is when a recipient of such funds is a public corporation that accumulated significant losses.

Due to a need to assess each capital injection individually, we believe the most appropriate solution is where accounting entities provide in their notes sufficient details on taken borrowings, loans, acquired securities and ownership interests, including identification of debtor, issuer, entity which the ownership interest was acquired in. Additional details will be obtained by the Department by statistical investigation.

#### **4.3.4.3 Separation of accounting transaction into a transaction and holding gain/loss**

Assets are reported at market values/replacement cost in the statistical reporting, however, there is a need to maintain also historical cost of assets. On sale, disposal, delimitation of asset etc. such a transaction should be from the aspect of fiscal reporting separated into

- transaction in a narrow sense (non-financial or financial), valued at current market value/replacement cost,
- holding loss/gain measured as a difference between current market value/replacement cost and historical cost of an asset.

A similar approach should be applied also for liabilities. A possible solution is to provide needed details in the notes. In section 4.3.3 we discuss the options of presenting selected types of assets at their fair values in the notes.

If full or partial sale, disposal, repayment, capitalisation, forgiving, or other such transaction occurs where valuation at a fair value will be provided in the notes, the notes should also include the separation of the accounting transaction into the part at the historical cost and into the part representing the difference between the fair value and the historical cost (i.e. holding gain/loss or profit/loss on asset realisation).

### **4.3.5 Additional investigations due to errors in administrative data**

The information on typical errors in financial and budgetary statements are presented per experience of the Department. In this section we will use a term "B/S" for the balance sheet and a term "VPR" for the Statement on budget fulfilment and compliance with selected financial indicators.

#### **4.3.5.1 Difference in cash movements per the B/S and the VPR**

Instances are not infrequent where the following consistency relationship is not true between the statements:

$$OB_{BS(BA)} + R_{VPR} - E_{VPR} + BFT_{VPR} = CB_{BS(BA)}$$

where:

$OB_{BS(BA)}$	Sum of opening balances of bank accounts in the B/S
$R_{VPR}$	Receipts per VPR
$E_{VPR}$	Expenditures per VPR
$BFT_{VPR}$	Balance of financial transactions per VPR
$CB_{BS(BA)}$	Sum of closing balances of bank accounts in the B/S

We recommend to add this inter-statement consistency relationship to the obligatory checked inter-statement relationships as defined in the Instruction 1, appendix 5, section Checks and consistency relationships in budgetary and financial statements. The relationship is valid analogically also for ISSP clients and their budgetary accounts where opening balances = 0.

#### 4.3.5.2 *Inconsistencies of financial assets/liabilities per B/S and VPR*

There are instances, especially in the statements of municipalities, that VPR includes a transaction with loans or financial investments and there is no corresponding change in the B/S, or they are not reported at all. We recommend to check the relationship between VPR and accounting information for financial assets and liabilities using the notes to the financial assets and liabilities. The notes should not only explain in sufficient detail the changes in volume of financial assets and liabilities and changes in their valuation as explained in section 4.3.3, but they should also separate the changes in volume into cash and non-cash accounting transactions. If e.g. a part of loan is repaid in a non-cash form, e.g. by a set-off for a land of a municipality, or if a receivable is forgiven or written-off, it is useful to report in the notes the cash and non-cash transaction separately. The cash transaction can be then checked to the VPR using a relevant economic classification, e.g. expenditures on repayments of bank loans (economic classification 821004 + 821005), or when drawing a loan, receipts from received bank loans (economic classification 513). Movements in shares, etc. can be controlled analogically.

If a tabular form of the notes will be applied, it should be possible to automate also these checks and include them to obligatory checked inter-statements relationships, analogically as in section 4.3.5.1. Where needed, such a consistence between VPR and accounting can be controlled analogically also for fixed assets.

#### 4.3.6 **Determining intra-sectoral receivables and liabilities for statistical consolidation**

Since no accounting consolidation is performed in the existing accounting systems of RO/PO, no confirmations of mutual receivables and payables is performed either. This represents a significant problem for the statistical consolidation. The intra-sectoral receivables and payables are determined by the Department by statistical investigation. Since the general government entities will be subject also to the accounting consolidation, this problem will be solved by confirming receivables/payables within the accounting consolidation.

### 4.4 **Using accounting consolidation for statistical consolidation**

Due to the fact that the accounting consolidation will include also entities outside the general government sector, e.g. business enterprises of municipalities and VÚCs, it will not be possible

to use the accounting consolidation as an underlying documentation for the statistical consolidation of the general government sector. We assume that the statistical consolidation will be prepared from the separate financial statements of general government entities where the aggregation will be performed by ISŠP/Datacentrum. However, the process of statistical consolidation can be made more efficient if making use of relevant procedures in the accounting consolidation. It is primarily confirmation of receivables/payables and mutual transactions within the general government sector, see section 4.3.6. In this aspect, it will be beneficial if the accounting consolidation form distinguishes entities within the general government sector and outside it.

## 5 Organisation

The first task in the area of organisation is analysing the as-is processes of financial and fiscal reporting. We describe the as-is processes of fiscal reporting in section 4. We present there the process objective, way of data collection and processing plus opportunities for simplifying the fiscal reporting process or improving quality of its outputs by improved use of accounting information. Concrete possibilities of implementing these improvement opportunities will be investigated in the following period.

In the area of analysing the as-is processes of financial reporting, the effort of the responsible workstream focused on creating pre-conditions to start this analysis. The start of the work itself is scheduled for the next period. Due to the fact that a routine process of accounting consolidation does not currently exist, the analysis will be performed on the as-is accounting processes. In this stage we are considering to map at the high level the both chapters administered by the MF SR where selected parts of processes will be mapped in deeper detail on as-needed basis in some of the chapters.

## 6 Information technology

Since the inception report there has been a development in the IT areas described below.

### 6.1 Creation of common database for accounting and fiscal reporting at MF SR

We were informed by Advisor to State Secretary for Information Systems and Accounting, Mr. Kotian, that a public tender has been issued for the project "Architecture of State Accounting IS". It is among the key tasks of this project to analyse information requirements for creating a common database. In the existing phase of the project "Providing advisory services for improving accounting and reporting systems of public finance" we do not see any obstacles for us to discuss with the team of Architecture of State Accounting IS project our proposed accounting outputs per the new methodology that will be used for the financial statements and fiscal reporting, or to make them available on the basis of agreement with MF SR. Our work on defining such outputs has already begun, see e.g. proposed accounting outputs for statistics in section 4.3.

## 6.2 Pilot project of MF SR consolidation

Per information of Mr. Kotian, the aggregation process has been mastered from the IT point of view. Issues in the accounting content are currently being solved, foremostly correct reporting of such assets or liabilities in the aggregated financial statements that up till now have not yet been fully recorded in the accounting records. Specifically, we have been informed about seeking solution for correct recognition of tax receivables and of inventories of Customs Directorate from seized goods. In the course of our project up till now we have not been asked for our involvement in this area.

## 7 Training

In compliance with the Inception Report on providing advisory services for improving public finance accounting and reporting systems we have focused on the following activities during the reporting period:

- preparation of the curricula for the foundation training – Accrual accounting essentials;
- preparation of the schedule for the foundation training – Accrual accounting essentials;
- preparation of the content of the training material for the foundation course – Accrual accounting essentials;
- preparation for ensuring additional lecturers;
- preparation for organising of training logistics.

The main focus of work was on preparation of the foundation training – Accrual accounting essentials. Thematic areas of the foundation training – Accrual accounting essentials were consulted with MF SR and comments were incorporated. The content of the course has been divided into the specific technical areas as follows:

Thematic areas	Content
1.	<b>The role and development of accounting</b> General characteristics of accounting in the context of its development. Basic concepts and accounting relations (accounting entities, scope, objectives and functions of accounting, accounting systems, accounting period). Legislative accounting framework in the Slovak Republic.
2.	<b>Fundamental methodological instruments in accounting</b> A system of accounts in double entry accounting, accounting documentation, count/documentary review of assets, accounts payable and difference between assets and liabilities, books in double entry accounting system.
3.	<b>General accounting principles</b> Foundation of general accounting principles and their application in the Accounting Act.
4.	<b>Financial statements and budgetary reports</b>

	Characteristics of financial statements – per valid legislation, theory. Components of financial statements – general content, balance sheet, profit and loss statement, notes. Budgetary reports.
5.	<b>Balance sheet, profit and loss statement and cash flow statement</b> Assets and their financial coverage. Substance of a balancing principle in accounting. Balance sheet – substance, content and order of items. Changes in assets. Balance sheet changes – (typical changes of its items). Cost, revenue and profit/loss. Profit and loss statement – substance, content and order of items. Revenue and cost recognition, its reflection in balance sheet and profit and loss statement. Calculating and reporting a profit/loss in the accrual accounting system. Receipts and expenditures. Cash flow statement – substance. Relationships between balance sheet, profit and loss statement and cash flow statement.
6.	<b>International harmonisation of accounting</b> Harmonisation of accounting (objectives and directions – EU/EEC Directives, EU Regulations related to international accounting standards, IAS/IFRS international accounting standards, generally accepted accounting principles US GAAP). IPSAS – international accounting standards for public sector in the process of international harmonisation of accounting.

The schedule for the foundation training – Accrual accounting principles has been prepared and contains the following dates:

Košice: 16 and 17 August 2006  
 Žilina: 23 and 24 August 2006  
 Banská Bystrica: 6 and 7 September 2006  
 Nitra: 20 and 21 September 2006  
 Bratislava: 29 September and 6 October 2006

It is apparent from above that the concept of one day training with the average of 200 participants in selected cities has been maintained for the foundation training – Accrual accounting essentials. There will be two runs of this training between August and October 2006.

With regard to a long term training of detailed new accounting methodology, new accounting procedures, new chart of accounts and financial statements (November 2006 – October 2007) we propose that the concept of a 3-day training for small groups of approximately 40 participants be adjusted to a two-phase training, i.e. 1-day training addressing basic information on the approved accounting methodology and a 2-day training focusing on explanation of the new methodology along with examples. This change needs to be discussed further.

Furthermore, a search for additional lecturers has been launched (Mrs. Brániková, Mrs. Urbanová) and first contacts with them have been established.

## 8 Communication

Within the work on this phase of the Project the team of advisors elaborated a strategy of communication with the public on the upcoming reform of accounting and reporting in the public sector. The recommendations of the Project Team in the area of communication have been summarised in the working document “Workstream COMMUNICATION” which was

approved by the Steering Commission of the Project of implementation of uniform state accounting and reporting (hereinafter the “Commission”) on its meeting of 25 May 2006. Below we present a brief summary of the contents of the approved document. The full version of the document with incorporated comments of the Commission has been delivered to the Project Manager on behalf of the Slovak Ministry of Finance (MF SR) Ms. Katarína Kaszasová, Director General of the State Reporting Section. We provide the whole document in appendix D.

## 8.1 Objectives of the communication

The communication will be aimed at making the public aware of the contents and importance of the implementation of the new accounting and reporting methodology, explanation of benefits of the new methodology for improvement of the public finance management, and thus for the overall increase of efficiency of the public administration. The ultimate objective of the communication, apart from the information aspect, will be to achieve the widest possible acceptance of the reform by the public and to gain support of the public for its implementation.

## 8.2 Principles of the communication

The communication will be based on the following three key principles:

- **Integrity of the Project and of the communication campaign** – clear, logical and consistent communication, presentation of realistic objectives and creation of rational and realistic expectations of the public.
- **Demonstration of value of the Project** – explanation of the importance of the Project and of its benefits to the public.
- **Building relationships** – gaining support of the public, of key political leaders on the central, regional and local level, as well as of the media, for the project.

## 8.3 Recipients of the Communication

The communication will be addressed to four principal target groups:

- **Decision Makers (DM)** – public administration representatives in the position of leaders / decision makers
- **Accountants (A)** – accountants in public administration – future compilers of the financial reports and users who input data to accounting systems,
- **Professionals (P)** – professionals in the areas of accounting, audit, teachers and students of relevant specialisations,
- **General Public (GP)** – other (non-professional) public not included in previous groups.

## **8.4 Forms of communication**

Forms of communication will depend on which target group(s) the communication is addressed to, so as to best achieve the communication objectives as set out above. These forms will include (abbreviation of recipients stated in brackets at the end of each indent):

- Letter of the Minister of Finance to the representatives of the affected public administration bodies and of other organisations (DM),
- Articles in daily press (DM, A, P, GP),
- Interviews in print as well as electronic media (DM, A, P, GP),
- Articles in print media specialising for public administration (DM, A),
- Articles, or series of articles in professional magazines specialised in accounting (A, P),
- Seminar / conference for leading representatives of public administration bodies on the reform of public sector accounting and reporting (DM),
- Presentations of representatives of MF SR and/or of representatives of the team of advisors at the congress of ZMOS/ÚMOS (Association/Union of Towns and Municipalities), or in meetings of representatives of the Higher Territorial Units (“VÚCs”) (DM),
- Preparation of a brochure on the new accounting and reporting methodology, or commented accounting procedures (A, P),
- Preparation of Illustrative Financial Statements for municipalities, VÚCs, budgetary organisations of the State, of municipalities and of the VÚCs, contribution organisations of the State, of municipalities and of the VÚCs (A, P, DM).

## **8.5 Other communication activities**

The paper contains recommendation for MF SR to arrange for that the Slovak Government formally acknowledge the 1-year postponement of implementation of the new accounting and reporting methodology (to 1 January 2008) and to arrange for that the conclusions of the Government meeting be published. Information on the reform should further be published and regularly updated on specialised internet sites. Information on the reform should also be communicated towards international institutions (EU, OECD etc.).

## **8.6 Other recommendations**

The Project Team recommended to MF SR to pay increased attention to the commenting procedure on the draft new legislation in the area of public sector accounting and reporting, in particular to comments raised by the affected entities. It is appropriate to organise a separate



commenting “pre-round” with the aim to secure that the process of the standard inter-ministerial commenting procedure be as smooth as possible.

## 8.7 Communication strategy update

The Project Team recommended to MF SR to evaluate and, if needed, to update the communication strategy and/or contents of the main part of the trainings, based upon experience gained in the first phase of trainings (scheduled completion in September 2006) and in the commenting procedure on the draft new legislation (scheduled completion October 2006).

## 9 Updated activity plan

We provide comparison of the planned activities with the activities performed during reporting period, on the basis of the analysis of detailed activities per the terms of reference per section 5 of the inception report:

Activity	Status	Duration
1. Familiarize with existing migration strategy to accrual accounting and updating it, if needed, according to progress and results of other PFMR projects;	completed	until 3 Apr. 06
2. Prepare report on significant deviations from approved strategy and proposing necessary changes to migration plan;	completed, inception report, section 8.2	until 3 Apr. 06
3. Familiarize with existing primary and secondary accounting legislation including the legislation in the process of preparation;	in progress, progress report 1, section 2.1	Mar. 06 - Aug. 06
3a Validate the new accounting methodology by Provider;	in progress, progress report 1, section 2.2	Mar. 06 - Aug. 06
4. Prepare report on significant deviations from approved strategy of legislation changes and proposing necessary changes in the new accounting legislation;	completed, inception report, section 8.2	until 3 Apr. 06
4a Prepare wording of Act on Accounting amendment for IPSAS consolidation;	in progress, progress report 1, section 3	Apr. 06 - Aug. 06
5. Familiarize with all other relevant reports of PFMR project;	completed, inception report, section 6 e,f	until 3 Apr. 06
6. Familiarize with existing fiscal and financial reporting systems focusing on preparing reports in compliance with Slovak accounting standards for public sector, ESA95 and GFS2001, where it is necessary to ensure that all institutions and units involved in this process be included for assessment;	completed, inception report, section 3.4	until 3 Apr. 06
7. Prepare draft report on identified strengths and weaknesses of existing systems, where it is necessary to take into account application of Slovak public sector accounting standards, ESA95, GFS2001 and all existing methodological problems, existing competence framework and existing support by information systems;	to be done	Aug. 06

Activity	Status	Duration
8. Prepare the design of new financial and fiscal reporting systems focusing on preparing reports in compliance with new accounting legislation, ESA95 and GFS2001, where the design must be fully consistent with and linked to the overall PFMR project and it should include: <ul style="list-style-type: none"> <li>- description of all sub processes necessary for preparing statements,</li> <li>- competence framework (specification of all entities involved into statements preparation,</li> <li>- proposed changes to methodology application,</li> <li>- proposed changes in the information systems support,</li> <li>- time-schedule of implementing the proposed fiscal and financial reporting systems focusing on preparing statements in compliance with national accounting procedures, ESA95 and GFS2001;</li> </ul>	to be done	Sep. 06 - Jun. 07
8a Validation of new consolidation methodology	to be done	Oct. 06 - Jun. 07
9. Testing and assistance with implementing new fiscal and financial reporting systems per approved design, focusing on preparing statements in compliance with new Slovak accounting legislation, ESA95 and GFS2001, including the following: <ul style="list-style-type: none"> <li>- assistance with coordinating activities needed to prepare statements for 2006 and 2007 (identification of data submitted by each public sector entity for reporting needs, data-submission time-schedule, data collection system),</li> <li>- assistance with preparing statements for 2006 and 2007 in compliance with new Slovak public sector accounting legislation (general purpose financial statements), ESA95, GFS2001;</li> </ul>	<p>to be done</p> <p>Precondition for the following activities is publishing new consolidation methodology as an accounting legislation.</p> <p>to be done</p> <p>to be done</p> <p>As discussed in the section 8.2, the nation wide launch of accrual accounting should be postponed to 1 Jan. 08. Thus we will be able to provide assistance only on fiscal reports.</p>	<p>Oct. 06 - Oct. 07</p> <p>Oct. 06 - Oct. 07</p> <p>Oct. 06 - Oct. 07</p>
10. Prepare reports on findings identified during testing and implementation process, design changes in proposed processes, competencies, methodologies and system support;	to be done Findings will be included in regular quarterly progress reports.	Oct. 06 - Oct. 07
11. Design of operating manuals for systems of fiscal and financial statements focused on statements for the year 2006 in compliance with new Slovak accounting legislation, ESA95 and GFS2001 consisting of: <ul style="list-style-type: none"> <li>- reporting data submission rules for all public sector entities (data types, submission time-schedule, submission form, etc.),</li> <li>- roles and responsibilities of all public sector entities and professional units responsible for preparing statements,</li> <li>- summary of procedures to be carried-out in the process of statements preparation (data aggregation, elimination, statements adjustments, statements submission, etc.);</li> </ul>	to be done Assistance in respect of financial reporting may be limited due to postponing nation-wide launch of accrual accounting.	Oct. 06 - Oct. 07
12. Updating of operating manuals for fiscal and financial reporting focused on 2007 statements prepared in compliance with new Slovak accounting legislation, ESA95 and GFS2001;	to be done Assistance in respect of financial reporting may be limited due to postponing nation-wide launch of accrual accounting. However, we expect to be able to prepare working draft of operating manual.	Jan. 07 - Oct. 07
13. Assessment of "Analysis of need for training activities and of recommendations to the training plan" prepared by other PFMR consultants;	in progress Our assessment will be performed as a part of process of preparing curriculum for the foundation accrual accounting training per item 15	Mar. 06 - Aug. 06
14. Assessment of activities carried-out by MF SR in accounting training for prior 2 years;		

Activity	Status	Duration
15. Prepare detailed training plan for 2006-2007 for employees of state administration and local self-administration that must include: <ul style="list-style-type: none"> <li>- using new accounting methodology and related accounting procedures prepared on MF SR accrual basis,</li> <li>- using new fiscal and financial reporting systems;</li> </ul>	This activity will be performed in 3 steps: <ol style="list-style-type: none"> <li>1. training plan for foundation accrual accounting training (in progress, progress report 1, section 7)</li> <li>2. training plan of training for detailed accrual accounting per approved legislation (to be done)</li> <li>3. detailed training plan of training for consolidation training (to be done)</li> </ol>	Mar. 06 - Jul. 06  Sep. 06 - Oct. 06  Nov. 06 - May. 07
16. Preparing relevant study handbook and materials to be used for training activities and for distribution to trainees;	in progress, inception report 1, section 7	Apr. 06 - Oct. 07
17. Training of selected set of employees of state administration and local self-administration according to training plan.	to be done Based on our understanding of training needs gained during Project inception and the need to reschedule the migration plan, as described in section 8.2, there should be 4 trainings: <ol style="list-style-type: none"> <li>1. accrual accounting essentials,</li> <li>2. detailed accrual accounting training per approved legislation,</li> <li>3. consolidation training.</li> <li>4. IPSAS training</li> </ol>	Aug. 06 - Oct. 06 Nov. 06 - Oct. 07 Jun. 07 - Oct. 07 Sep. 07 - Oct. 07
18. Ongoing external communication	in progress, inception report 1, section 8	Apr. 06 - Oct. 07
19. Preparing long-term plan	to be done Long-term planning is needed to support sustainability of Project benefits after Project completion. The outputs will be represented by our recommendations to MF SR to activities to be carried-out after the Project completion.	Oct. 07

## 10 Financial report

In compliance with article 14.3 of the general contractual terms we provide information on the use of finance for the contract execution, i.e. information on

- the number of worked days by persons utilised by the Provider to deliver the contract (tables 1a, 1b),
- ancillary costs spent for the contract execution (table 2).

At the time of approving this progress report, the project manager has not yet approved the used days amounting to 91.69 days.

No contract on subdelivery has been concluded in the reporting period. We expect concluding contract with additional external lecturers to ensure accounting trainings, see section 7.

**Table 1a: Overview of used days per individual experts in the period of 02-05/2006**

No	Expert	Allocated days	Used days		
			03/2006	04/2006	05/2006
1	Richard Farkaš	220	17.00	16.00	18.00
2	Karol Švitel	220	0	18	20.25
3	Viliam Kitta	220	17.00	14.00	13.00
4	Branislav Ďurajka	220	17.00	13.00	16.00
5	Mikuláš Zalai	220	8.00	3.56	4.56
6	Antónia Kovalčíková	220	9.00	10.00	8.00
7	Alena Kordošová	220	9.00	10.00	11.00
8	Karim Mouedden	100	3.13	5.91	4.81
9	Ivan Kupkovič	220	12.75	12.63	9.63
10	Katarína Somogyiová	220	11.00	13.00	9.50
11	Alena Šranková	220	13.00	12.00	12.00
	<b>Allocated in total</b>	<b>2300</b>	<b>116.88</b>	<b>128.10</b>	<b>126.75</b>
	<b>Used in total</b>	<b>371.73</b>			
	<b>To be used</b>	<b>1928.27</b>			

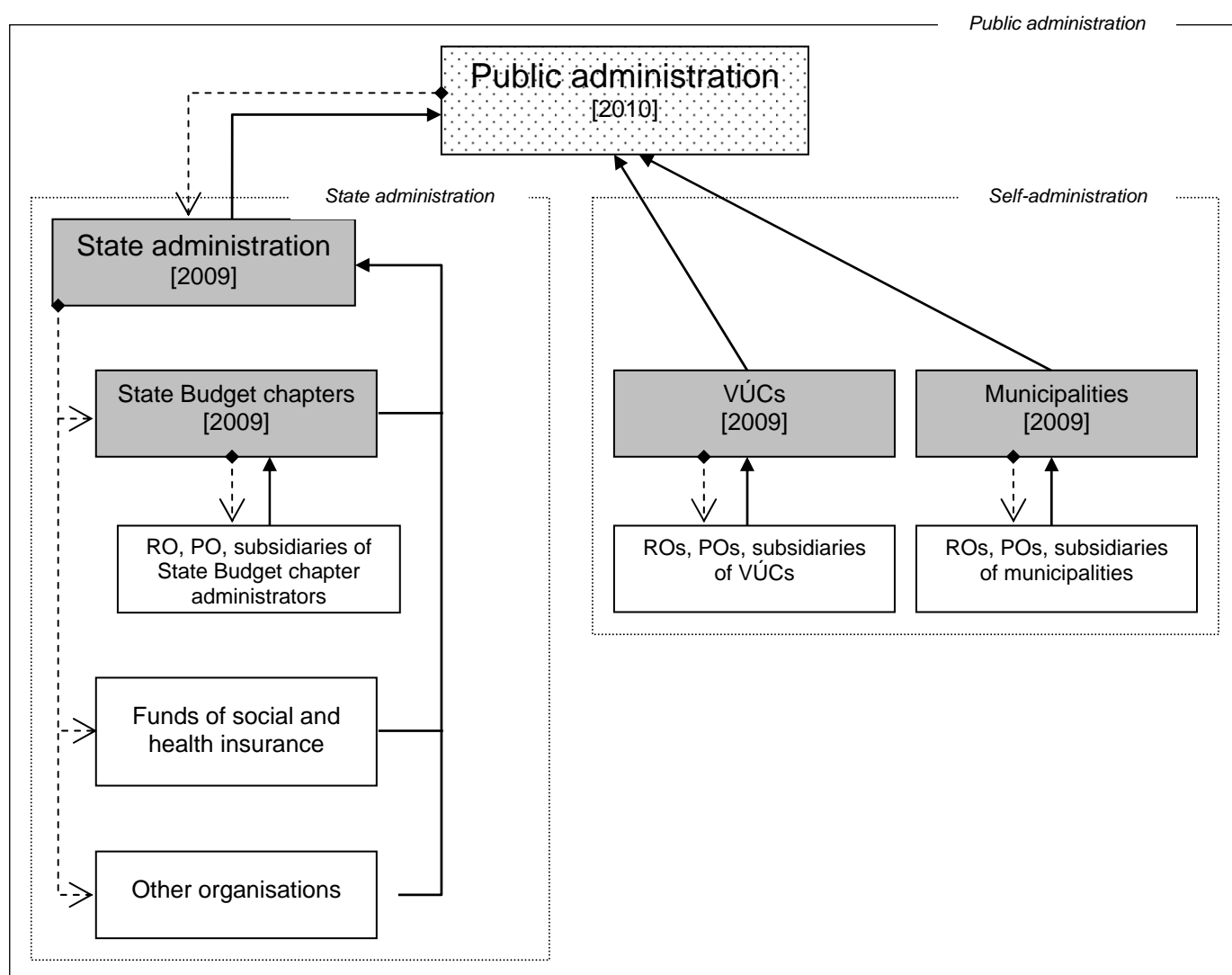
**Table 1b: Costs related to the worked time**

Budget in SKK	Used as at 31 May 06 in SKK	Balance in SKK
48,400,000	7,708,110	40,691,890

**Table 2: Ancillary costs per the budget**

Budget in SKK	Used as at 31 May 06	Item	Balance in SKK
9,449,500	7,200	translation - inception report	9,442,300

## A Reported whole in summarised financial statements of public administration



## B Abbreviations

CFS	Consolidated financial statements
CO	Contribution organisation
EDP	Excessive deficit procedure
EU	European Union
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IS	Information system
ISŠP	State treasury information system
IT	Information technology
MF SR	Ministry of Finance of Slovak Republic
PFMR	Public finance management reform
RO	Budgetary organisation
SNA	System of national accounts
VÚC	Higher territorial unit

## C Glossary of terms

For better understanding and avoidance of doubt, below is the list of terms used in this report and their translation to the official terminology according to the Slovak legislation

Budgetary organisation	Rozpočtová organizácia
Contribution organisation	Príspevková organizácia
Higher territorial unit	Vyšší územný celok
Local self-administration	Miestna samospráva (includes Municipalities and Higher Territorial Units)
Local state administration	Miestna štátna správa
Municipality	Obec
Recognition	Uznanie (aktívacia/“pasivácia“, uvádzanie na strane aktív/pasív)
State administration	Štátna správa

## **D      Communication strategy**

We provide in full wording the document "Communication strategy" approved by the Steering Committee of the Project of implementing the uniform state accounting and reporting on the session of 25 May 06.