The Role of Accounting and Data in Costing of Structural Reforms

The Case of Slovakia

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Accounting data in Costing of Structural Reforms

Determination of costs
• Financial data (data summarized for GG, data summarized for specific group of entities, transactions, projects...)
• Non financial data
• Estimations (Expert opinion)

More accurate financial data increase the reliability of planning (costing of structural reform, planning of investment..)

Constrains: lack of data, IS support by the data processing, data are not consistent across the GG sector, not available on time....
GG sector accounting and reporting reform, Slovak Republic

• Major accounting reform (2005-2012)
• From 2012 ongoing improvements in the accounting and reporting system
• Main reform components and activities
  ➢ Legislative framework
  ➢ IT system support
  ➢ Education and help desk
## Composition of the Slovak GG

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total number</th>
<th>From this Central Government</th>
<th>Current accounting system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary org.</td>
<td>3 459</td>
<td>694</td>
<td>accrual</td>
</tr>
<tr>
<td>Semi-budgetary org.</td>
<td>677</td>
<td>135</td>
<td>accrual</td>
</tr>
<tr>
<td>State funds</td>
<td>3</td>
<td>3</td>
<td>accrual</td>
</tr>
<tr>
<td>Municipalities (cities/towns)</td>
<td>2 926</td>
<td>-</td>
<td>accrual</td>
</tr>
<tr>
<td>Higher Teritorial Units</td>
<td>8</td>
<td>-</td>
<td>accrual</td>
</tr>
<tr>
<td>Non for profit org. and others</td>
<td>463</td>
<td>18</td>
<td>accrual</td>
</tr>
<tr>
<td>Public universities</td>
<td>20</td>
<td>20</td>
<td>accrual</td>
</tr>
<tr>
<td>Public corporations</td>
<td>113</td>
<td>33</td>
<td>accrual</td>
</tr>
<tr>
<td>Social Insurance Agency</td>
<td>1</td>
<td>-</td>
<td>modified accrual accounting</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>7 670</strong></td>
<td><strong>903</strong></td>
<td></td>
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</table>
Public Sector Accounting is the information system that records, analyses, classifies, summarizes and communicates a public sector entity 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.
Main benefits from improvements in the accounting and reporting system

• Data consistency (across the entities and across the time)
• Quality of accounting data
• Availability of financial data
• Improved public finance managements functions
• Transparency and accountability
Data consistency and quality

- Harmonized standard chart of accounts and accounting policies, double entry accounting system
- Free education, continuous help desk, methodological support
- Reporting process supported by the IT system with a comprehensive set of controls but no central access to transactional data
- Consolidation process lead by the Ministry of finance
- Audit of financial statements
Data quality

Increased quality of accounting data from the entity view:

• Implementation of standard economic IT systems by majority of entities,

• Accrual accounting data processing allows effective costing support
Increased availability of financial data

• Quarterly reporting (budget execution, assets and liabilities) includes all GG entities

• Data for costing, investment planning and evaluation (Value for Money initiative)

• Financial statements (individual and consolidated) published in one register, www.registeruz.sk

• Budget revenues and expenditures visualization, www.rozpocet.sk
Methodology for cost accounting (planned)

Monitoring of selected cost and cost drivers:

• Cost of the building per m² area and per employee
• Vehicle cost per km
• Training cost per employee
• Travel cost per employee
## Accounting data in Costing of Structural Reforms

<table>
<thead>
<tr>
<th>Year</th>
<th>Salaries</th>
<th>Goods and services</th>
<th>Subsidies and transfers</th>
<th>Capital expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Data sources options:

**Salaries:** Legislation, Managerial/cost accounting/Payroll system, Statistical/financial reporting, Ad hoc survey/reports  
**Good and services:** Managerial/cost accounting, Statistical/financial reporting, Ad hoc survey/reports  
**Subsidies and transfers:** Statistical/financial reporting, Ad hoc survey/reports  
**Capital expenditure:** Managerial accounting Property register, Statistical/financial reporting, Ad hoc survey/reports

The approach depends on the difficulty in data collection and analysis.
• Double entry accounting system standardizes the accounting process and improves the accuracy of prepared financial reports and statement

• An accrual accounting system determines systematically the full costs of a government’s activities

• For analysis, planning and evaluation it is very important to have consistent financial data for several years.

• To access accounting data effectively either direct access to transaction data or a well structured reporting process must be implemented

**Accrual accounting is not the objective – it is rather a tool**