PULSAR

PERSPECTIVES FOR THE FUTURE

TECHNICAL NOTE

Consolidation of Financial Statements at Different Levels of Government

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Technical Note

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December 2022

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GLOSSARY

AGE	General Administration of the State
BFS	Federal Statistical Office
CFC	Brazilian Federal Accounting Council
CoA	Chart of Accounts
CoP	Community of Practice
CU	Consolidation unit
EDP	Excessive Deficit Procedure
EduCoP	Education Community of Practice
EFD	Federal Department of Finance
EFV	Federal Finance Administration
ESA	European System of National and Regional Accounts
Eurostat	Statistical Office of the European Union
FinCoP	Financial Reporting Frameworks Community of Practice
FOCAL	Forum of Governmental Accountants of Latin America
FS Model	Financial Statistics Model
GFS	Government Finance Statistics
GFS Model	Government Financial Statistics Model
GFSM	Government Finance Statistics Manual
GGS	General Government Sector
GOE	Government-owned enterprise
HRM2	Harmonized Accounting Model for Cantons and Communes
IC	Intercompany
IFMIS	Integrated Financial Management Information System

IFRS	International Financial Reporting Standards
IGAE	General Comptroller of the State Administration
IMF	International Monetary Fund
IPEA	Brazilian Institute of Applied Economics and Research
IPSASB	International Public Sector Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
LEPL	Legal Entity of Public Law
MAFPPD	Macroeconomic Analysis and Fiscal Policy Planning Department
N(N)LPs	Non-Entrepreneurial (Non-Commercial) Legal Entities
NAPR	National Agency of Public Registry
NRM	Confederation's New Accounting Model
PFM	Public financial management
PGCP	General Public Accounting Plan
PSA	Public Sector Accounting
PULSAR	Public Sector Accounting and Reporting Program
SAP BPC	SAP Business Planning and Consolidation
SIAFI	Federal Government Financial Administration System
SICONFI	Accounting and Fiscal Information System for the Brazilian Public Sector
SOE	State-owned enterprise
STN	National Treasury Secretariat
TN	National Treasury
ZHAW	Zurich University of Applied Sciences

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PREFACE

The PULSAR Program, launched in 2017, is a regional and country-level program for 13 beneficiary countries in Europe and Central Asia. Its objective is to support the enhancement of public sector accounting (PSA) and financial reporting frameworks, in line with international standards and in accordance with good practices, to improve government accountability, transparency, and performance.

The objectives and scope of the PULSAR Program are jointly determined by the PULSAR Partners – Austria, Switzerland, and the World Bank – who also provide institutional support for its implementation and mobilize the resources needed for its activities. Beneficiary countries help shape the PULSAR Program through regional cooperation platforms and inputs to the two Communities of Practice: the Financial Reporting Community of Practice (FinCoP) and the Education Community of Practice (EduCoP).

The FinCoP aims to support government officials in managing public sector accounting reforms through gap analysis, developing reform strategies and roadmaps, and implementing improvements in areas including legislation, standard setting, regulation and enforcement, and information technology. It also seeks to improve the links between financial, management, statistical, performance, and budget reporting, and develop good practices and knowledge products to respond to the practitioners' challenges identified in strengthening PSA frameworks.

The primary audience of this Technical Note on the Consolidation of Financial Statements at Different Levels of Government is practitioners. It aims to inform them by identifying, exploring, and proposing different consolidation and compilation approaches for financial statements, including jurisdictions' experiences and international good practices. In doing so, it highlights some challenges that jurisdictions have noticed in the reconciliation process and indicates how they have addressed them.

The secondary audience is policymakers. The implementation of the integrated consolidation and compilation process proposed in this Technical Note could be understood as an implementation of a public policy aiming to improve public financial management. It could be achieved by upgrading: (i) the reliability of statistical information prepared and presented by governments; and (ii) the utility of accounting information that is prepared using high-quality standards. This Technical Note proposes the process and describes the required steps that could be useful for the design of the public policy.

The key conceptual aspects presented in this Technical Note maintain consistency with the guidelines of the International Public Sector Accounting Standards (IPSAS) and the Government Finance Statistics Manual (GFSM). Nevertheless, it is recommended that the original sources are consulted regarding specific technical questions.

EXECUTIVE SUMMARY

The main objective of this Technical Note is to identify, explore, and propose an integrated process to facilitate the consolidation of financial statements in the public sector and the compilation of Government Finance Statistics (GFS), considering jurisdictions' experiences and international good practices from Brazil, Georgia, Spain, and Switzerland. In doing so, the Technical Note highlights some challenges that jurisdictions have faced in the reconciliation process and the means of address.

The proposed integrated consolidation and compilation process uses the delineation of the public sector and its subsectors presented in GFSM 2014 to prepare consolidated financial statements, instead of the delineation of the economic entity through the principle of control in accordance with IPSAS 35. The aim of the suggested process is to facilitate the reconciliation process between accounting and GFS. However, the process considers aspects from the consolidation process under IPSAS 35 also outlined in this Technical Note.

The suggested process also complements the conceptual interplay between Public Sector Accounting (PSA) and Government Finance Statistics (GFS) discussed in one of the PULSAR technical notes called "Benchmarking Guide: Integrating Public Sector Accounting and Government Finance Statistics" (Benchmarking Guide) (World Bank, 2019).[1]

Among the differences that make the reconciliation process between accounting and GFS more complex is the scope of PSA consolidation and GFS compilation. For example, under IPSAS, the PSA consolidation uses an economic perspective that is based on the principle of control, delimiting the scope of consolidation by grouping the controlling entity and its controlled entities into an economic entity.

In turn, under GFSM 2014, GFS compilation follows a statistical perspective and delimits the scope by grouping resident public institutional units into sectors and their subsectors. The delineated sectors are the public sector, which encompasses the general government and the public corporation sectors. The general government sector includes the central, state, and local government subsectors and the public corporation sector comprises the non-financial and financial public corporation subsectors.

The proposed consolidation and compilation process is illustrated in **Figure 8** by fourteen steps grouped into six phases: (i) initial setup according to the statistical framework; (ii) maintenance and preparatory work according to accounting standards and statistical framework; (iii) financial data consolidation according to accounting standards; (iv) financial reporting according to accounting standards; (v) statistical data compilation; and (vi) statistical reporting.

1 Link to access the full text of the Benchmarking Guide: https://cfrr.worldbank.org/publications/benchmarking-guide-integrated-psa-and-gfs

The implementation of the suggested process should be based on the needs of each jurisdiction, but it aims to reduce some of the challenges observed in the compilation process by the countries analyzed. Given the conceptual differences that exist between accounting and statistical frameworks, adjustments using non-accounting sources may be needed. However, the process suggested in this Technical Note may reduce the number of adjustments required and their complexity.

The international practices explored in this Technical Note show that even though all countries analyzed (Brazil, Georgia, Spain, and Switzerland) are using IPSAS, directly or indirectly, as their accounting framework, only two of them (Spain and Switzerland) are preparing consolidated financial statements at the national level using the principle of control. The other two countries (Brazil and Georgia) are performing it by applying a legal approach, based on the scope specified in their respective laws.

In turn, the compilation scope of all countries analyzed has been done encompassing only resident public institutional units that belong to the general government sector and its subsectors (i.e., central/federal, state, and local governments). It means that the public sector compiling a consolidated financial report as a whole has not been done currently by the four countries analyzed.

The scope of consolidation may vary between the countries and depends on the information needs of the users and the applied standards. It is also possible that more than one scope and, therefore, more than one set of consolidated financial statements exist, in order to respond to different information needs.

This Technical Note also leads to the conclusion that, in a certain sense, GFS are a result of a consolidation process; although, they do not apply the concept of economic entities, but of economic sectors. This also allows the application of statistical estimations and adjustments, and leads to a higher level of materiality, as compared to the financial statements of an economic entity. In other words, statistics include entire sectors but are less precise than consolidated financial statements.

The consolidation and compilation processes are therefore similar, but not identical. Both consolidated financial statements and GFS respond to specific information needs which are not satisfied with the individual financial statements of legal entities. They present economic information about economic entities and economic sectors.

Ultimately, this Technical Note identifies a set of challenges, that could arise in the implementation of the suggested integrated consolidation and compilation process, and respective key mitigation strategies that are provided at the end of the work (see **Table 2**). The main challenges refer to: (i) current constitutional arrangements and legal requirements; (ii) a large volume of entities and operations to be consolidated/compiled and potential discrepancies between data received; (iii) use of different accounting policies and lack of a unified and harmonized Chart of Accounts (CoA) to report information; and (iv) lack of an Integrated Financial Management Information System (IFMIS) or a bridging algorithm for consolidation and compilation, among others.

1 INTRODUCTION

1.1. Context

1. Public financial management (PFM) improvement has been discussed for more than 30 years – after the topic became important in the late 80s and early 90s. Further, the subject receives even more attention after crises take place, such as the Covid-19 pandemic, and when there is a need for a jurisdiction to pursue the United Nations Sustainable Development Goals.

2. A good PFM system is one that can accurately and reliably reflect the complex economic reality of governments (Ball, 2020). To achieve this, one of the PULSAR technical notes, "Benchmarking Guide: Integrating Public Sector Accounting and Government Finance Statistics" (World Bank, 2019), elaborated on the conceptual interplay between Public Sector Accounting (PSA) and Government Finance Statistics (GFS).

3. In the public sector financial management cycle, PSA generates the financial reporting that is used as input data for GFS preparation, i.e., GFS production is dependent on a constant flow of data from the PSA (Bergmann, 2009). However, a reconciliation process is necessary due to the different underlying paradigms between the frameworks used in PSA and GFS. Among these differences are the scope and procedures. Regarding the scope, PSA consolidation prepared in accordance with International Public Sector Accounting Standards (IPSAS) uses an economic perspective that is based on the concept of control. In turn, GFS compilation under Government Financial Statistics Manual 2014 (GFSM 2014) follows a statistical perspective and delimits the scope by grouping institutional units into sectors and subsectors.

4. However, due to the complex organization of the public sector and its wide range of decentralized and subnational entities, other perspectives have emerged

from the scopes determined by existent international reference frameworks. For example, the control principle determined by IPSAS 35 is used in a stricter way in the budgetary perspective whose consolidation scope includes entities that are relevant to the budget or budgetary decisions that are influential or even critical to them (Bergmann, 2009). From an organizational and legal perspective, instead, the PSA consolidation is done according to the organizational structure set by legislation (Bergmann, 2009).

1.2. Objective of the Technical Note

5. The main objective of this Technical Note is to identify, explore, and propose an integrated process to facilitate the consolidation of financial statements in the public sector and the compilation of GFS, considering jurisdictions' experiences and international good practices from Brazil, Georgia, Spain, and Switzerland. In doing so, the Technical Note highlights some challenges that jurisdictions have faced in the reconciliation process and the means of address.

1.3. Motivations for preparation of the Technical Note

6. PFM improvement can be understood in the context of many new ideas over the last 30+ years. Such ideas stimulated, among other things, the decentralization of services to citizens. The decentralization, added to the organizational structure of governments, resulted in a set of entities to provide the services. The entities that make up the set are usually legally independent but economically dependent on other entities. Therefore, there is a need to have accounting tools to portray the financial picture of an entity considering the several entities that are economically dependent. An accounting tool that helps in this way is consolidated financial statements.

7. Consolidated financial statements allow the assessment of the performance, fiscal risks, liabilities, and assets of a set of entities as if they were one entity. Because of the broader view that consolidated financial statements allow, is a good practice to prepare and present them. Accounting standards like IPSAS aim to provide information for accountability and decision-making, and statistical frameworks provide macroeconomic numbers designed to support fiscal analysis and policymaking. To achieve those objectives, accounting standards and statistical frameworks require the preparation and presentation of consolidated or compiled information. However, the scope of consolidation is different.

8. The definition of the scope depends on the information needs and the applied standards or frameworks. However, governments usually have separate processes to attend to different standards or frameworks, such as IPSAS and GFSM 2014. This separation causes difficulties that can prevent the satisfactory conclusion of the processes. Considering this difficulty and the importance of having consolidated or compiled information, the motivation for preparing this Technical Note is to contribute to the mitigation of difficulties presented by governments by merging the two processes and implementing an integrated consolidation and compilation process, which would meet different standards or frameworks.

9. Besides the operational efficiency that could be achieved by implementing the proposed process, it aims to contribute to the reliability of statistical information prepared and presented by governments, as the reports would be prepared using accounting information from the accounting system of government instead of estimates that must be used in some cases because of missing data. Furthermore, the implementation of an integrated consolidation and compilation process could improve the utility of accounting information that is usually prepared using high quality standards.

1.4. Limitations of the Technical Note

10. This Technical Note complements the work of the Benchmarking Guide.[2] Therefore, it is recommended that readers familiarize themselves with the Benchmarking Guide beforehand to obtain a better understanding of this Technical Note.

11. In this Technical Note, as in the Benchmarking Guide, the authors will use current international reference frameworks, namely, IPSAS and GFSM 2014, to treat the consolidation and compilation of data. Thus, this Technical Note, with the exception of the parts that report jurisdictions' experience, does not address the rules of any country and is not intended to replace any accounting or statistical framework.

1.5. Structure of the Technical Note

12. The note consists of five chapters. Chapter one covers the introduction, in which the context and motivations are presented, and the objective and limitations of the Technical Note are established. Chapter two addresses three subjects: (i) the scope of consolidation and compilation according to IPSAS and GFSM 2014; (ii) the delineation of the economic entity, according to IPSAS, and the delineation of the public sector, the general government sector, and their subsectors, according to GFSM 2014; and (iii) the consolidation and compilation process according to the aforementioned accounting and statistical frameworks.

13. Chapter three presents international experiences for the consolidation and compilation of data from four countries: Brazil, Georgia, Spain, and Switzerland. The chapter also presents the methodological explanation and describes the lessons learned from the four countries, highlighting the good practices to prepare and present the consolidated financial statements and to compile the GFS.

14. Chapter four presents the proposition of an integrated consolidation and compilation process. The proposed process encompasses fourteen steps grouped into six phases. The chapter also presents an explanation for each step. Chapter five indicates the conclusions obtained and presents recommendations based on IPSAS, GFSM 2014, the experiences of the four selected countries, and the authors of this Technical Note. The chapter also lists some possible challenges to implementation of the proposed process and presents some mitigation measures.

2 Link to access the full text of the Benchmarking Guide: https://cfrr.worldbank.org/publications/benchmarking-guide-integrated-psa-and-gfs

2

CONSOLIDATION AND COMPILATION ACCORDING TO IPSAS AND GFSM 2014

2.1. The scope of consolidation and compilation according to IPSAS and GFSM 2014

15. IPSAS and GFSM 2014 outline different scopes of consolidation and compilation. IPSAS enable the preparation and presentation of consolidated financial statements of an economic entity. An economic entity is a group of entities comprising the controlling and controlled ones (IPSAS 35 para. 16), even if they are in different economic territories, as shown in **Figure 1**. An economic territory is an area under the effective economic control of a single government (GFSM 2014 paras. 2.8 to 2.11).

16. In contrast to IPSAS, the GFSM 2014 supports compiling statistics for an economy that consist of a set of resident institutional units (GFSM 2014, para. 2.6). GFS scope therefore includes the public sector, the general government sector, and their subsectors (i.e., the central, state, and local government subsectors[3] and non-financial and financial corporations' subsectors) but only comprises the institutional units that are in the same economic territory, called resident institutional

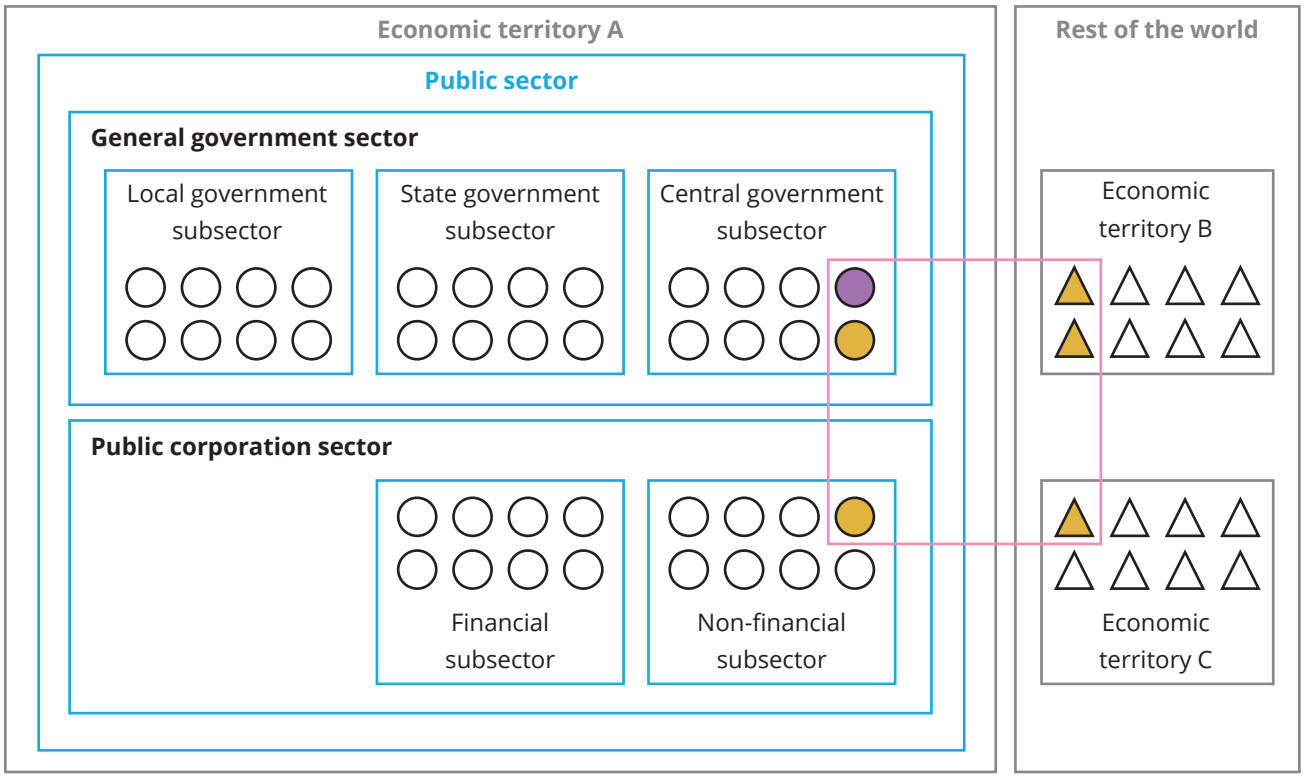
3 It should be noted that the social security funds could be presented either as a separate subsector of the general government or could be included in the level of government in control of these funds.

units (GFSM 2014 paras. 1.4 and 2.63). The institutional units that reside in any other economic territory are called non-residents and are included in data for the rest of the world.

17. Territorial enclaves, such as embassies, military bases, and scientific stations, remain under the jurisdiction of the economic territory A (see **Figure 1**). In contrast, both state-owned enterprises (SOEs) (often also referred to as government-owned enterprises (GOEs)) and their subsidiaries that are not resident institutional units are part of the economic entity for accounting purposes under IPSAS. However, they are still part of the rest of the world for statistical purposes under GFSM 2014, since these SOEs fall under the jurisdiction of the host country.

18. **Figure 1** shows an example of consolidation and compilation scope according to IPSAS and GFSM 2014. The figure considers three economic territories: A, B, and C. Economic territory A is used to represent the compilation scope according to GFSM 2014, and economic territories B and C are considered as the rest of the world. Economic territory A prepares GFS for the public sector, general government sector, and public corporation sector encompassing all its public resident institutional units. Economic territory A also prepares GFS for central, state, and local governments

Figure 1. The scope of consolidation according to IPSAS 35 and compilation according to GFSM 2014



Legend:

- ○ *The shape indicates a public institutional unit resident of economic territory A.*
- △ *The shape indicates a public institutional unit nonresident of economic territory A.*
- *The color indicates a controlling entity according to the principle of control of IPSAS 35.*
- *The color indicates controlled entities according to the principle of control of IPSAS 35.*
- *The rectangle formed with this line indicates the economic entity that integrates a consolidated financial statement according to IPSAS.*
- *The rectangles formed with this line indicate the sectors and their subsectors that integrate the compiling according to GFSM 2014.*

Source: World Bank Team based on IPSAS 35 and the GFSM 2014.

subsectors of the general government sector and financial and non-financial public corporation subsectors.

19. Regarding consolidation scope, **Figure 1** presents only one example of an economic entity as defined in IPSAS 35. The controlling entity belongs to the central government subsector of economic territory A but its controlled entities belong to different economic territories. There are two controlled entities in economic territory A: one of them is classified into the same subsector of the controlling entity, i.e., the central government subsector, and another one into the non-financial public corporation subsector. There are also three controlled entities located in economic territories B and C, i.e., in the rest of the world. Other examples of controlling entities may be identified in any sector and subsector of economic territory A, and they should also consider any controlled entities located in the rest of the world.

20. Within each subsector of the general government sector (i.e., central, state, and local government) and of the public corporation sector (i.e., non-financial and financial), there can be different entities taking part. To exemplify the list of entities that are usually considered in the consolidation according to IPSAS and compilation under GFSM 2014, **Figure 2** presents a non-exhaustive list.

Figure 2. Non-exhaustive list of entities considered in the IPSAS consolidation and GFSM compilation

IPSAS Consolidation	Non-exhaustive list of entities	GFS Compiling
Within the delineated economic entity, if controlled by the controlling entity determined	Ministries, including decentralized government entities without legal personality	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates
Within the delineated economic entity, if controlled by the controlling entity determined, even whether they are resident institutional units or not	Non-market producer decentralized government entities with legal personality (e.g., agencies)	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates, if they are resident institutional units
Whether they are resident institutional units or not, within the economic entity, if controlled by the controlling entity established	Market producer decentralized government entities with legal personality (e.g., agencies)	Within the public corporation sector as part of the subsector (i.e., non-financial or financial subsectors) that it integrates, if they are resident institutional units
Within the economic entity, if controlled by the controlling entity established	Parliament and other legislative entities	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates
Within the economic entity, if controlled by the controlling entity established	Judicial entities	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates
Within the delineated economic entity, if controlled by the controlling entity determined, even whether they are resident institutional units or not	Non-market producer SOEs (government owns >= 50%)	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates, if they are resident institutional units and controlled by the public sector

IPSAS Consolidation	Non-exhaustive list of entities	GFS Compiling
Within the delineated economic entity, if controlled by the controlling entity determined, even whether they are resident institutional units or not	Market producer SOEs (government owns >= 50%)	Within the public corporation sector as part of the subsector (ie., non-financial or financial subsectors) that it integrates, if they are resident institutional units and controlled by the public sector
Within the delineated economic entity, if controlled by the controlling entity determined, even whether they are resident institutional units or not	Mixed-ownership enterprises (government owns <50%)	Within the public corporation sector as part of the subsector (ie., non-financial or financial subsectors) that it integrates, if they are resident institutional units and controlled by the public sector
Within the delineated economic entity, if controlled by the controlling entity determined	State governments	Within the GGS as one of its subsectors
Within the delineated economic entity, if controlled by the controlling entity determined	Local governments	Within the GGS as one of its subsectors
Within the delineated economic entity, if controlled by the controlling entity determined	Social security funds	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates or within the GGS as an independent subsector according to country practices
Within the delineated economic entity, if controlled by the controlling entity determined	Central bank	Within the public corporation sector as part of the financial subsector
Within the delineated economic entity, if controlled by the controlling entity determined, even whether they are resident institutional units or not, and are market producers or not	Universities	Within the GGS as part of the subsector (i.e., central, state, or local government subsectors) that it integrates, if they are resident institutional units and not-market producers. Otherwise as part of the rest of the world or public corporation sector

Source: World Bank Team.

21. Taking into account **Figure 2**, the entities that would be considered in the consolidation according to IPSAS and in compilation under GFSM 2014 at the national level in jurisdictions with different systems of government are detailed in **Table 1**. For compilation purposes at the national level under GFSM 2014, the entities included do not vary according to the system of government.

22. However, for consolidation purposes at the national level according to IPSAS, there are some differences associated with subnational governments and universities between jurisdictions with a centralized unitary system and jurisdictions with a federal or decentralized unitary system. The difference is due to the fact that in jurisdictions with a centralized unitary system, the national government is the supreme authority, and subnational governments and their entities are usually controlled by the national government. In turn, in jurisdictions with a federal system or decentralized unitary system, subnational governments are autonomous, and they and their entities are not controlled by the national level.

Table 1. List of entities considered in the consolidation and compilation at the national level

Systems of government	List of entities	Classification of the entity according to its:		Conso-lidation	Compilation		
		Residence[4]	Production[5]		General Gov't Sector	Public Corp. Sector	Public Sector
Federal and centralized or decentralized unitary state	Ministries, including decentralized government entities without legal personality	Residential	Non-market	Yes	Yes	No	Yes
	Decentralized government entities with legal personality (e.g., agencies)	Residential	Non-market	Yes	Yes	No	Yes
			Market	Yes	No	Yes	Yes
		Non-residential	Non-market or market	Yes	No	No	No
	Parliament and other legislative and judicial entities	Residential	Non-market	Yes	Yes	No	Yes
	SOEs (government owns >= 50%)	Residential	Non-market	Yes*	Yes*	No	Yes*
			Market	Yes*	No	Yes*	Yes*
		Non-residential	Non-market or market	Yes*	No	No	No
	Mixed-ownership enterprises (government owns <50%)	Residential	Non-market	Yes*	Yes*	No	Yes*
			Market	Yes*	No	Yes*	Yes*
		Non-residential	Non-market or market	Yes*	No	No	No

4 The residence of an institutional unit must be identified for GFS compilation purposes. Institutional units can be a resident or non-resident. A resident is a unit that has its center of predominant economic interest in the economic territory analyzed. A non-resident is a unit resident in any other economic territory and is referred to as the rest of the world (GFSM 2014).

5 An institutional unit can be a non-market or market producer and this classification is needed for GFS compilation purposes. A non-market producer provides all or most of its output to others for free or at prices that are not economically significant. A market producer provides all or most of its output to others at prices economically significant (GFSM 2014 para 2.65).

Systems of government	List of entities	Classification of the entity according to its:		Conso-lidation	Compilation		
		Residence[4]	Production[5]		General Gov't Sector	Public Corp. Sector	Public Sector
	Social security funds	Residential	Non-market	Yes*	Yes	No	Yes
	Central bank	Residential	Market	Yes*	No	Yes	Yes
	National universities	Residential	Non-market	Yes*	Yes	No	Yes
			Market	Yes*	No	Yes	Yes
		Non-residential	Non-market or market	Yes*	No	No	No
Federal and decentralized unitary state	State and local governments	Residential	Non-market	No	Yes	No	Yes
	Regional/local universities	Residential	Non-market	No	Yes	No	Yes
			Market	No	No	Yes	Yes
		Non-residential	Non-market or market	No	No	No	No
Centralized unitary state	State and local governments	Residential	Non-market	Yes*	Yes	No	Yes
	Regional/local universities	Residential	Non-market	Yes*	Yes	No	Yes
			Market	Yes*	No	Yes	Yes
		Non-residential	Non-market or market	Yes*	No	No	No

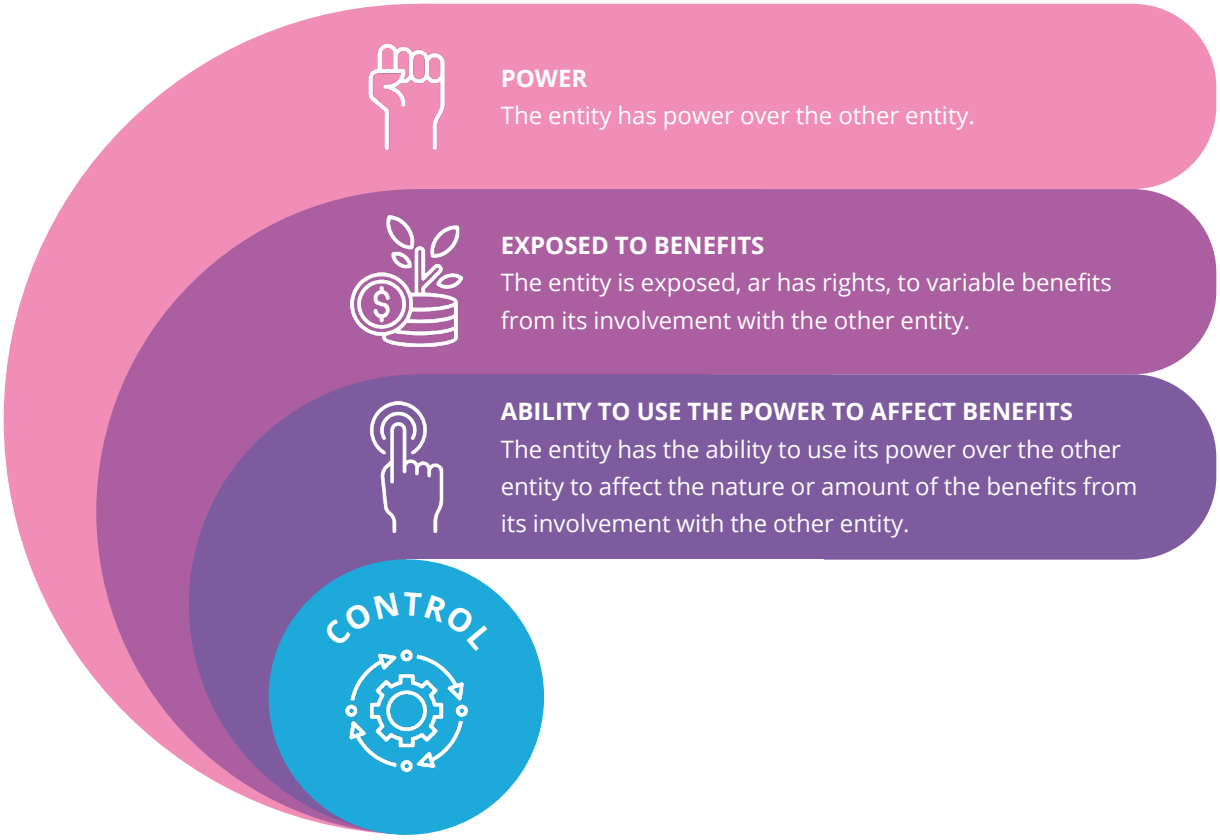
* If it is controlled by the national government.

Source: World Bank Team.

23. Under IPSAS, the delineation of the economic entity is accomplished by assessing and applying the principle of control. The principle establishes that an entity controls another entity if all the following criteria are met: (i) the entity has power over the other entity; (ii) the entity is exposed, or has rights, to variable benefits from its involvement with the other entity; and (iii) the entity has the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity (IPSAS 35 para. 20). These criteria are presented in **Figure 3** and discussed in detail in **Section 2.2**.

24. While in IPSAS the principle of control is used, GFSM 2014 considers the objectives, functions, behavior, and control of a group of institutional units to delineate the general government sector, the public sector, and their subsectors. The general government sector comprises public institutional units that perform non-market activities and fulfill the functions of government as their primary activity. The public sector encompasses the general government sector itself and the other public institutional units that execute market activities, called publicly owned corporations (GFSM 2014 para. 1.2). Further details on the delineation of these sectors and their subsectors are discussed in **Section 2.3**.

Figure 3. Criteria to assess control under IPSAS 35



Source: World Bank team based on IPSAS 35.

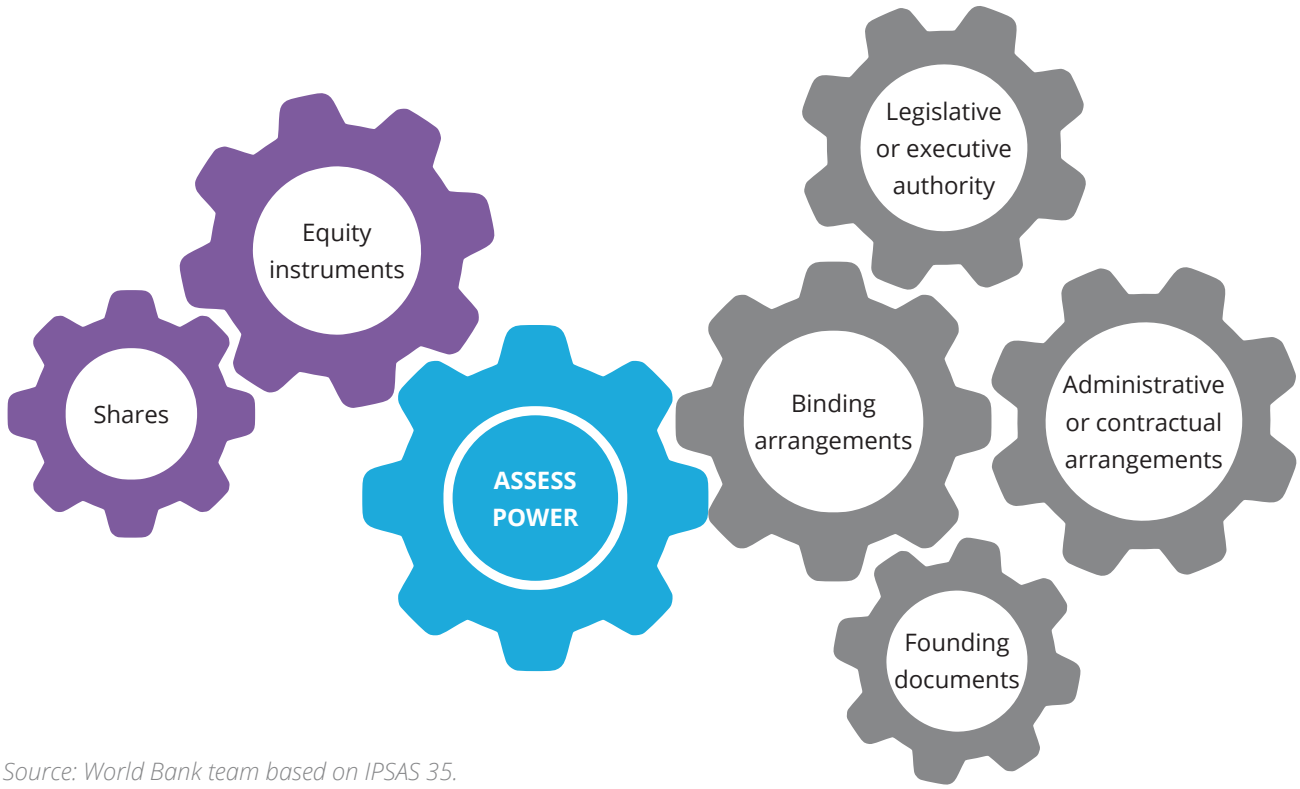
2.2. Delineation of the economic entity according to IPSAS

25. According to IPSAS, the delineation of the economic entity under the principle of control requires, firstly, having a proper understanding of the organization and operations of the government system, based on the constitutional and legal provisions of each jurisdiction (IPSAS 35 para. 17). This is important to evaluate the extent and limitation of the control exercised by the government. For example, in jurisdictions with a unitary system, i.e., countries where the national government is the supreme authority, the subnational governments may or may not be controlled by the national government, unlike jurisdictions with federal systems, where the subnational governments are autonomous.

26. It is necessary to assess whether the government, through its units or entities, is controlling other entities, including subnational governments, if applicable. To conduct this assessment, it is required to ascertain whether the government met the three criteria of the control principle presented in **Figure 3**, i.e., whether the government has power over the other entities; retains exposure, or rights, to variable benefits from its involvement; and is able to use its power to affect the nature or amount of the benefits from its involvement with the other entity. It should be noted that under IPSAS the concept of control does not include regulatory control.

27. To determine whether a government has power over an entity, it is required to verify if such government, or a related party defined under IPSAS 20, has rights that confer to it the current ability to direct the relevant activities of that entity. The relevant activities are those that significantly affect the nature

Figure 4. Ways to assess power under IPSAS 35



Source: World Bank team based on IPSAS 35.

or amount of the benefits that the government receives from its involvement with the entity being assessed (IPSAS 35 paras. 14 and 23). They are usually the ones that contribute to the mission of the entity (e.g., health services in case of a hospital).

28. While the rights may be represented through voting rights granted by equity instruments (e.g., shares), in the public sector is essential to consider other rights, such as those arising from binding arrangements (e.g., legislative or executive authority, administrative or contractual arrangements, founding documents like articles of association) (IPSAS 35 para. 24), as shown in **Figure 4**.

29. Among the rights, other than voting rights, that individually or in combination may give an entity power over another one include the rights to: (i) give policy direction to its governing body; (ii) designate, reassign, or remove the key management personnel who are able to direct its relevant activities; (iii) appoint or remove another entity directing its relevant activities; (iv) approve or veto budget relating to its relevant activities; (v) direct or veto the other entity into transactions or their changes pursuing its own benefit; and (vi) veto key changes in the other entity, such as the disposition of a major asset or of the other entity as a whole (IPSAS 35 para. AG17).

30. In addition, it may be necessary to consider other facts or circumstances that, in combination with other rights, may indicate power, such as: (i) the existence of a dependent relationship between the entity and another one (e.g., the operation of the other entity is dependent on funds, guarantees, services, assets or key management personnel of the entity); (ii) a significant portion of the other entity's activities involve or are carried out on behalf of the entity; (iii) the entity's exposure, or rights, to the benefits of its participation or involvement with the other entity is disproportionately greater than its voting or other similar rights (IPSAS 35 para. AG21).

31. To determine whether the government retains exposure, or rights, to variable benefits from its involvement with another entity, IPSAS suggest ascertaining if the benefits sought by the government have the potential to vary because of the performance of the entity being assessed (IPSAS 35 para. 30). These benefits may be financial or non-financial and their impact may be only positive, only negative, or both (IPSAS 35 para. 14).

32. Financial benefits are the advantages the government obtains from its involvement with the entity being assessed and that may be measured in financial terms. Examples of these may include financial returns, such as dividends or similar distributions; cost savings; residual interest in the net asset of that entity on liquidation and losses due to financial support agreements; materialization of risks on major projects; and fluctuations in the value of investments (IPSAS 35 paras. 31 and 32).

33. In contrast, non-financial benefits cover those advantages that may not be measured in financial terms and the economic benefits received directly by the recipients of the services provided by the government. They are obtained mainly when the activities of the entity being assessed are congruent with the objectives of the government and, therefore, support the government in accomplishing its objectives or, when the entity being assessed has complementary objectives with the government and, therefore, adds to or make more complete them (IPSAS 35 para. 31).

34. Examples of non-financial benefits the government may obtain from its involvement with the entity being assessed include increased efficiency and effectiveness in the production and provision of goods and services, capability to benefit from the specialized knowledge of that entity, improving outcomes, obtaining assets, rendering related services earlier than would otherwise have been expected, and a higher level of service quality than would otherwise have been the case (IPSAS 35 para. 33).

35. As regards the variability of financial and non-financial benefits, IPSAS suggest that the assessment should be done based on the substance rather than the legal form of the benefits. For example, non-financial benefits arising from the activities of the entity being assessed that benefit the achievement of the government's objectives may be considered variable because these benefits are exposed to the performance risk of that entity. Likewise, the financial benefits arising from a debt instrument held by the government, which pays fixed interest, may be considered variable since they are subject to the credit risk of the entity being assessed (IPSAS 35 para. AG58).

36. To determine if the government may use its power over another entity to affect the nature or amount of the benefits from its involvement with that entity, it is necessary to assess if the government may direct the entity to work jointly to further the government's objectives. In this assessment, it is possible there is another entity with decision-making rights acting as an agent for the government. Even in that case, if the power is held and exercisable by the agent, the actions are carried out on behalf of and for the benefit of the government, which acts as principal (IPSAS 35 paras. 35-37).

2.3. Delineation of the public sector, the general government sector, and their subsectors according to GFSM 2014

37. According to GFSM 2014, statistics should be compiled for the public sector, the general government sector, the public corporation sector, as well as for all the subsectors that constitute the general government and the public corporation sectors (GFSM 2014, para. 2.63). The delineation of these sectors and subsectors requires, firstly, the identification of all resident institutional units controlled directly, or indirectly, by resident government units and the distinguishing of them from artificial subsidiaries. The group of entities identified is referred to as public sector institutional units.

38. An institutional unit is an economic entity that is capable of owning assets, incurring liabilities, engaging in economic activities / transactions with other entities, and constructing a complete set of accounts, including balance sheets (GFSM 2014 paras.

2.22 and 2.126). Identifying the institutional units is important for the preparation of GFS under GFSM 2014, since it allows the sectorization of the economy, the identification of the counterparty to transactions and stock positions and the compilation (GFSM 2014 para. 2.23).

39. As mentioned in **Section 2.1**, compiling statistics under GFSM 2014 only covers public sector institutional units that are residents of an economic territory, which is congruent with other international statistical frameworks. Institutional units that are resident in a different economic territory are called non-residents and are classified as the rest of the world. The residency of an institutional unit is based on the economic territory with which it has a stronger connection, not being determined based on nationality or legal criteria (GFSM 2014 para. 2.7).

40. GFSM 2014 describes economic territory as any geographic area or jurisdiction under the effective control of a single government, including land area, airspace, territorial waters, and territorial enclaves in the rest of the world. However, this guideline also suggests that it may be larger or smaller than its physical or political borders, as in a currency or economic union, or as part of an economy, region, or the world as a whole (GFSM 2014 paras. 2.8 and 2.9).

41. Regarding an artificial subsidiary, GFSM 2014 sets that it is an entity that, even having a separate legal identity, is not capable of acting independently from its parent and is a passive holder of assets and liabilities (GFSM 2014 para. 2.42). In compiling statistics, artificial subsidiaries are not considered institutional units and should be classified as components of their parent units, unless they are residents in an economy different from that of their parent units, in which case they should be catalogued as the rest of the world.

42. Secondly, it is necessary to classify public sector units that are market producers as public corporations and those that are non-market producers as general government units. According to GFSM 2014, a market producer provides all or most of its output to others at prices economically significant as opposed to a non-market producer which provides them for free or at prices that are not economically significant (GFSM 2014 para. 2.65).

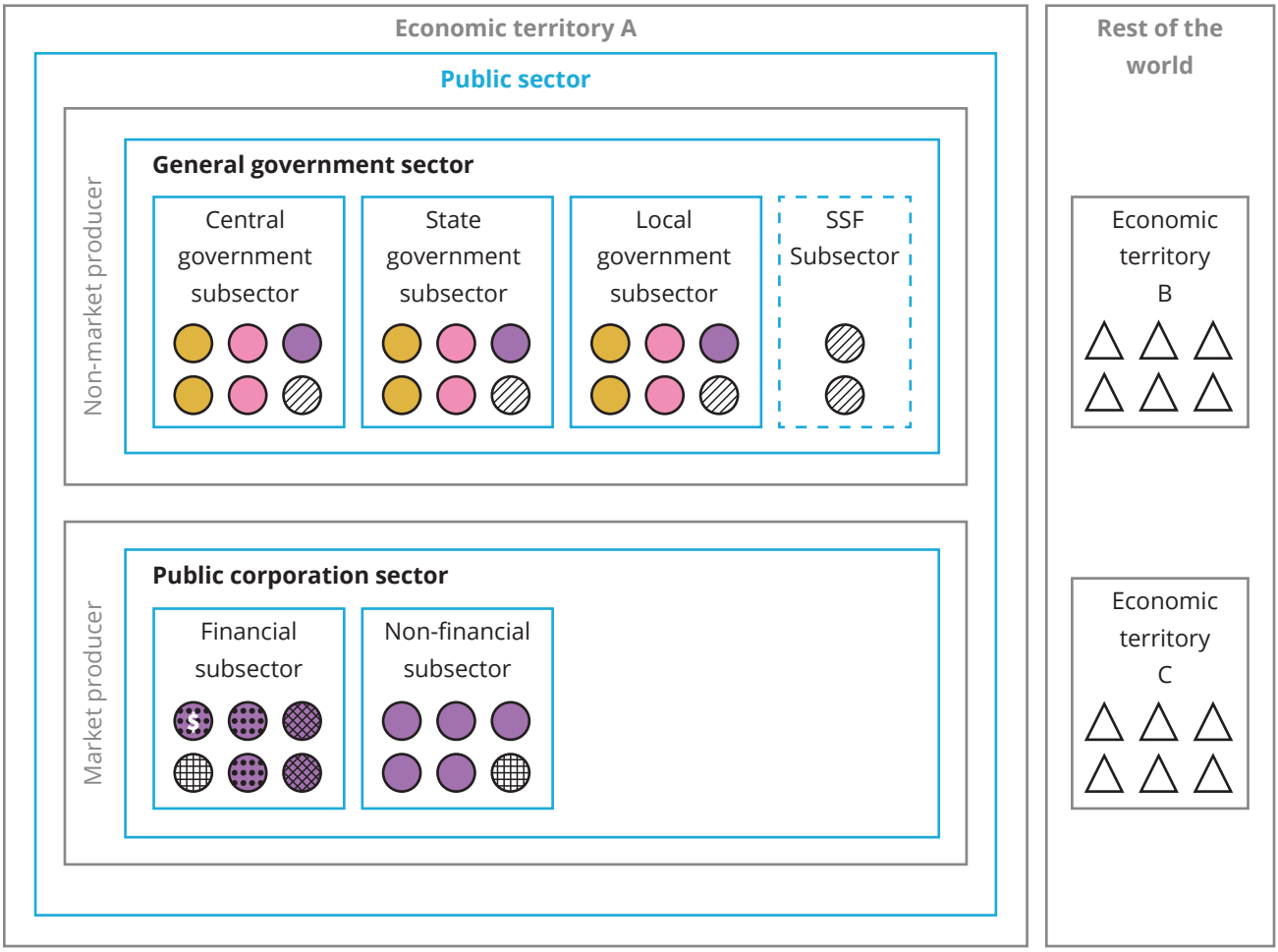
43. In delimiting between a market and a non-market producer, it should be also considered that if a general government unit has an unincorporated establishment that charges economically significant prices and it satisfies the criteria to be a separate institutional unit, it should be considered as a quasi-corporation and classified in the public corporation sector. The remaining establishments would remain an integral part of the general government unit (GFSM 2014 para. 2.75).

44. Thirdly, it is necessary to classify public corporations according to the primary services and products they provide. Public corporations that provide primarily financial products and services are classified as public financial corporations. They are classified as financial public deposit-taking corporations (e.g., the central bank, commercial, savings, rural/agricultural credit banks, and export-import banks) and other public financial corporations (e.g., money market funds and nonmoney market investment funds) (GFSM 2014 paras. 2.115 to 2.121).

45. In contrast, all other publicly owned corporations (i.e., corporations that provide primarily market goods or non-financial services) are classified as non-financial. Examples of public non-financial corporations are national airlines, national electricity companies, and national railways, if those companies charge economically significant prices (GFSM 2014 para. 2.114).

46. Fourthly, it is necessary to classify general government units according to the level of government they belong to, i.e., central, state, and local governments. In some jurisdictions, it is possible to have a fourth subsector for social security funds. This will be presented when the government does not decide to include it within the categories that correspond to the level of government. In addition, each of the subsectors of the general government can be further disaggregated as budgetary and extra-budgetary. **Figure 5** synthesizes the delimitation of the public sector, the general government sector, and their subsectors according to GFSM 2014.

Figure 5. Delineation of the public sector, the general government sector, and their subsectors according to GFSM 2014



Legend:

- *The shape indicates a public institutional unit resident of economic territory A.*
- *The shape indicates a public institutional unit nonresident of economic territory A.*
- *The pattern indicates public deposit-taking corporations.*
- *The pattern indicates quasi-corporations.*
- *The pattern indicates other public financial corporations.*
- *The pattern indicates social security funds (SSF).*
- *The symbol indicates the central bank.*
- *The color indicates a budgetary unit.*
- *The color indicates an extrabudgetary unit.*
- *The color indicates state-owned enterprises (SOEs) controlled directly, or indirectly, by central, state, and/or local governments.*
- *The dashed line indicates the social security funds when they are combined in a separate subsector, instead of integrating the central, state, and/or local subsectors, since they may either be classified as a separate subsector of the general government sector or as part of the subsector that controls them.*

Source: World Bank team based on GFSM 2014.

2.4. Consolidation process according to IPSAS

47. 47. The consolidation process according to IPSAS requires the application of a sequence of steps that involve administrative and operative aspects. This section provides a generic overview of the consolidation process according to IPSAS and its main activities. For comparability purposes, the process and its activities are outlined in **Figure 6**, taking as a baseline the flowchart illustrated in the Benchmarking Guide to present the reference process model for GFS compilation, which is also presented in **Section 2.5** of this Technical Note.

2.4.1. Phase 1: Initial setup, maintenance, and preparatory work

2.4.1.1. Step 1: Delineation of the economic entity through the principle of control

48. In delineating the economic entity, it is necessary to determine the controlling entity and its controlled entities considering the criteria to assess control under IPSAS 35 illustrated in **Figure 3** and explained in **Section 2.2**. The assessment of control should be applied to all public sector entities, regardless of whether they are in different economic territories or whether they are market or non-market producers.

Figure 6. Consolidation process according to IPSAS

Initial setup, maintenance, and preparatory work	1	Delineation of the economic entity through the principle of control
	2	Use of a unified and harmonized Chart of Accounts (CoA) to report information
	3	Ensure the same accounting policies
	4	Ensure the same cut-off date of financial statements
	5	Development and updating of a consolidation system or algorithm, such as an Integrated Financial Management Information System (IFMIS)
Financial data consolidation	6	Collecting of entities' data
	7	Checking the consistency of the data collected
	8	Performing consolidation adjustments
	9	Verification of the results obtained
Financial reporting	10	Generating the consolidated financial statement

Source: World Bank team based on IPSAS.

2.4.1.2. Step 2: Use of a unified and harmonized CoA to report information

49. For the collection of entities' data, a unified and harmonized CoA should be designed to account for and report all transactions and other economic events by all entities within the scope of the consolidation. The structure and nomenclature of the CoA should consider the wide spectrum of the functions, activities, and operations of each entity as well as the different accounting regulatory frameworks used in order to identify the accounts that require adjustments.

50. Ideally, the CoA should adopt a structure and nomenclature that could serve for accounting, budgeting, and the statistical reference frameworks applicable in the jurisdiction. Otherwise, it should offer a code that can be easily converted or bridged to the codes used in GFS.

2.4.1.3. Step 3: Application of the same accounting policies

51. Prior to conducting any specific activity and procedure of consolidation, the controlling entity identified in the first step should ensure that its controlled entities apply the same accounting policies. In a single jurisdiction it is possible that several accounting frameworks applicable to the government and other public sector entities might coexist, depending on their size, nature, purpose, functions, or activities (e.g., government using IPSAS and SOEs using International Financial Reporting Standards (IFRS) or national private sector accounting standards). This situation leads to entities within the scope of consolidation having different accounting bases, principles, and criteria to capture and present the same transactions or economic events in their individual financial statements.

52. To use the same accounting policies in the consolidated financial statements, the controlling entity should issue an instructional package to obtain the information with the special features required (e.g., financial reports according to IPSAS, when the accounting policies under IFRSs or national private sector accounting standards are different). In certain countries, this instructional package includes guidelines, templates, and specific instructions for accounting closing to avoid the difficult conversion of SOEs' financial statements by the government entity responsible for the preparation of the consolidated financial statements.

2.4.1.4. Step 4: Application of the same cut-off date of financial statements

53. In some countries, the closing date of the controlling and controlled entities' financial statements coincides with the last day of the calendar or budgetary year. However, in exceptional circumstances, an economic entity's member might be required to (or decide to) prepare its financial statements on another date, for example, in order to align the accounting cycle more closely with the operating cycle, which is consistent with the IPSAS (IPSAS 1 paras. 66 to 68).

54. When the cut-off date of the individual financial statements of an economic entity's member is different from the cut-off date of the consolidated financial statements, the controlling entity should require, for consolidation purposes, additional information as of the same date as the cut-off of the consolidated financial statements. Alternatively, it should perform adjustments in the consolidation process using the most recent financial information reported by the economic entity's member to include the effects of significant transactions or other economic events between the cut-off date of this individual financial information and the cut-off date of the consolidated financial statements (IPSAS 35 para. 46).

2.4.1.5. Step 5: Development and update of a consolidation system or algorithm

55. The consolidation process requires an analysis of the data collected from the entities within the scope of consolidation to identify the potential differences arising as a result of applying different accounting frameworks and policies. In jurisdictions with a large number of entities to be consolidated using different integrated financial management information

systems, accounting bases, and practices, it would be difficult to eliminate reciprocal transactions and other consolidation adjustments.

56. A possible strategy to make it easier is the development of a consolidation system or algorithm to process the data collected automatically, such as in an IFMIS. Ideally, the system or algorithm developed should consider rules to perform consolidation adjustments, including data homogenization, elimination of reciprocal transactions, and combination like items of assets, liabilities, net asset/equity, revenue, expenses, and cash flows.

2.4.2. Phase 2: Financial data consolidation

2.4.2.1. Step 6: Collection of entities' data

57. There are three different approaches for collecting entities' data: the centralized approach, the decentralized approach, and the hybrid approach. The selection of the approach depends on the institutional arrangements, capacities, supporting tools, and degree of automation. Regardless of the approach selected, the unified and harmonized CoA developed in the second step and described in **Section 2.4.1.2.** should be used.

58. The centralized approach implies that all entities within the scope of consolidation record transactions and other economic events in the same information system, and therefore, the data may be extracted directly from the source by the controlling entity to prepare the consolidated financial statements, or consolidated reports might be automatically generated. However, this approach may not be feasible in many jurisdictions due to legal, technological, and resource constraints.

59. The decentralized approach entails that each entity within the scope of consolidation uses its own financial system, and therefore, data to prepare the consolidated financial statements are submitted to the controlling entity by each controlled entity. Applying this approach bring s challenges related to the timeliness of data collection, the quality of the financial data, and the complexity of the consolidation procedures.

60. Finally, the hybrid approach means that one part of the entities within the scope of consolidation, particularly general government entities, use the same information system, and another part, generally SOEs, uses its own, and therefore the controlling entity has direct access to the majority of data. As a consequence of applying this approach, most of the challenges of the consolidation process might be addressed.

2.4.2.2. Step 7: Checking of the consistency of the data collected

61. After collecting entities' data, quality and plausibility checks (e.g., checking of correct use of accounts, value verifications, reconciliations, and reciprocal transactions) should be performed in order to identify any material inconsistency. If there is any, the relevant entity should be notified so that it may make the respective adjustments to its financial information.

2.4.2.3. Step 8: Performance of consolidation adjustments

62. In this step, the following consolidation adjustments should be carried out according to IPSAS 35: (i) the combination or aggregation of items of assets, liabilities, net asset/equity, revenue, expenses, and cash flows of the controlling entity with those of its controlled entities; (ii) the offset or elimination of the carrying amount of the controlling entity's investments in each controlled entity and the controlling entity's portion of net assets/equity of each controlled entity; and (iii) full elimination of balances and reciprocal financial transactions. In order to perform the adjustments, the consolidation system or algorithm developed in the fifth step and described in **Section 2.4.1.5.** should be used.

2.4.2.4. Step 9: Verification of the results obtained

63. Once the data have been consolidated, quality assurance activities should be performed, such as verification that there are no transactions or balances to be reconciled, checking the consistency of sums of the consolidated values, and the review of the variations in the accounts. In order to carry out these activities, the consolidation system or algorithm developed in the fifth step and described in **Section 2.4.1.5.** should be used.

2.4.3. Phase 3: Financial reporting

2.4.3.1. Step 10: Generation of the consolidated financial statement

64. In this step, disclosures, manual tables, and other supplementary information to accompany the consolidated financial statements are prepared. Quality assurance activities should take place to verify the plausibility of the texts and the tables manually prepared. After a final version of the consolidated financial statements is available, they should be approved by the corresponding authority and published.

2.5. Compilation process according to GFSM 2014

65. As was the case with the consolidation processes outlined and described in the **Section 2.4**, the compilation process also requires the application of a sequence of steps that involve administrative and operative aspects to generate statistical outputs. The Benchmarking Guide outlined the compilation process, which is presented in **Figure 7**, with some adjustments. Nevertheless, the explanation of each step of the compilation process is not included in this Technical Note. Readers may wish to obtain the full process explanations from pages 29 to 31 of the Benchmarking Guide.

66. The compilation process starts with the delineation of its institutional scope. The delineation of statistical outputs, according to GFSM 2014, uses the sector classification of public entities. It involves the identification of the resident's entities, in contrast to the ones that belong to the rest of the world. The following steps encompass the identification of the institutional units and whether the institutional units are controlled, direct or indirectly, by the government.

67. All institutional units controlled by the government conform to the public sector. As mentioned in **Section 2.3**, the public sector may be divided into the general government sector and the public corporation sector. The general government sector includes those institutional units that are non-market producers, whereas the public corporation sector involves the market producers. Likewise, each sector may be divided into subsectors as was discussed previously.

68. In practice, however, data from the institutional units are collected to constitute the subsectors and the sectors, and more commonly, to constitute the general government and public corporations sector. The delineation of the compilation scope in the initial setup, maintenance, and preparatory work is not limited to the general government sector under GFSM 2014 -- this has been emphasized in the first step of the compilation process presented in **Figure 7**.

69. The steps proposed in **Figure 7** constitute the activities required to generate the statistical outputs from PSA data. This PSA input is described as a starting point for the compilation process using the scope established by GFSM 2014. In the compilation, some important methodological adjustments need to be recorded, because there are differences in recognition and measurement principles between the accounting and the statistical framework. Some of these adjustments could include adjustments for differences in: (i) accounting policies; (ii) reporting date; (iii) reporting basis; and (iv) methodological variances (de Clerck, 2022).

Figure 7. Compilation process according to GFSM 2014

Initial setup, maintenance, and preparatory work	1	Delineation of the public sector, the general government sector, and their subsectors through the sector classification	
	2	Relating CoA to the nomenclature and structure of statistical reference framework	Development of CoA based on the nomenclature and structure of the statistical reference framework Linking of subnational and sub-sectional CoA with the nomenclature of unified CoA
	3	Ensure matching and symmetry in recognition within data	Ensure assignment of the amounts from the profit/loss and the investment statement to a function Statistical processing on the entity level to identify data inconsistencies
	4	Development and update of bridging algorithm	
Statistical data compiling	5	Bridging of entity data	
	6	Consistency check of the integrated GFS model	
	7	Statistical processing on institutional unit and subsequently sectoral level	
	8	Compiling of entities to advance to sectoral view	
Statistical reporting	9	Generating statistical outputs	

Source: Benchmarking Guide, 2019.

3 INTERNATIONAL EXPERIENCES

70. This chapter presents examples of international practices for the consolidation and compiling of data from four countries: Brazil, Georgia, Spain, and Switzerland. The countries were selected based on three criteria: (i) direct or indirect IPSAS implementation; (ii) GFSM 2014 or the European System of National and Regional Accounts (ESA) 2010 adoption for preparation of the GFS; (iii) at least one of the selected countries is a beneficiary of the PULSAR program (Georgia) and another one (Brazil) is part of the Forum of Governmental Accountants of Latin America (FOCAL) network.

71. The practices were accessed through: (i) questionnaires (see Annex 1); and (ii) desk research. The questionnaire was prepared by the authors of this Technical Note to obtain the necessary information to achieve the objective of the note. The four countries received the same questionnaire by the end of May 2022. They were responded to by the public sector officials responsible for the consolidation and compilation process and the respective responses were received by the end of June 2022.

72. The desk research consisted of a review and analysis of the reports, manuals, and legislation referenced by the public officials in their answers and available on the country's official websites. Each country's experience is presented individually in the following sections.

3.1. Brazil

3.1.1. Context

73. The official name of Brazil is the Federative Republic of Brazil. It is defined by its Constitution as a legal democratic state with a presidential system. Brazil is a federal country, and its political-administrative organization comprises three levels of government: federal, state, and local. The federal government includes the Union, while the state and local governments are composed of 26 states and 5,568 municipalities, respectively, all of them

autonomous. Additionally, there is the Federal District, which is included at the state level of government for accounting and statistical purposes. The country has adopted a tripartite separation of powers, i.e., executive, legislative, and judiciary. However, judicial power is organized only at the federal and state levels and in the Federal District.

3.1.2. Consolidation process

74. At the national level, the consolidated financial statements of the federation and the public sector are prepared by the National Treasury Secretariat (STN by its Portuguese acronym) following the Brazilian Public Sector Accounting Standards issued by the Brazilian Federal Accounting Council (CFC by its Portuguese acronym) which are based on IPSAS. The federation's consolidated financial statements cover the Union, including its three power branches and its non-market producer SOEs.

75. The public sector's consolidated financial statements, on the other hand, include the Union, the Federal District, and all states and municipalities and their non-market producer SOEs, in compliance with legal requirements. Market producer SOEs are presented in both sets of consolidated financial statements using the equity method. At the subnational level, the Federal District, as well as each state and municipality, is responsible for its own consolidation, observing the same accounting regulatory framework applicable to the national level.

76. All three levels of government use the national chart of accounts and their own accounting system to carry out their own consolidation. Public sector consolidation, by contrast, starts with the set of rules established by the STN to receive financial data from the three levels of government. The Union, the Federal District, and each state and municipality send their data, as legally required, to a system managed by the STN, called the Accounting and Fiscal Information System for the Brazilian Public Sector (SICONFI by its Portuguese acronym).

77. The data is sent in two standardized digital formats: an accounting report created to allow the consolidation of the public accounts and detailed data on the use of Matrix of Accounting Balances, whose basis is the national chart of accounts in a trial balance format. After receiving the information, the STN segregates the transaction amounts that will be included or excluded in the consolidation process, identifying the reciprocal transactions. This process is done using the 5th level of the national chart of accounts that is applied by each public entity to indicate whether account balances should be eliminated in the consolidated financial statements. The next step is to add information in the notes to the financial statements.

78. The main challenge for the public sector consolidation process is the diversity of accounting systems used by public entities, with non-standardized structure and technology, and some of them lacking the minimum system requirements. To face this challenge, Decree No. 10,540 of November 5, 2020, was published, which establishes the minimum quality requirements for accounting and financial management systems. These rules aim to reduce the problems arising from the misuse of systems, such as retroactive accounting entries and other procedures that conflict with the accounting standards. In addition, training and instructions were offered by the STN and CFC, contributing to the improvement of accounting information.

3.1.3. Compilation process

79. GFS of the general government, including all the budgetary and extrabudgetary institutional units controlled by central, state, and local governments, are also compiled by the STN in accordance with the Fiscal Statistics Manual issued by the National Treasury (TN by its Portuguese acronym) which is based on GFSM 2014. Social security funds are presented as part of the budgetary institutional units at each level of government. The Central Bank of Brazil is not compiled in the GFS of the general government because it is classified as a public financial corporation, which is considered as part of the public sector as a whole but are not included in the general government. Fiscal statistics of the public sector as a whole are not currently compiled and published.

80. To compile the GFS of the general government, STN uses the data received by SICONFI and the Federal Government Financial Administration System (SIAFI by its Portuguese acronym) and its partnerships with other entities, such as the Brazilian Institute of Applied Economics and Research (IPEA by its Portuguese acronym) and the Central Bank of Brazil. Despite the legal requirement, less than 10% of municipalities do comply with the process of sending data to SICONFI. Thus, the STN uses statistical techniques to extrapolate coverage to the entire set of municipalities.

81. This methodology also uses data from other sources, such as transparency portals and other government platforms. The next step in the compilation is the conversion of the Brazilian budgetary classification into the GFSM 2014 framework. Once the statistics for each subsector are generated, there is a consolidation process to create the general government data. To do so, transactions between subsectors are eliminated and any discrepancy between total intergovernmental revenues and expenditures is addressed. The compilation and final version of the statements are prepared in Microsoft Excel.

82. The main challenges of the compilation process are:

1. Access to and processing of a large amount of data from a high number of public entities.
2. Availability and continuous flow of information from some institutional units of the extrabudgetary central sector due to the lack of data centralization.
3. Availability of accounting and fiscal information of a small number of institutional units of the local government due to failure to send the information in accordance with the legal requirements and deadlines.
4. Ensuring the compatibility of the information provided by the different institutional units, mainly those from local government.
5. Variability in the interpretation of accounting rules among entities in the state and local governments.
6. Assurance of the quality of data provided by many institutional units of local government due to their reduced administrative staff and capacity.
7. Discrepancies in the amounts recorded by sectors for transactions between general government subsectors, such as grants paid by the central government to states and local governments.

83. To face the compilation challenges, the Matrix of Accounting Balances, which is greatly increasing the availability of data for subnational governments, has been developed. It consists of a large volume of data extracted directly from their accounting and financial systems and sent to SICONFI monthly. It is already one of the main sources of data for states and will soon be adopted for municipalities as well. Its adoption required extensive training and data quality has improved significantly since the system was launched.

84. Regarding the missing data from local governments, a partnership between the TN and the IPEA resulted in the development of the statistical extrapolation technique that is currently adopted. Finally, to deal with the discrepancies in the amounts recorded by sectors, there was a methodological update to minimize the impact of the consolidation process on the other accounts.

3.2. Georgia

3.2.1. Context

85. Georgia is officially referred to as Georgia according to its Constitution. It is a unitary republic in which the power is exercised by the central government. Georgia has a representative democracy in which its citizens exercise power through elected representatives. After the 2018 constitutional amendments, the country will abandon the semi-presidential system of government and adopt a fully parliamentary system in 2024. Its political and administrative organization comprises two levels of government: central and local.

86. The central government encompasses the bodies of the state including its nine regions which are not self-governing units. According to data from the National Agency of Public Registry (NAPR), the local government consists of the two autonomous republics of Abkhazia and Adjara and 69 municipalities, of which

64 are self-governing communities and 5 are self-governing cities including Tbilisi, which has a special legal status as the capital of the country.

3.2.2. Consolidation process

87. At the central level, the consolidation process is performed by the State Treasury Service of the Ministry of Finance of Georgia (Treasury Service) according to IPSAS which are already adopted, directly, through national regulations. The consolidation includes all the central government units based on fiscal arrangements: budget organizations, Legal Entities of Public Law (LEPLs), and Non-Entrepreneurial (Non-Commercial) Legal Entities (N(N)LPs). Market-producer SOEs are not covered in the consolidation. At the subnational level, consolidation is carried out by the autonomous republics and municipalities using the same accounting framework and includes, according to fiscal criteria, their controlled LEPLs and N(N)LPs.

88. The consolidation process starts when central budget spending units, autonomous republics, and municipalities prepare their annual consolidated financial statements based on the individual financial statements/reports submitted by their controlled entities. The consolidated financial statements have to be presented to the State Treasury by April 1st of the following year.

89. Based on these data, the State Treasury prepares the consolidated financial statements of the central budget, which are published on the Treasury's website with the consolidated financial statements of Autonomous Republics and municipalities as an appendix, by July 1st. The consolidation process at the central budget level is conducted manually, using spreadsheets in Microsoft Excel, while some local governments may use some accounting software for this purpose.

90. The main challenges identified by State Treasury regarding the consolidation process are: (i) the incomplete development of the Treasury General Ledger in the framework of the E-treasury system, which is currently in the development phase (this does not allow all economic events to be automatically reflected on an accrual basis); and (ii) complex consolidation procedures due to the lack of an automated system for the consolidation of financial data. Currently, the aggregation of financial data and making all necessary adjustments for consolidation purposes, such as elimination of all internal balances and transactions between the budget entities, are not performed properly, as required in IPSAS; and (iii) the use of different software programs for bookkeeping in some organizations for accounting and reporting purposes.

91. In order to address those challenges, the following measures have been taken:

1. Development of accounting and reporting manuals based on IPSAS, which are issued by the State Treasury, and which apply equally to both the central budget and local budget entities.
2. Workshops and trainings are organized regularly by the State Treasury for public sector accountants at the central budget as well as at the local budget level, in order to support the IPSAS implementation process.
3. Development of internal accounting policies by spending units based on the specificities of IPSAS, which are consistent with the unified methodology and ensure compliance with IPSAS at the level of each spending institution.

3.2.3. Compilation process

92. The compilation and dissemination of GFS of the general government are the responsibility of the Macroeconomic Analysis and Fiscal Policy Planning Department (MAFPPD) of the Ministry of Finance, which uses GFSM 2001/2014 as the statistical framework. The annual GFS data covers the general government, i.e., both budgetary and extrabudgetary units at central and local governments. High frequency data covers only budgetary subsectors in these levels of government.

93. There is no social security fund in Georgia, but social assistance is provided by the central government and therefore included in this subsector. The National Bank of Georgia is not compiled in the

GFS of the general government because it is classified as a public financial corporation, which is classified as part of the public sector as a whole but is not included in the general government. Fiscal statistics of the public sector as a whole are currently not compiled and published by Georgia.

94. The compilation process begins with the collection of data on all cash transactions from the budget organizations, which cover almost all budgetary and extra-budgetary units of the general government at the central and local levels. Source data comes from the State Treasury , which serves as a centralized treasury for government units and entities. The State Treasury has a database recording its cash transactions. The cash records from the Treasury are classified according to the domestic/national budget classification which is based on GFSM 2001/2014 but is more detailed than the original GFSM classification.

95. For the preparation of annual fiscal data, the IPSAS-based financial report is used as a supplementary source of data. Other data sources include reports from departments involved in debt or asset management, which include valuable information for the consolidation of transactions, especially those involving financial assets and liabilities. Data compilation is carried out in two steps: first, an intra-sectoral and then an inter-sectoral consolidation following the rules established in the statistical reference frameworks. The compilation process is conducted manually using Microsoft Excel spreadsheets.

96. The main challenge for the GFS of the general government process presented by MAFPPD as a user of State Treasury data relates to convergence issues between IPSAS and GFSM 2014, as they have different objectives and methods. In some cases, IPSAS data may not have the level of detail required by the GFSM 2014. These convergence issues may raise problems for the GFS compilers. In order to address this challenge, the CoA is being constantly developed, and new accounting standards and rules are being actively introduced during the last couple of years. Going forward, if the Treasury Single Account coverage increases further, MAFPPD may improve GFS coverage as well.

3.3. Spain

3.3.1. Context

97. The Kingdom of Spain is the official name of Spain. Its Constitution defines the country as a social and democratic state with a parliamentary monarchy as its political form. Spain is a decentralized unitary state comprising the central, regional, and local governments, and the social security institutions. The central government encompasses the General Administration of the State (AGE by its Spanish acronym). The regional governments include 17 autonomous communities and 2 autonomous cities (Ceuta and Melilla).

98. 8,129 municipalities and 50 provinces form the Spanish local government. Each autonomous government has its own Statute of Autonomy and enjoys self-government for the management of respective interests. Self-government is also applicable to local governments. The country has adopted a tripartite separation of powers, i.e., executive, legislative, and judiciary.

3.3.2. Consolidation process

99. At the central level, the General Comptroller of the State Administration (IGAE by its Spanish acronym) prepares a set of consolidated financial statements following its General Public Accounting Plan (PGCP by its Spanish acronym), which is aligned with IPSAS, albeit with some differences. The consolidation scope is defined in accordance with the control principle of IPSAS 35 and includes the AGE (controlling entity), administrative and social security entities, non-profit institutions, and both the market and non-market producer SOEs. At the subnational level, the regions are planning to prepare consolidated financial statements. It is expected that the local governments with more than 50,000 inhabitants will also start consolidating accounts in 2022, under the same standard as the central level.

100. The step-by-step process for preparing a set of consolidated financial statements starts with the homogenization of the subsidiaries' financial

statements, in case they use accounting principles different from those applied by the central government. This process also covers cases of accounts with closing dates other than December 31 and gives special emphasis to the matching of internal transactions between entities in the consolidation scope (cut-off dates, different values recorded by the entities involved in the related parties' transactions). The process continues with the aggregation of the financial statements of the parent and subsidiary entities, the consolidation adjustments, and ends with the publication of consolidated financial statements. The consolidation process is performed by using different automated tools.

101. The main challenges to the consolidation process are:

1. Dealing with a large volume of entities and operations.
2. Availability of data at the cut-off date.
3. Availability of some audit reports after consolidation. There are cases in which the auditor may have detected misstatements that give rise to changes in the individual accounts already included in the consolidated accounts.
4. Use of different accounting rules by public entities, companies, non-profit entities, credit institutions, and insurance entities.
5. Limited time to process the information and prepare the consolidated financial statements.

102. To face these challenges, the following measures were implemented:

1. Establishment of a deadline for receiving the financial statements of the units to be included in the consolidated accounts of the central government.
2. Use of an electronic process for rendering accounts and providing additional information for the consolidation of operations.
3. Standardization of accounting rules applicable to the various entities.
4. Provision of guidelines and instructions to entities to provide information for the consolidation and reconciliation of accounting transactions.

3.3.3. Compilation process

103. The GFS of the general government are prepared by the IGAE based on the ESA 2010, issued by the Statistical Office of the European Union (Eurostat). Although this framework addresses statistics including other institutional sectors, the term GFS according to ESA 2010 only covers the general government sector and its subsectors, or any grouping of government units, and also individual institutional units, such as the budgetary central government (ESA 2010 para. 20.75).

104. GFS under GFSM 2014, in addition to encompassing the general government sector, also covers the compilation of data for the public sector as a whole to capture the market activities and quasi-fiscal operations of the public corporations (GFSM 2014 para. 2.4). However, GFS in Spain only comprises the general government sector and its subsectors, i.e., central, regional, and local governments, as well as the social security funds.

105. The compilation process begins with collecting data. The IGAE uses the information obtained from standardized accounting information questionnaires, sent by units of the central administration, autonomous communities, local government, and social security funds. For this process, automated tools are used. The IGAE also has direct access to the accounting of the State's main unit and its respective autonomous bodies.

106. After the collection process, adjustments are made to the data sources in order to comply with the ESA 2010 and the Excessive Deficit Procedure (EDP) valuation rules. In some cases, a ranking of sources must be established when compiling statistics, and priority is given to primary (direct) sources. Compilation techniques are then applied to data sources, followed by publishing the data. Some specific applications and Microsoft Excel spreadsheets are used to carry out the process.

107. The main challenges of the compilation process are:

1. Receiving all necessary information in a timely manner.

2. Analysis of all information received and identification of the correct treatment in the national accounting.
3. The reconciliation and elimination of internal transactions between sectors.

108. To face the compilation challenges, the measures adopted were the design of the appropriate applications and questionnaires to receive standardized and telematic information. In addition, there was the process of learning the national accounting methodology for the correct treatment of data and the joining of specialized and qualified personnel for this.

3.4. Switzerland

3.4.1. Context

109. Switzerland is officially named the Swiss Confederation. It is a federal state with direct democracy. It means its citizens decide on selected policy initiatives in popular votes. Its government system is directorial, having a collegiate body as the supreme authority or/and the head of government at each level of government: federal, cantonal, and communal. The federal government includes the Confederation, while the cantonal and communal governments are composed of 26 sovereign states and 2,142 communes, respectively, all of them autonomous. The country has adopted a tripartite separation of powers, i.e., executive, legislative, and judiciary.

3.4.2. Consolidation process

110. At the federal level, the Federal Department of Finance (EFD by its German acronym) through the Federal Finance Administration (EFV by its German acronym) performs the consolidation process using the IPSAS in accordance with the Confederation's New Accounting Model (NRM by its German acronym) issued by the Federal Council, which is the supreme governing and executive authority of the Confederation.

111. The consolidation comprises the Confederation including its three branches of power and its special accounts, the decentralized administrative units, the market and non-market producer SOEs, and the social security institutions. This scope is defined in accordance with the control principle of IPSAS 35. At the subnational level, consolidation is not mandatory. Cantons and communes may voluntarily carry out their own consolidation by observing the recommendation given in the second version of the Harmonized Accounting Model for Cantons and Communes (HRM2 by its German acronym) issued by the Conference of Cantonal Finance Directors, which was developed with reference to IPSAS.

112. The consolidation process at the federal level commences when the consolidation units (CU) that are controlled by the Confederation enter the intercompany (IC) data in SAP Business Planning and Consolidation (SAP BPC) by the middle of February, after the end of the reporting year. Subsequently, the IC data are reconciled while the CUs enter some remaining data. Once the data have been reconciled, the CUs' individual financial statements are checked for consistency and the consolidation entries are determined.

113. By the end of February, the consistency of the consolidated values is checked, and manual tables are prepared to supplement the financial information presented in the consolidated financial statements. Afterward and until the first half of March, texts and comments on the financial information are entered into the editorial system and all tables, lists, and changes are verified.

114. In the second half of March, administrative tasks and control mechanisms take place such as the layout of the consolidated financial statements and the review and feedback by the Director of the EFV. At the end of March and as soon as the final version of the consolidated financial statements is available, they are submitted to the Secretary General of the EFD, who passes them to the Minister of Finance. Once approved by the minister, they are sent to the Federal Council in early April for approval. After approval by the Federal Council, they are published in German, French, Italian, and English. This usually takes place in mid-April.

115. The main challenges exposed by EFV regarding the consolidation process are:

1. The use of different accounting principles and standards in the individual CUs to prepare their financial reporting, e.g., IFRS, IPSAS, HRM2, and other special regulations.
2. The early deadline for data submission. It is possible that some CUs applying IFRS submit definitive financial statements which have not yet been audited. Therefore, changes may occur and require corrections to the consolidated financial statements.
3. The reconciliation process of the IC data is spread out over time and takes approximately two days to be carried out.

116. In order to address these challenges, the following measures have been taken:

1. The use of a gap analysis for those CUs using different accounting frameworks in order to determine which items of the balance sheet and the income statement have to be adjusted to the requirements of the IPSAS, and to what extent.
2. Focus on the CUs whose amounts are material to the consolidated financial statements.
3. Preparation and issuance of a uniform CoA and a consolidation manual by the EFV. The manual regulates in detail the handling of the IC relationships, deals with special topics, e.g., materiality limits, valuation of infrastructure, conditionally repayable loans, employee benefits, etc., and gives instructions on the movement tables and movement types.
4. Preparation of closing instructions for each annual financial statement.
5. The holding of closing discussions with the CUs that report in accordance with IFRS, prior to the start of the consolidation process.
6. Assignment of a personal supervisor at each CU who is responsible for all accounting and valuation issues, and technical questions.
7. Training of new CU users to the peculiarities of consolidation and personalized access to the consolidation software.

3.4.3. Compilation process

117. The EFD, through the EFV, is responsible for performing the compilation process of the GFS of the general government. The statistics are presented using two models: the Financial Statistics Model (FS Model) and Government Financial Statistics Model (GFS Model). The FS Model is carried out in accordance with the accounting model HRM2 and some elements of the NRM.

118. This Model presents statistics of the general government sector and its economic subsectors: confederation, cantons, communes, and social security funds. It also provides statistics on the level of individual budgets: cities and cantonal capitals, cantons, and individual social security funds. For its part, the GFS Model follows the GFSM 2014 and uses the FS Model as the starting point. In contrast with FS Model, it only presents statistics of the general government sector and its economic subsectors separately.

119. The Swiss National Bank is not compiled with either the FS Model or GFS Model because it is classified as a public financial corporation, which is classified as part of the public sector as a whole but is not included in the general government. Fiscal statistics of the public sector as a whole are not currently compiled and published, but there is a plan to do so in the future. EFV also compiles the general government sector's basic data for the system of national accounts and supplies them to the Federal Statistical Office using the ESA Model which is based on ESA 2010 and is prepared from the GFS Model.

120. The GFS of the general government compilation process starts with the collection of data of the entities, which form part of the general government sector and its economic subsectors. The collection of these data is carried out mostly via standardized electronic files. However, a small part of the data is submitted in an unstructured and non-electronic way and must be entered manually into the system. The electronic files are checked structurally before they are imported into the system. If any problems become evident, they are reported to the corresponding entity.

121. Afterward, data are automatically transformed into the FS Model through bridge tables. During

the process, the sectorization is performed and some units are consolidated to or extracted from the general government units. In addition, quality and plausibility checks are performed on the data, such as comparison between the balance of the data and the financial statements of each unit, checking of classifications to ensure that there are no inconsistencies or modifications with respect to the previous financial year, and breakdown of items. Then, the compiling within and between subsectors is performed.

122. Once the FS Model is produced, its data is transformed into the GFS Model through bridge tables. The data is statistically processed according to the following main steps: (i) valuation at market value, (ii) integration with the national accounts, (iii) summing of the horizontal identities (i.e., the financial balances at the beginning of the reporting period plus transactions, revaluations, and other changes in the volume of assets and liabilities during the same period should be equal to the balances at the end of the reporting period); and (iv) the breakdown of items into domestic and foreign components.

123. During the process, internal and external quality assurance is performed, e.g., checks are made by the Federal Statistical Office (BFS by its German acronym) of Switzerland or Eurostat. Based on the feedback received, a final version of the GFS Model is prepared, which is the starting point to produce the ESA Model. GFS and ESA Models are prepared using the statistical language "R", meanwhile, the FS Model is carried out using a combination of an IT tool specifically developed for financial statistics 10 years ago and a Microsoft Excel-based tool.

124. The main challenges arising in the compilation process identified by EFV are:

1. The use of an accounting framework by the general government that differs from the HRM2.
2. There remain many differences in the cantons' and communes' accounting practices, despite the introduction of the HRM2, due to the strong autonomy of these levels of government.
3. The communes are not fully covered yet.
4. Delays in the finalization of the compilation due to some data from the communes are not received in a timely manner.

125. These challenges have been addressed through the following measures:

1. The adoption in the near future by the entire general government sector of a CoA which is better aligned with the HRM2 .
2. Commitments by the cantons and communes to further harmonize their accounting data through a continuous process.
3. Adoption of the objective of reaching full coverage of communes in two years.

3.5. Lessons learned and good practices

126. The four countries analyzed in this Technical Note are constitutionally defined as democratic states. Three of them have a representative democracy (Brazil, Georgia, and Spain) and one has a direct democracy (Switzerland). However, all of them present different kinds of government systems. From presidential systems (Brazil) to parliamentary monarchies (Spain), semi-presidential systems (Georgia) and directorial systems (Switzerland).

127. Likewise, all the countries analyzed have different forms of state and territorial organization. Two of them are unitary countries (Georgia and Spain), in which the power is exercised mainly by the central government. The other two are federal countries (Brazil and Switzerland), in which regional and local governments have a large degree of autonomy. Three out of four countries analyzed have three levels of government (Brazil, Spain, and Switzerland) and one has two (Georgia). The number of entities at the subnational level also varies considerably from 70 (Georgia) to 8,100 (Spain) municipalities.

128. Regarding the consolidated financial statements, the four countries analyzed present different approaches to the definition of the scope of the consolidation. Although all of them apply accounting standards based on IPSAS, the control approach defined by IPSAS 35 is only used at the central/federal level in two of them (Spain and Switzerland). Georgia uses a fiscal arrangement to establish its consolidation scope at the central level. Brazil only publishes the consolidation of the federal level based on its law.

129. At the subnational level, the consolidation using the control approach is planned to be used for the Brazilian states and municipalities and for the Spanish regional sector and local sector with more than 50,000 inhabitants starting in 2022. In Georgia, local governments also apply the fiscal criteria, whereas in Switzerland, the consolidation at the subnational level is not mandatory. A consolidated financial statement including the federal, state, and municipal governments, known as the public sector consolidation, is only produced by Brazil, in compliance with a legal approach. Annex 2 presents a summary of the main findings about the scope of the consolidation.

130. The consolidation process, at least in the central/federal government of the countries analyzed, is carried out through different methods. Three of the countries (Brazil, Spain, and Switzerland) consolidate their financial statements by using automated tools, and one country (Georgia) does it manually through Microsoft Excel spreadsheets.

131. The compilation scope of the four countries is limited to the general government sector and its subsectors, i.e., it is limited to the non-market producer's institutional units. The presentation of the social security funds, however, varies among the countries that have them (Brazil, Spain, and Switzerland). For instance, the Brazilian GFS presents social security funds as part of each of its subsectors, and the Swiss and Spanish GFS present them separately as one subsector.

132. None of the four countries compiles and publishes the GFS for the public corporation sector and its subsectors which include market producer SOEs and quasi-corporation, whether they are financial or non-financial. In consequence, the GFS of the public sector as a whole is not done currently by any of the four countries, although Spain did it until 2017 and Switzerland is planning to do so in the future. Annex 2 presents a summary of the main findings about the scope of the compilation.

133. The compilation process is performed by the four countries using different sources to obtain the data of the entities to be compiled in each sector and subsector, e.g., accounting data, electronic standardized templates and surveys, data generated through statistical techniques, and information of other entities like the central bank and statistics offices. For the compilation of statistics, some specific applications are used, but the consolidation process is mainly done manually through Microsoft Excel spreadsheets, except in the case of Switzerland where automated tools are used.

134. Many good practices were observed among the four countries studied:

1. Identification of the entities to be consolidated/compiled.
2. The use of a harmonized CoA with GFSM , including specific desegregations to identify more easily the reciprocal transactions.
3. The checking of data consistency.
4. A focus on entities whose amounts are material to the consolidated financial statements.
5. Homogenization of the cut-off date of financial statements, accounting principles, and policies through adjustments.
6. Identification and elimination of reciprocal transactions.
7. Verification of the consolidated/compiled data.
8. Modification of consolidated data when individual financial statements of the consolidated entities change.
9. Translation and publication of consolidated financial statements in different languages.
10. Use of electronic tools to receive the data of the entities to be compiled.
11. Establishment of partnerships with other entities that handle supplementary data necessary for the compilation process.

4

INTEGRATED CONSOLIDATION AND COMPILATION PROCESS

135. This chapter presents the proposition of an integrated consolidation and compilation process. The aim of the proposed process is to reduce some of the challenges observed in the consolidation and compilation processes by the countries analyzed. The compilation process is usually performed as an independent process, i.e., it is conducted using accounting data as an input, but it needs to collect a wide range of additional information. Given the conceptual differences that exist between accounting and statistical frameworks, adjustments using non-accounting sources may be needed. However, the proposed process might reduce the number of adjustments required and the complexity of the undertaking.

136. The proposed process uses the delineation of the public sector and its subsectors presented in GFSM 2014 to prepare consolidated financial statements, instead of the delineation of the economic entity through the principle of control in accordance with IPSAS 35. To do so, the suggested process integrates the activities presented in **Figure 6** and **Figure 7** that were discussed in **Sections 2.4** and **2.5**. In other words, it integrates the necessary activities for the consolidation process according to IPSAS, without considering the principle of control, as well as the essential activities for the compilation process according to GFSM 2014. The integrated consolidation and compilation process is outlined in **Figure 8**.

Figure 8. Integrated consolidation and compiling process

Initial setup according to the statistical framework	1	Delineation of the public sector, the general government, and their subsectors through the sector classification
Maintenance and preparatory work according to accounting standards and statistical framework	2	The development of a CoA harmonized with the accounting and statistical frameworks
	3	Ensuring the use of the same accounting policies
	4	Ensuring the same cut-off date for financial statements
	5	Development and updating systems or bridging algorithms for consolidation and compiling
Financial data consolidation according to accounting standards	6	Collecting of entities' data
	7	Checking the consistency of the data collected
	8	Performing consolidation adjustments
	9	Verification of the results obtained
Financial reporting according to accounting standards	10	Generating the consolidated financial statement of the public sector, the general government sector, and their subsectors
Statistical data compiling	11	Bridging from accounting to statistical data
	12	Performing statistical adjustments
	13	Consistency check of the compiled GFS
Statistical reporting	14	Generating statistical outputs

Source: World Bank team.

137. The proposed consolidation and compilation process illustrated in **Figure 8** encompasses fourteen steps grouped into the following six phases: (i) initial setup according to the statistical framework; (ii) maintenance and preparatory work according to accounting standards and statistical framework; (iii) financial data consolidation according to accounting standards; (iv) financial reporting according to accounting standards; (v) statistical data compilation; and (vi) statistical reporting. The explanation for each step is presented in the following sections.

4.1. Phase 1: Initial setup according to the statistical framework

4.1.1. Step 1: Delineation of the public sector, the general government, and their subsectors through the sector classification

138. Instead of defining the scope of consolidation of financial statements based on the economic entity, as required by IPSAS 35 and illustrated in the first step of **Figure 6**, the integrated process proposed in this Technical Note suggests setting and expanding the scope to the public sector and its subsectors according to GFSM 2014, as in the compilation of the GFS and shown in the first step of **Figure 7**. The expansion of the scope of consolidation of financial statements to the public sector and its subsectors according to the GFSM 2014 usually results in a larger number of entities to be consolidated, even after removing the non-residential units, compared to the number of entities under the scope defined in the IPSAS 35 criteria.

4.2. Phase 2: Maintenance and preparatory work according to accounting standards and statistical framework

4.2.1. Step 2: The development of a CoA harmonized with the accounting and statistical frameworks

139. The expansion of the scope of consolidation of financial statements to the public sector and its subsectors according to the GFSM 2014 may also result in a larger number of entities applying different accounting regulatory frameworks and using different CoAs. In order to collect the financial information both from general government units at any level of government and public corporations, at a minimum a unified and harmonized CoA should exist for reporting purposes. As discussed in the explanation of the second step of **Figures 6** and **7**, the structure and nomenclature of this CoA should consider the wide spectrum of the functions, activities, and operations of each entity, the different accounting regulatory frameworks that they use, and a classification that includes budgetary, accounting, and statistical reporting requirements.

4.2.2. Step 3: Ensuring the use of the same accounting policies

140. In a single jurisdiction, several accounting regulatory frameworks applicable to the government and other public sector entities depending on their autonomy, size, nature, purpose, functions,

or activities might coexist (e.g., SOEs using IFRS or national private sector accounting standards; national government using IPSAS or national PSA standards; and subnational governments using a simplified accounting regulatory framework based on IPSAS, IFRS, or another accounting framework). It is therefore required to define the accounting bases, principles, and criteria to prepare and present the consolidated financial statements for the public sector and its subsectors and adopt different strategies to obtain the information with the features required (e.g., financial reports according to IPSAS, when the accounting policies under IFRS are different).

141. In jurisdictions with a centralized unitary system, where the national government is the supreme authority and controls all the entities that make up the public sector, a possible strategy would be to issue a binding instructional package for accounting closing and reporting, as discussed in the explanation of the third step in **Figure 6**. However, in jurisdictions with a federal or decentralized unitary system, where the subnational governments are autonomous, and they and their entities are not controlled by the national level, such a package should be adopted by agreement after showing the benefits of preparing and presenting consolidated financial statements for the public sector and its subsectors.

4.2.3. Step 4: Ensure the same cut-off date for financial statements

142. In preparing consolidated financial statements for the public sector and its subsectors, as discussed in the explanation of the fourth step in **Figure 6**, it should be ensured that both the reporting period and the cut-off date of the individual financial statements or reports of consolidated entities coincide with the reporting period or cut-off date that has been established for presentation of the consolidated information.

143. As in the case of the absence of uniform accounting policies, in jurisdictions with a centralized unitary system, a possible strategy to ensure that the reporting period and cut-off date are the same for both individual financial statements or reports and the consolidated financial statements would be to issue a binding set of instructions for accounting closing and reporting. In this manner, it would be possible to avoid additional information requirements and the complexity of performing adjustments in the consolidation process. However, in jurisdictions with a federal or decentralized unitary system, these measures should be consensual.

4.2.4. Step 5: Development and updating systems or bridging algorithms for consolidation and compiling

144. In contrast to the consolidation process based on the principle of control, illustrated in **Figure 6**, in which a controlling entity could exercise its power over its controlled entities to force them to use a single information system, such as an IFMIS, to perform the consolidation adjustments more easily, the integrated process proposed in this Technical Note anticipates that this ideal scenario may be difficult to achieve, particularly, in jurisdictions with a federal or decentralized unitary system, where the subnational governments are autonomous, and they and their entities are not controlled by the national level.

145. In order to collect and analyze the data from all public sector entities, a single information system, such as an IFMIS, should be designed and implemented only in those subsectors where it is feasible to do so. For the other subsectors, at least a system for reporting purposes, bridging algorithms or tables considering the consolidation and compiling adjustments should be made available.

4.3. Phase 3: Financial data consolidation according to accounting standards

4.3.1. Step 6: Collecting of entities' data

146. In jurisdictions with a centralized unitary system, where the national government is the supreme authority and controls all the entities that make up

the public sector, the collecting of entities' data should ideally be conducted using the centralized approach described in the explanation of the sixth step of **Figure 6**. Instead, in jurisdictions with a federal or decentralized unitary system, where the subnational governments are autonomous, and they and their entities are not controlled by the national level, the data collection should preferably be tracked using the hybrid approach as described in the sixth step of **Figure 6**.

4.3.2. Step 7: Checking the consistency of the data collected

147. As discussed in the explanation of the seventh step of **Figure 6**, it is necessary, after collecting entities' data, to perform quality and plausibility checks, e.g., checking of correct use of accounts, checking the correct classification of transactions and stocks of assets and liabilities, value verifications, reconciliations, and checking of reciprocal transactions, to identify whether there are any material inconsistencies and, if so, to notify the relevant entity so that it can make the adjustments to its financial information.

4.3.3. Step 8: Performing consolidation adjustments

148. Although the scope of the consolidated financial statements for the public sector and its subsectors is not in accordance with the scope based on IPSAS 35, consolidation adjustments should be carried out according to this standard. Therefore, it is necessary: (i) the combination of items of assets, liabilities, net asset/equity, revenue, expenses, and cash flows of all entities that make up the public sector or its subsectors; (ii) the offset or elimination of the carrying amount of all controlling entities' investments in each controlled entity and the controlling entities' portions of net assets/equity of each controlled entity; and (iii) full elimination of balances and reciprocal transactions. In order to do these adjustments, the systems, bridging algorithms or tables developed in the fifth step of this integrated process and described in **Section 4.2.4** should be used.

4.3.4. Step 9: Verification of the results obtained

149. In the same line as discussed in the explanation of the ninth step in **Figure 6**, once the data have been consolidated, quality assurance activities should take place, such as the verification that there are no balances to be reconciled, the checking consistency of sums of the consolidated values, and the review of the variations in the accounts. In order to carry out these activities, the systems, bridging algorithms or tables developed in the fifth step of this integrated process and described in **Section 4.2.4** should be used.

4.4. Phase 4: Financial reporting according to accounting standards

4.4.1. Step 10: Generating the consolidated financial statement of the public sector, the general government sector, and their subsectors

150. Similar to the explanation of the tenth step in **Figure 6**, in this step, disclosures, manual tables, and other supplementary information to accompany the consolidated financial statements for the public sector and its subsectors are prepared. Quality assurance activities should take place to verify the plausibility of the texts and the table manually prepared. After a final version of the consolidated financial statements for the public sector and its subsectors is available, they should be approved by the corresponding authority and published.

4.5. Phase 5: Statistical data compilation

4.5.1. Step 11: Bridging from accounting to statistical data

151. The data presented in the consolidated financial statements for the government entities of the general government sector, and its subsectors are converted or transferred in accordance with the formats set out in the statistical reference frameworks (e.g., the conversion of impairment expenses due to physical deterioration caused by an unforeseen event from the respective consolidated statement of financial performance to the statement of other economic flows of the public sector or its subsectors).

152. In order to migrate from accounting data to statistical data, the systems, bridging algorithms or tables developed in the fifth step of this integrated process and described in **Section 4.2.4.** should be used. In addition, if a jurisdiction presents its GFS using more than one statistical reference framework, it may use the step-by-step processing approach or the parallel processing approach, which are explained in the Benchmarking Guide.

4.5.2. Step 12: Performing statistical adjustments

153. After bridging to GFS, some adjustments should be performed to value economic flows as well as assets, liabilities, and net worth at current market prices. In addition, it is necessary to rearrange some transactions to bring out their underlying economic relationships more clearly. To this end, three kinds of rearrangements employed in GFS should be made: (i) rerouting, e.g., when a public sector entity pays directly to the social security fund a contribution that is part of the compensation of employees, the transaction should be shown in GFS as a component of compensation to the employees; (ii) partitioning, e.g. when a public sector entity acquires an asset below or above its current market price, the transaction should be divided into an exchange and a transfer; and (iii) reassignment, e.g., when there is a transaction within the context of an agency relationship, the transaction should identify the accounts of two parties engaging in the transaction and not the account(s) of the third party facilitating the transaction (GFSM 2014 paras. 3.28 to 3.30).

4.5.3. Step 13: Consistency check of the compiled GFS

154. Once the statistical adjustments have been made, quality assurance activities should take place on the compiled GFS, such as the cross-checking symmetry between the different subsectors of the public sector and other sectors of the economy, and the verification of the sum of the horizontal identities (i.e., the financial balances at the beginning of the reporting period plus transactions, revaluations, and other changes in the volume of assets and liabilities during the same period should be equal to the balances at the end of the reporting period). Systems, bridging algorithms or tables developed in the fifth step of this integrated process and described in **Section 4.2.4** would be useful for cross-checking symmetry between the different subsectors of the public sector and verifying the sum of the horizontal identities. However, in cross-checking symmetry with other sectors of the economy, the establishment of partnerships with other entities that handle supplementary data would be desirable.

4.6. Phase 6: Statistical reporting

4.6.1. Step 14: Generating statistical outputs

155. After a final version of the compiled GFS is available in compliance with the statistical reference framework, the GFS should be published and subsequently submitted for reporting purposes to international or regional organizations such as the IMF or Eurostat. If a jurisdiction presents its GFS using more than one statistical reference framework (e.g., using in parallel both GFSM 2014 and ESA 2010 forms) and use the step-by-step processing approach which is explained in the Benchmarking Guide, the final version of the compiled GFS under the first statistical reference framework should be used to derive the compiled GFS under the following statistical reference framework .

5

CONCLUSIONS, RECOMMENDATIONS, CHALLENGES, AND MITIGATION MEASURES

5.1. Conclusions

156. Consolidated financial statements, as compared to individual financial statements of one legal entity, include several entities, which are legally independent. Unlike individual financial statements, they do not respond to legal questions, but to economic ones. Therefore, the consolidated financial statements usually replace legally required individual financial statements but provide some additional information by including several entities in what is called an economic entity.

157. Such additional economic information is necessary, because the organizational structure of governments, even in small countries, includes various legal entities, which are economically dependent. The economic dependency can be related to the financing through tax revenues or through sovereign debt, generally managed within a budget compiled and executed by the executive and approved by the legislative branch. But it can also be related to the potential financial and operational risks that the government is exposed to, but not in all cases materialize, for instance in case of a crisis or if the

entity is not performing as expected. Often, there are periodic or aperiodic transfers between the economically dependent entities, which can create some misleading/incomplete information at the entity level.

158. Therefore, it is good practice to prepare and present consolidated financial statements, that presents an economic group of entities, as if they were one entity. The scope can vary between the countries and depends on the information needs of the users and the applied standards. It is also possible that more than one scope and therefore more than one consolidated financial statement exists, in order to respond to different information needs (e.g., one for budgetary entities and a larger one including SOEs).

159. GFS are also a result of a consolidation process, although they do not apply the concept of economic entities, but of institutional units and economic sectors. This also allows the application of statistical estimations and adjustments. This leads to a higher level of materiality, as compared to the financial statements of an economic entity. In other words, statistics include entire sectors but are less precise than consolidated financial statements. The consolidation and compilation processes are therefore similar, but not identical.

160. In summary, both consolidated financial statements and GFS respond to specific information needs, which are not satisfied with the individual financial statements of legal entities. They present economic information about economic entities and sectors, respectively. Such information is necessary, because of economic dependencies between individual entities. The definition of the scopes of both consolidated financial statements and GFS depend on the information needs and the applied standards.

5.2. Recommendations

161. This Technical Note recommends the implementation of an integrated consolidation and compilation process, which is proposed and described in **Section 4**. This recommendation comes as a possible alternative to mitigate the challenges to consolidate and compile the information, which was pointed out by the questionaries' respondents.

162. The proposed process requires a high level of interaction between the accounting and statistical units, as the proposition is to have the financial reporting according to the accounting standards and the statistical reporting according to the statistical framework in a unique process. However, those units typically are independent units with different objectives and procedures. To implement the proposed process significant awareness-raising, capacity building, and handholding will be required, as well as strong coordination and integration of functions. It is recommended to organize and join training initiatives for accounting and statistical experts in governance with the aim to create more homogeneous skills useful to implement the proposed process.

163. The implementation of the proposed process implies coordination with a high number of entities, given the structure of governments. This coordination can take a period of time to be finished and to have the complete accounts of all entities integrated and disclosed. During this period, it is recommended give special attention to disclosing the scope and stance of the consolidated accounts in a transparent manner.

164. Consolidated or compiled information implies the inclusion of a set of entities. To reach information comprehensibility by different users, it is necessary to characterize the entities and explain the insertion of these entities in the structure of the government and their relationship with the public budget. The accounting technique or criterion used for the consolidation or compilation of the entity must be disclosed. There are many differences between entities across different countries and this explanation can be essential to achieving comprehensibility.

165. Some additional more specific recommendations are summarized below:

1. Consolidation and compilation processes need to be actively managed, since these processes are not a given, and their management may reduce their complexity and increase the quality of the information produced by taking the appropriate measures.
2. As a first step of the consolidation/compilation process, it is critical to identify the universe of entities to be consolidated/compiled.
3. It is important to develop and use a harmonized CoA with the GFSM among all entities to be

consolidated/compiled, which, in turn, should include specific desegregations to identify more easily the potential reciprocal transactions between the entities.

4. It is important to ensure that the cut-off date of financial statements, accounting/statistic principles, and policies are aligned.
5. Develop and implement an IFMIS and ensure that it is used by as many entities to be consolidated/compiled as possible.
6. Double-check the consistency of initial financial data and consolidated/compiled information.
7. Focus on the entities whose balances are material to the consolidated financial statements.
8. Ensure that reciprocal transactions are properly identified and eliminated.
9. Timely update the consolidated information when individual financial statements are changed.

5.3. Challenges and mitigation measures

166. The implementation of the proposed integrated consolidation and compilation process may raise some challenges for governments. Some potential challenges are indicated and described in **Table 2**. Each challenge will require an analysis considering jurisdictions' specificities to reach a solution. However, examples of mitigation measures are indicated in **Table 2**.

Table 2. Possible challenges and mitigation measures to the implementation of the proposed integrated consolidation and compiling process

#	Challenges	Mitigation measures
1	**Constitutional arrangements.** In federal and some strongly decentralized countries obtaining subnational entities' data would be difficult.	Start off the implementation with the national level and then include the subnational level through an agreement. The inclusion of entities from the subnational level can be done through a tiered approach or in batches. This requires a good coordination between actors (e.g., politicians and bureaucrats) and a careful planning to determine the order of inclusion of entities (e.g., firstly focus on entities with significant amounts that will impact the fiscal analysis and then the other entities). Changes in planning can generate uncertainty and discourage entities from cooperating. The process must be well planned to be legitimized by the participants. It is possible that in some stages the consolidation does not include all the entities that should be covered. When this occurs, it is important to disclose both included and not included entities.
2	**Legal requirements.** In some jurisdictions, the scope of consolidated financial statements and consolidation activities, methodologies, and procedures are already defined in the legal framework. Any change requires legislation approval, in some cases, at the supranational level (e.g., European Union).	Show the benefits to politicians of having an integrated consolidation and compiling process, which aims to reduce the challenges associated with consolidation and compilation.

#	Challenges	Mitigation measures
3	**The large volume of entities and operations.** Due to the government structure, there may be many entities and operations that need to be consolidated/compiled. Having many entities may cause divergent interpretations and delays in receiving the data if the process is not well organized and aligned between the various parties. Non-programming can force the inclusion of data that has not been audited and adjusted after the audit. This can affect the quality of the entire process.	Use of an electronic process for rendering accounts and providing additional information. It is essential that all the entities are aligned with the running process. To achieve the alignment, it may be necessary to: (i) conduct regular workshops and training at different levels of government; and (ii) develop accounting and reporting methods, manuals, guidelines, instructions, and templates. Make sure that the specificities of the entities are addressed in the respective trainings and training materials. Is also important to establish deadlines to receive the data. Making sure that the deadlines are realistic to avoid changes as much as possible, and that they encompass the receipt of data that has been audited and that the necessary post-audit adjustments have been properly made. The process needs to be legitimized so that the entities respect the established deadlines. Penalties can be applied in some cases of non-compliance, but it is essential that the entities understand the importance of the process so that it is not understood only as an obligation.
4	**Different accounting policies.** In single jurisdiction, there might coexist several accounting frameworks and policies applicable to the government and other public sector entities.	Issuing instructions, guidelines, and templates for accounting closing to obtain the information under the same accounting framework and policies. In cases where the legislation already does not require the preparation and disclosure of information necessary to meet the demands of the integrated consolidation and compiling process, it is important to ensure that the reporting entities do not understand the process as a burden. To avoid this, close coordination and establishing strategies for sharing any additional costs that may arise might be helpful. Failure to approach cost-sharing mechanism could create resistance to change and jeopardize the success of implementation.
5	**Lack of a unified and harmonized CoA to report information.** Some jurisdictions have not yet issued CoA applicable to all public sector entities and harmonized with statistical reference frameworks.	Issuing a unified and harmonized CoA to report information, adopting a structure and nomenclature that could meet the reporting requirements of budgetary, accounting, and statistical reference frameworks. Make sure the updates are permanently and timely done considering the necessities that may arise. Additionally, training on the accounting standards applied for public sector accountants at different levels of government may help the correct use of the issued CoA.

#	Challenges	Mitigation measures
6	**Use of different accounting systems wherein some of them lack the minimum system requirements.** Some entities to be consolidated may use different accounting systems, with non-standardized structure and technology, and some of them may lack the minimum system requirements.	This challenge could be addressed by designing appropriate applications and questionnaires to receive standardized and telematic supplementary information. Other mitigation measure is the use of a centralized accounting system to extract the data required. To address the lack of minimum system requirements, a possible solution is through issuing regulations regarding minimum requirements for systems.
7	**Lack of a system or a bridging algorithm for consolidation and compilation.** Some jurisdictions do not have an automated system, such as an IFMIS, or bridging algorithm to perform the consolidation and compiling processes. There are two main reasons. Firstly, the lack of harmonization of accounting policies and CoA makes it difficult to configure such a system. Secondly, such a system may require a substantial financial investment.	It is recommended to harmonize the accounting policies and CoA as a prerequisite, and consider different financing mechanisms to develop and implement an automated system, such as an IFMIS, or a bridging algorithm to perform the consolidation and compiling processes, including in-house development and use of open-source solutions available on the market.
8	**Statistical adjustments.** Even though the consolidated financial statements are prepared considering the scope of GFSM 2014, there still could remain differences between accounting standards and statistics rules concerning the recognition and measurement of economic transactions.	Provision of training on the statistical framework applied for public sector accountants at different levels of governments would help them to make the required adjustments . Additionally, the development of methodologies, manuals, guidelines, and instructions may be also useful to address some of the statistical adjustments.
9	**Discrepancy between data received from different entities.** It is possible that different entities would send different data regarding the same transaction that occurred between them due to various reasons.	It suggested to carefully analyze the data received and identify any potential discrepancy. If such identification is not possible, the alternative could be to decide which information seems to be the most reliable. Usually, higher level of government information is more reliable than lower levels of government. For financial assets and liabilities creditors' information are usually accurate.
10	**Resistance due to the traditional process used.** In some jurisdictions the financial and statistical reporting is done by administrative units or entities that are typically separated with different objectives and procedures.	Providing capacity building activities for governmental accounting and statistical officials could contribute to create more homogeneous skill sets useful to implement the proposed process. Further dissemination, awareness raising, and handholding activities will be required to facilitate the implementation of the proposed process.

Source: World Bank team.

ANNEX 1

QUESTIONNAIRE SENT TO COUNTRIES TO COLLECT INFORMATION

Part 1: Financial statements consolidation process

1. How is the financial statements consolidation process performed at each level of government?

   Please, consider the following aspects:

   a. Entity responsible for performing the consolidation process (Both at the national and subnational level)

   b. Scope of consolidation: Type of entities covered (e.g., Ministries, Agencies, Non-profit institutions, legislative and judiciary branches, universities, state-owned enterprises, etc.)

   c. Criteria used for defining the scope: Principle of Control (as in IPSAS 35)/Legal or Constitutional Requirements (e.g., budget sector)

   d. Accounting regulatory framework: (Description of the National/subnational standard-setter. Is the regulatory framework based on IPSAS/IFRS or another standard? Is the regulatory framework applicable to each government level, or different for different government levels?)

   e. Step-by-step of the consolidation process.

   f. IT tools used to perform the process: (Is the same IT tool used at each government level, or different for different government levels?)

2. What are the main challenges in the consolidation process at each level of government? (e.g., delays in sending information of the entities covered, homogenization of the accounting policies of entities that apply different regulatory frameworks, identification and elimination of reciprocal operations, among others)

3. What are the measures that each level of government has adopted to face the challenges identified in the previous question? (e.g., instructions, unified chart of accounts, training, among others)

Part 2: Compiling process of general government and public sector finance statistics

4. How is the compiling process of general government and public sector finance statistics performed at each level of government?

   Please, consider the following aspects:

   a. Entity responsible for performing the compiling process.
   b. Scope of compiling (e.g., General Government, Central/State/Local Government, Budgetary, Extrabudgetary, Social Security Funds, Public Financial/Non-Financial Corporations, Public Sector, etc.)
   c. Statistical framework used (e.g., GFSM / ESA / SNA)
   d. Inputs required to perform the process (e.g., financial statements, other financial reports, surveys, etc.)
   e. Step-by-step of the compiling process
   f. IT tools used to perform the process

5. What are the main challenges in the compiling process at each level of government? (e.g., changes in sector classification or structure of an institutional unit, complex adjustments required and rearrangements of transactions: rerouting/partitioning/reassignment, identification and elimination of internal transactions, delays in sending information of the institutional unit compiled, among others)

6. What are the measures that each level of government has adopted to face the challenges identified in the previous question? (e.g., statistical bodies to follow the changes in sector classification and structure of an institutional unit, instructions, chart of accounts harmonized with government finance statistics, training, among others)

ANNEX 2

SYNTHESIS OF INTERNATIONAL EXPERIENCES IN THE DELIMITATION OF THE CONSOLIDATION AND COMPILATION SCOPE

Table 3. Consolidation at the national level

	Brazil	Georgia	Spain	Switzerland
Approach for delineation of scope	Legal	Legal	Control	Control
Framework used	IPSAS, indirectly	IPSAS, indirectly	IPSAS, indirectly	IPSAS, directly
List of entities				
Social security funds	Yes	Yes, if controlled by a state or a sub-entity of the state (e.g., ministry)		
Central bank	Yes	No	No	No
Mixed enterprises (government owns <50%)	No	No, but IPSAS 36 is applied	No	No, but IPSAS 36 is applied

	Brazil	Georgia	Spain	Switzerland
SOEs (government owns >= 50%)	Yes, if it is a non-market producer and is controlled by state or a sub-entity of the state (e.g., ministry). Market producers are presented using the equity method	Yes, if it is a non-market producer and is controlled by state or a sub-entity of the state (e.g., ministry)	Yes, if controlled by state or a sub-entity of the state (e.g., ministry)	
Universities	Yes	Yes	Yes, if controlled by a state or a sub-entity of the state (e.g., ministry)	
State governments	No in the federal government financial statements, but yes in the public sector financial statements	Not applicable	No	No
Local governments	No in the federal government financial statements, but yes in the public sector financial statements	No, but they are presented as an appendix	No	No
Ministries (sometimes called secretaries or departments), including decentralized entities without legal personality	Yes	Yes	Yes	Yes
Decentralized entities with legal personality (e.g., agencies)	Yes	Yes	Yes	Yes
Parliament and other legislative entities	Yes	Yes	Yes	Yes
Judicial entities	Yes	Yes	Yes	Yes

Table 4. Compiling

	Brazil	Georgia	Spain	Switzerland
Approach for delineation of scope	General government sector (GGS) and its subsectors			
Framework used	GFSM 2014	GFSM 2001/2014	ESA 2010	HRM2, GFSM 2014 and ESA 2010

	Brazil	Georgia	Spain	Switzerland
List of entities				
Social security funds	Yes, within the GGS as part of the subsector (i.e., central/federal , state, or local government subsectors) that it integrates	Not applicable	Yes, within the GGS as one of its subsectors	
Central bank	No, as it is a public financial corporation and the public sector as a whole and its subsector are not compiled			
Mixed enterprises (government owns <50%)	No, as they are financial or non-financial corporations			
SOEs (government owns >= 50%)	Yes, if it is a non-market producer. If this is the case, the entity is presented within the GGS as part of the subsector (i.e., central/federal, state, or local government subsectors) that it integrates. If the entity is a market producer, it is not presented in GFS because the public sector as a whole and its subsector are not compiled			
Universities	Yes, within the GGS as part of the subsector (i.e., central/federal, state, or local government subsectors) that it integrates			
State governments	Yes, within the GGS as one of its subsectors			
Local governments	Yes, within the GGS as one of its subsectors			
Ministries (sometimes called secretaries or departments), including decentralized entities without legal personality	Yes, within the GGS as part of the subsector (i.e., central/federal, state, or local government subsectors) that it integrates			
Decentralized entities with legal personality (e.g., agencies)	Yes, if it is a non-market producer SOE. If this is the case, the entity is presented within the GGS as part of each subsector (i.e., central/federal, state, and local government subsectors) that it integrates. If the entity is a market producer, it is not presented in GFS because the public sector as a whole and its subsector are not compiled			
Parliament and other legislative entities	Yes, within the GGS as part of the subsector (i.e., central/federal, state, or local government subsectors) that it integrates			
Judicial entities	Yes, within the GGS as part of the subsector (i.e., central/federal, state, or local government subsectors) that it integrates			

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