

Why Consolidation Matters

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CFRR >>
Centre for Financial
Reporting Reform




PULSAR 

Public Sector Accounting and Reporting Program

PULSAR Program is co-funded by:

 Federal Ministry
Republic of Austria
Finance

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

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What the Literature says



PUBLIC FINANCIAL MANAGEMENT



- Identifies **inefficiencies** in accounting processes
- Enhances **budgeting accuracy** and **monitoring**
- Supports targeted **capacity development**

TRANSPARENCY



- Ensures **timely** and **comprehensive** financial reporting
- **Aligns disclosures** with international standards
- Enables **effective** public and stakeholder **scrutiny**

ACCOUNTABILITY

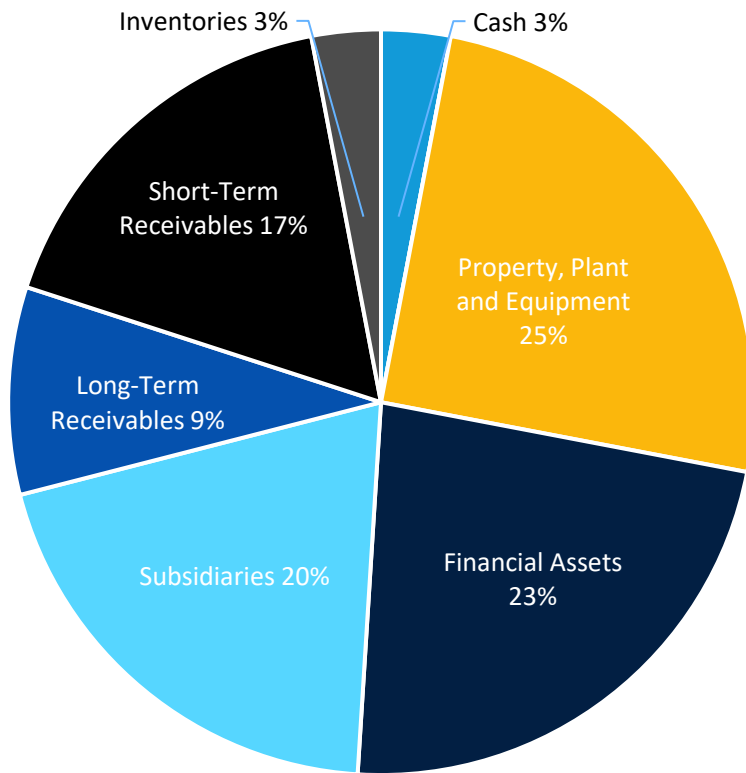


- Provides **accurate, harmonised** and **reliable data** for management, audit and oversight
- Reduces risks by identifying **gaps** in **internal financial controls**

Information shapes reality – what the government owns



Federal Government Financial Statement



Σ Total Assets EUR 131.4 billion

Missing Federal Transactions:

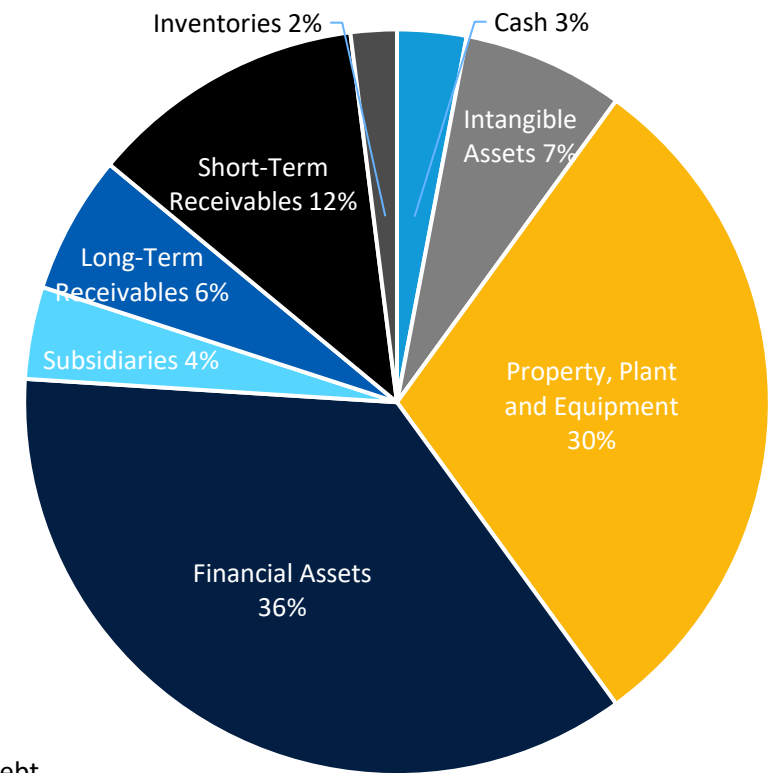
- Accrual of Rents
- Accrual of Grants
- Accrual of Taxes (Deferred Taxes)



- + EUR 20.3 billion: Usufruct rights ASFINAG
- + EUR 37.8 billion: Rail network of ÖBB
- + EUR 24.1 billion:
 - + EUR 2 billion ÖBAG Holdings
 - + EUR 22 billion Financial Real Estate
- + EUR 26.2 billion: Recognition of sub-national debt
- EUR 24.2 billion: subsidiary assets (at equity)



„Consolidated“ Federal Government Financial Statement

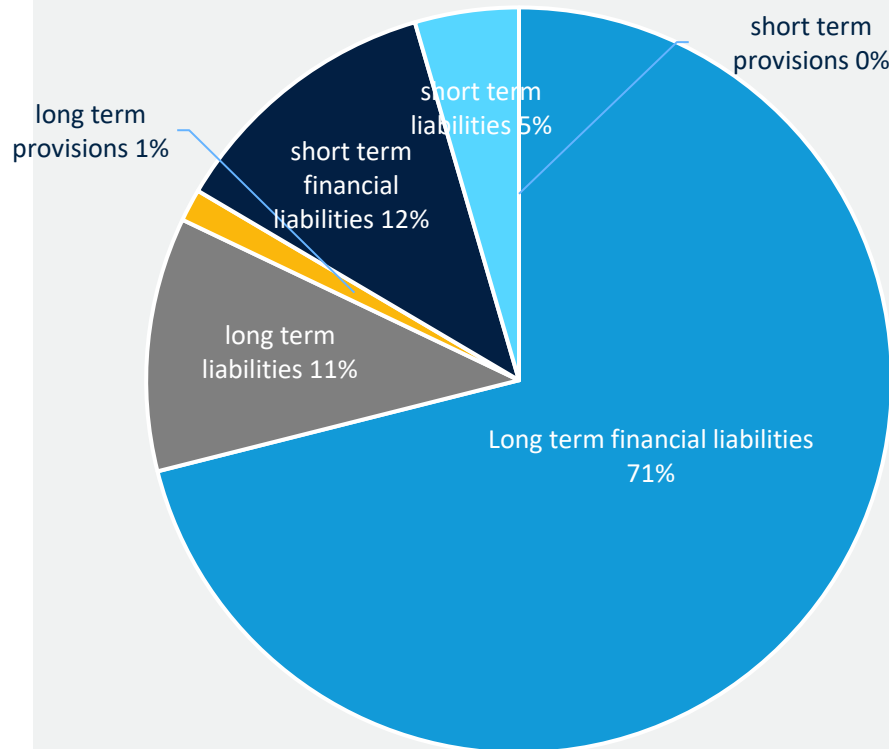


Σ Total Assets EUR 219.2 billion

Information shapes reality – what the government owes



Federal Government Financial Statement



Σ Total Liabilities EUR 360.0 billion

Missing Federal Transactions:

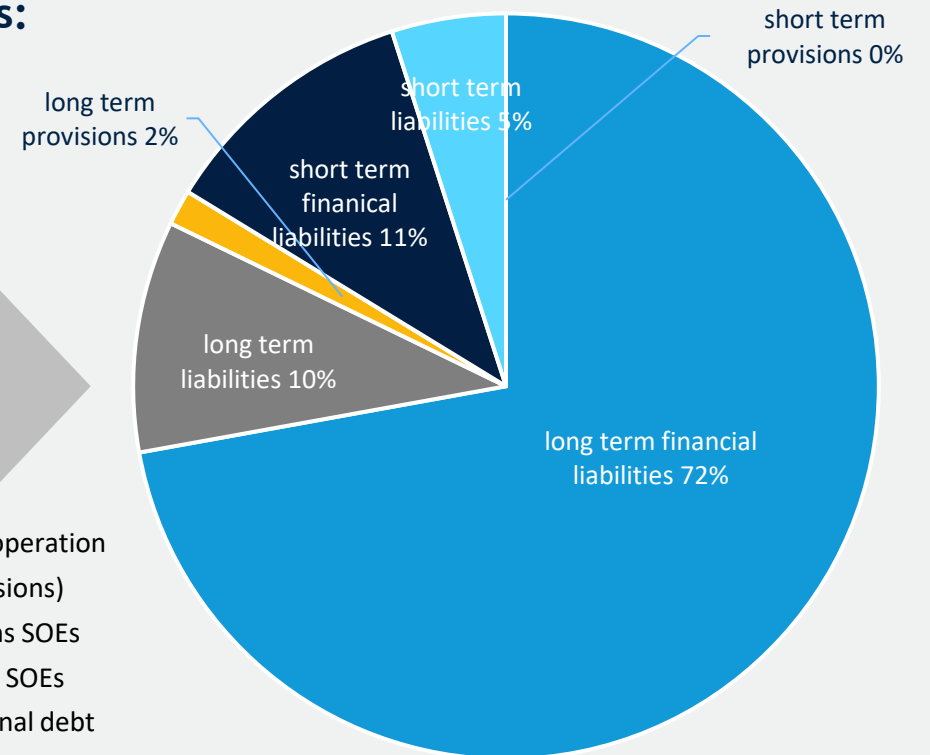
- Pension Provisions
- Accrual of services
- Accrual of grants
- Accrual of taxes



- + EUR 4.7 billion: long term liabilities from operation
- + EUR 1.3 billion: long term provisions (pensions)
- + EUR 23.8 billion: short term financial loans SOEs
- + EUR 23.8 billion: long term financial loans SOEs
- + EUR 26.2 billion: recognition of sub-national debt



„Consolidated“ Federal Government Financial Statement

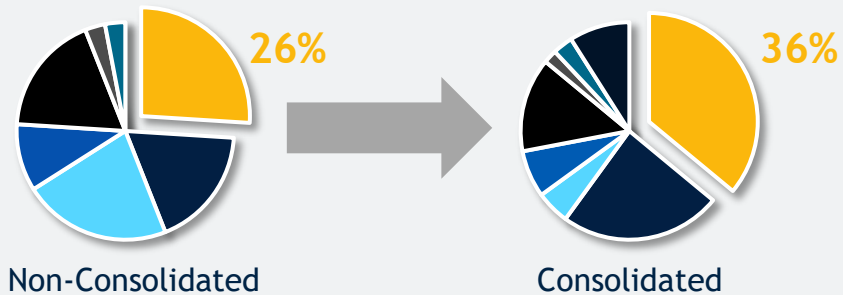


Σ Total Assets EUR 426.6 billion

Policy impact of different presentation – example Infrastructure

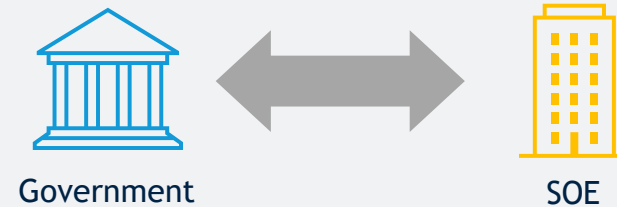


PROPERTY, PLANT AND EQUIPMENT



- Consolidation of + **EUR 38 billion**
- **Impairment testing** of a PPE asset vs. Financial Asset
- Depreciation of + **340 %** (+ EUR 1.5 billion)

GOVERNMENT AND SOE OBJECTIVES



- **Divergent priorities** and **information bias** may lead to **tensions** between **state's public policy goals** and the **SOEs public and commercial objectives**
- E.g. Austria's BIG (Federal Real Estate Agency) which has a **profit driven mandate** but leases almost **exclusively to state entities**

Conclusion



Establishment of a consistent fiscal policy and risk management is only possible if there is a **consolidated view**

„It is better to be roughly right, than precisely wrong.“

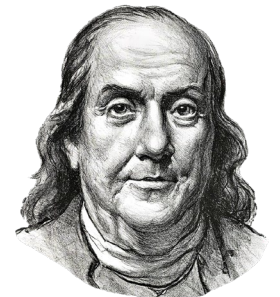
Lord John Maynard Keynes



Some **policy issues** only arise (get visible) **when consolidation** takes place

„If you want something done - go, if not send.“

Benjamin Franklin




Thank you!



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