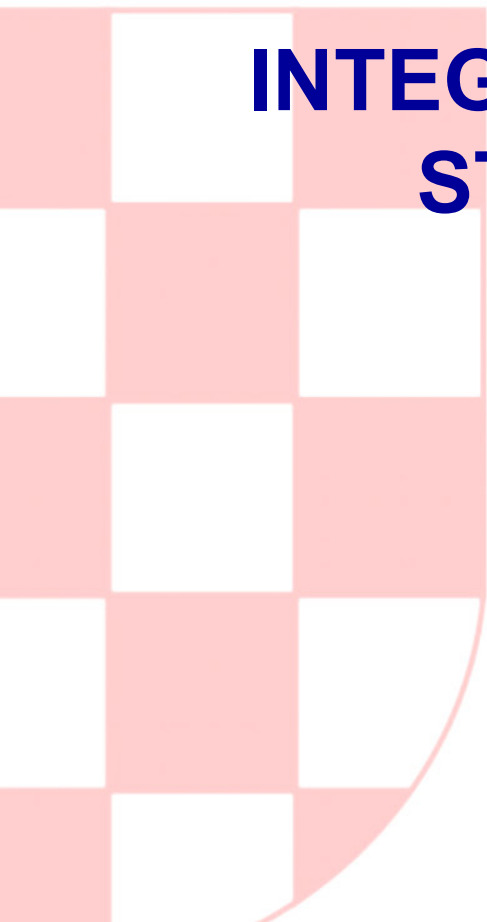




# **INTEGRATION OF FINANCIAL AND STATISTICAL REPORTING**

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# A retrospective overview of budgetary accounting development in RC from 2002 to date

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- The biggest changes in the Croatian budget system took place in 2001 and 2002
- The changes were primarily initiated because of:
  - The need to develop and harmonise the classification system with internationally regulated classifications,
  - The need to obtain high quality information about operations of specific entities and the whole-of-government, and
  - The need to comply with global trends and requirements set down by international statistical systems (change in the accounting principle).

# A retrospective overview of budgetary accounting development in RC from 2002 to date

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- The most important methodological change  transition from cash-based to modified accrual principle
- The transition from cash accounting to modified accrual accounting facilitated a far more active role of accounting in budget processes; accounting not only answered the question: what has been paid, but also: how much has been spent.

# A retrospective overview of budgetary accounting development in RC from 2002 to date

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- Since 2002 all general government entities have been applying a **unified CoA** cross-referenced with the GFS 2001 statistical codes.
- The CoA was changed in line with the **economic classification** requirements
  - The use of economic classification as a basis for identification of CoA accounts implied a total change in the old CoA that included a mix of different classifications.
- The analytical framework of financial reporting (types, form and content of financial statements) was also changed and adjusted to such accounting system.

# The features of budgetary accounting in RC

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- **Comprehensive accounting monitoring** – the Budget Code regulates all budgetary accounting and financial reporting entities.
- The application of a **unified CoA** for budgets and budget users at the national and subnational (local and regional self-government units) budget levels (unlike many European countries, with consistent use of a rule for recording transactions and economic events).
- The application of budget classification is mandatory – in all phases of the budget cycle (budgeting, accounting and financial reporting):
  - Organisational,
  - Economic,
  - Functional,
  - By location,
  - Programme, and
  - Sources of funding.

# Accounting and statistical systems in RC

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- Accounting systems should be distinguished from statistical systems.
- The main source of fiscal statistics are accounting records and reports produced by national accounting systems.
  - The above-mentioned data are key inputs for obtaining statistical data, which definitely impacts their quality and comparability.
  - It also had an effect on the need to approximate the systems of budgetary accounting and financial reporting to the statistical system, which led to greater efficiency, speed and transparency in the production of statistical data.
- In comparison with accounting methodologies, statistical methodologies are often far stricter and enter the purview of economic estimate of all important events/transactions and their reclassification depending on such estimate.

# Accounting and statistical systems in RC

- In the second half of 2013 the **Strategy for Financial Reporting System Reform** was prepared laying down the measures for enhancing financial reporting of budgets and budget and extra-budgetary users in RC
    - Addressing the load of reporting entities, accomplishing statistical and consolidation objectives,
    - Adjusting reporting timelines to the requirements of the Fiscal Report (EC) and
    - Improving the data quality in financial statements.
- } MoF  
CBS  
CNB
- The reforms primarily concern:
    - Additional content in the CoA,
    - Review of the content and timelines for submitting financial statements,
    - Streamlining consolidation by distinguishing subnational budget data from the data of their budgetary users in financial statements.
  - The new European System of National and Regional Accounts (ESA 2010) that was issued in June 2013 and entered into force in September 2014 provided additional rationale for enhancing budgetary accounting and financial reporting
    - In RC ESA 2010 is compiled in cooperation with CBS, CNB and MoF.
    - The MoF is competent for the data about plans (mostly non-financial accounts), the CBS for historical data – non-financial accounts, the CNB for historical data – financial accounts.

# Strategy for Financial Reporting System Reform – IMPLEMENTATION

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- In October 2014 a new Regulation on Budgetary Accounting and Chart of Accounts was adopted containing *inter alia* the changes in line with Eurostat's recommendations.
  - It became obligatory to record **granted subsidies and capital grants** on accrual basis; in other words as soon as an act (decision, ruling, etc.) allocating such subsidy or capital grant, issued by a competent authority, comes into effect.
  - In compliance with the European statistical requirements, the cash principle regulated for revenue recognition cannot be used in case of **EU funds**
    - By derogation, in case of the assistance obtained from EU institutions and authorities and the assistance from the state budget based on EU funds transfer a principle was regulated for revenue recognition in the reporting period proportional to the implementation costs of the contracted programmes and projects.



# Strategy for Financial Reporting System Reform – IMPLEMENTATION

- In December 2014 a new Regulation on Financial Reporting in Budgetary Accounting was adopted in keeping with the amendments to the Regulation on Budgetary Accounting and Chart of Accounts and statistical requirements.

## AN EXAMPLE OF THE FINANCIAL STATEMENT TEMPLATE:

Obvezni analitički podaci				
81641	Povrat zajmova danih tuzemnim obrtnicima - kratkoročni	819		
81642	Povrat zajmova danih tuzemnim obrtnicima - dugoročni	820		
81643	Povrat danih zajmova tuzemnim obrtnicima po protestiranim jamstvima	821		
81711	Povrat zajmova danih državnom proračunu - kratkoročni	822		
81712	Povrat zajmova danih državnom proračunu - dugoročni	823		
81721	Povrat zajmova danih županijskim proračunima - kratkoročni	824		
81722	Povrat zajmova danih županijskim proračunima - dugoročni	825		
81723	Povrat danih zajmova županijskim proračunima po protestiranim jamstvima	826		
81731	Povrat zajmova danih gradskim proračunima - kratkoročni	827		
81732	Povrat zajmova danih gradskim proračunima - dugoročni	828		
81733	Povrat danih zajmova gradskim proračunima po protestiranim jamstvima	829		
81741	Povrat zajmova danih općinskim proračunima - kratkoročni	830		
81742	Povrat zajmova danih općinskim proračunima - dugoročni	831		
81743	Povrat danih zajmova općinskim proračunima po protestiranim jamstvima	832		
81751	Povrat zajmova danih HZMO-u, HZZ-u i HZZO-u - kratkoročni	833		
81752	Povrat zajmova danih HZMO-u, HZZ-u i HZZO-u - dugoročni	834		
81753	Povrat danih zajmova HZMO-u, HZZ-u i HZZO-u po protestiranim jamstvima	835		

# Strategy for Financial Reporting System Reform – IMPLEMENTATION

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- **November 2016 – Amendments to the Regulation on Budgetary Accounting and Chart of Accounts.**
- The amendments largely concern the EU funds transfers and transfers within the general budget.
  - The amendments resulted from the need for better of consolidation.
- The previous CoA data e.g. about grants failed to indicate whether the grant was allocated from the national budget or from the subnational budget (of local and regional self-government units).
  - The data indicated did not support identification of the governmental subsector (central or local), which is extremely important statistically.

# Future activities – EU project

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- Establishment of a more effective financial and statistical reporting system
- EUR 522,000.00

## Main project activities:

- 1. Design of a new application for collecting and analysing financial statements from all reporting entities** (national and subnational budget (local and regional self-government units) and budget users and extra-budgetary users under the Register of Budget Users and Extra-Budgetary Users)
  - Design of a new application for collecting and analysing financial statements will significantly streamline financial reporting and the opportunity to draft statistical reports in line with increasingly more complex requirements set down for the MoF.
- 2. Compiling of related tables to develop recording methodology for specific economic events.**
  - In a majority of EU countries budget and statistical coverage of the general budget system is not identical, and the most significant differences were identified in the coverage of extra-budgetary users. Extra-budgetary users may apply budgetary accounting, as well as enterprise and non-profit accounting, depending on their legal form and operational specificities. When extra-budgetary users apply enterprise accounting or accounting of non-profit organisations, for the purpose of financial reporting business transactions should be recorded in accordance with budgetary accounting rules. For the purpose of process automation and acceleration of work an analysis will be carried out accessing every individual extra-budgetary user and a recording method in budgetary accounting will be developed for any specific business transaction by compiling related tables for specific extra-budgetary users focusing on economic events such as guarantees, write-offs, etc. that make the conversion process more challenging, and all for the purpose of improving the quality of statistical reporting in consistence with ESA 2010 methodology.