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# Consolidation of financial statement at different levels of government (Albania)

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# **General information regarding consolidation**

# Composition of the Public Sector

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The Public Sector in Albania includes:

- 1) Budget spending units of public administration which includes all those units classified in the General Government sector, according to sub-sectors:
  - Central Government,
  - Local Government,
  - Social and Health Insurance Funds.Units classified as Extra-budgetary are also part of the General Government sector.
- 2) Spending units entities classified as Non-Financial Public Enterprises;
- 3) Spending units entities classified as Financial Public Enterprises; and
- 4) The Central Bank.

# Composition of the Public Sector

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Public sector	Year 2021
<b>Central Government</b>	<b>954</b>
– Budgetary	896
– Extra-budgetary	58
<b>Local Government</b>	<b>303</b>
– Budgetary	194
– Extra-budgetary	109
<b>Social and Health Insurance Funds</b>	<b>2</b>
<b>Non-Financial Public Enterprises</b>	<b>26</b>
<b>Financial Public Enterprises</b>	<b>2</b>
<b>The Central Bank</b>	<b>1</b>
<b>Total</b>	<b>1,288</b>

# Statutory framework

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**The organic budget law** establishes for the general government sector, inter alia:

- a) the modified accrual basis of accounting;
- b) the obligation of government entities to maintain an accounting system and prepare annual financial statements based on MOF instructions/manuals/guidelines;
- c) the MOFE as the institution responsible for preparation of the public sector accounting standards, sublegal acts and methodology;
- d) the Public Internal Financial Control Board (PIFC) chaired by the Minister of Finance for the review and approval of the public accounting standards, sublegal acts and methodology;
- e) the obligation of the Treasury to maintain a system to account for and report on government operations, including the preparation of annual consolidated financial statements of the general government; and
- f) the composition of the consolidated annual budget report prepared by the MOFE and submitted for approval to the Government and Parliament.

# Public Sector Budgeting

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**All financial reports**, including the budget implementation reports, are prepared and presented for each calendar year ending 31 December according to the following timeline:

- » entity-level financial statements are prepared by March 31 of the following year;
- » consolidated group-level financial statements are prepared by April 30 of the following year;
- » the MoFE produces and submits consolidated budget reporting for the general government sector to the Council of Ministers for approval by the end of May of the following year;
- » the Council of Ministers submits the consolidated budget reporting for the general government sector to the National Assembly by the end of June of the following year; and
- » after approval by the National Assembly, the consolidated budget reporting for the general government sector is published in the Official Gazette by the end of October of the following year.



# Systems

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**The AGFIS functional processes** are formally classified as:

*a) budgeting;*

*b) pre/commitment and payment management;*

*c) revenue and cash management;*

*d) fixed assets management; and*

*e) accounting and financial reporting.*

# **Consolidation process**





# Consolidation

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**Consolidated financial statements** are the financial statements of an economic entity in which the assets, liabilities, net assets/equity, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.



# Purpose

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**The consolidated financial statements** have the general purpose of providing reliable information to the relevant decision-making bodies, through:

- » Provision of information about financial resources and their allocation;
- » Providing information on the way of financing the activities of the units and realization of requests on monetary means;
- » Providing information related to the unit's ability to finance activities and to fulfill obligations and commitments; and
- » Providing information for the performance evaluation of the reporting units.

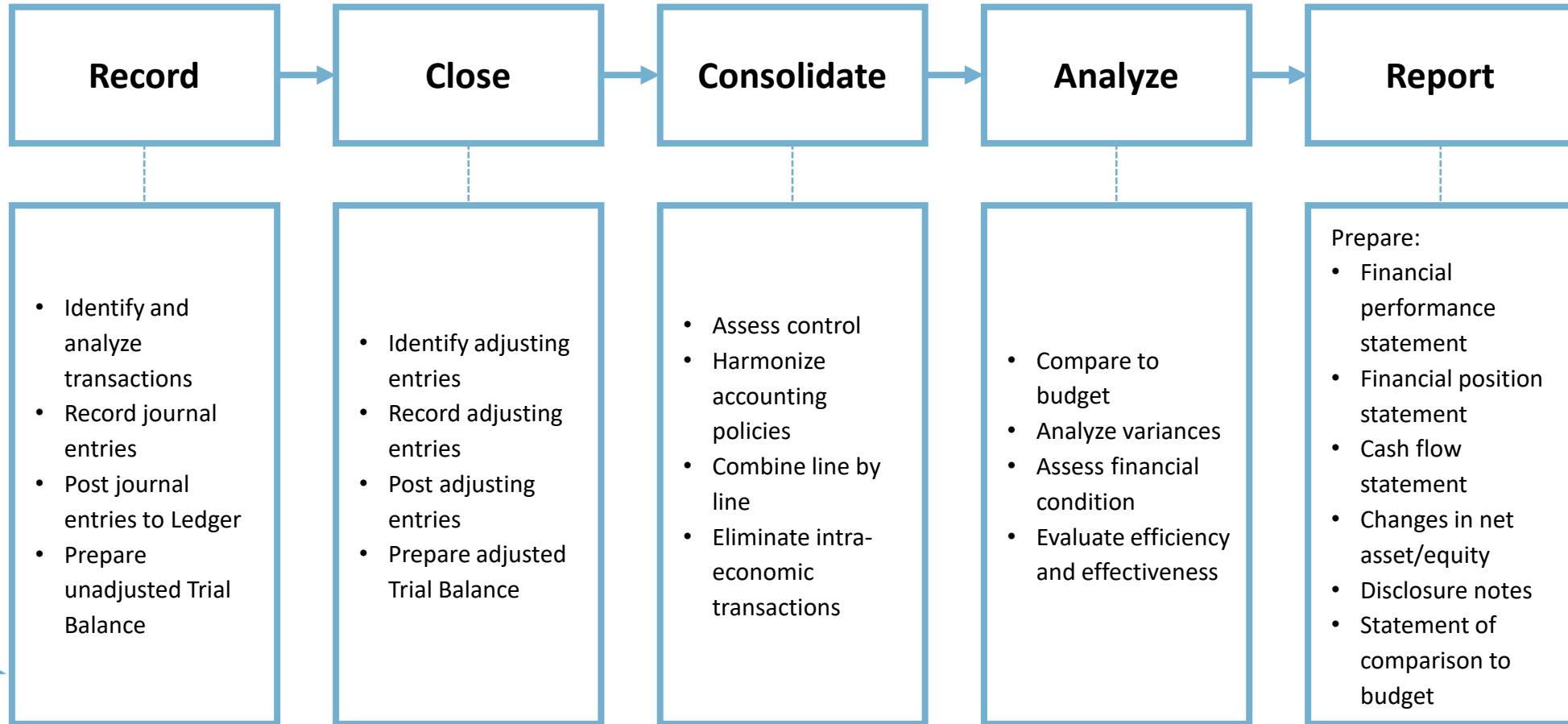
# Composition

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- » Consolidated financial statement of financial position (balance sheet);
- » Consolidated financial statement of financial performance;
- » Consolidated financial statement of changes in assets / net funds;
- » Consolidated financial statement of cash flow changes;
  
- » **Statistical statements** such as statistical statements for investments and sources of their financing, statistical statement for long-term assets (with historical cost), statistical statement for long-term assets (with net worth) and statistical statement of the number of employees and salary fund
- » Providing **explanatory notes** for the preparation and reporting of the consolidated financial statements.

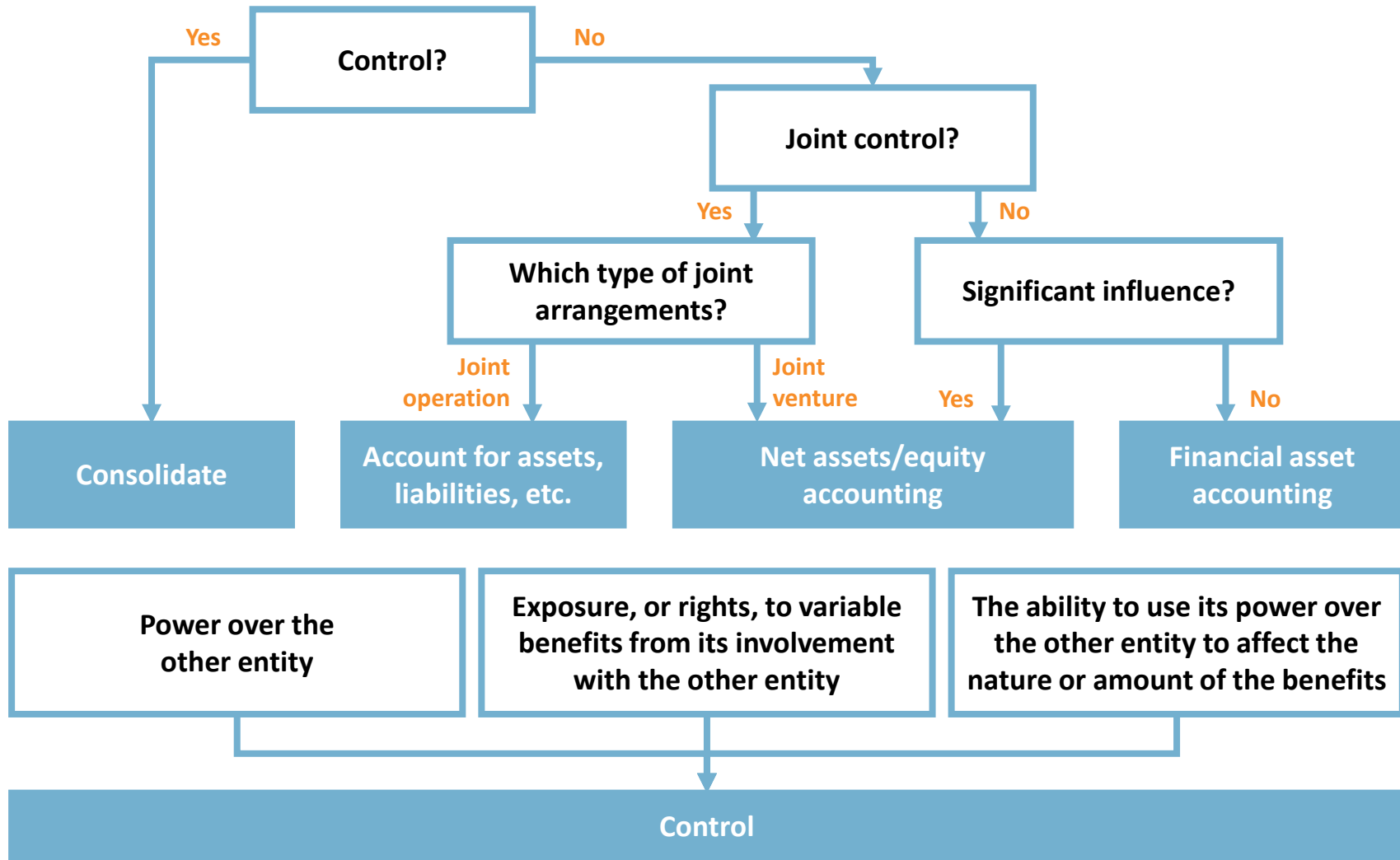
# Financial reporting process

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# Consolidation

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# Consolidation based on best practices

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- » Harmonize accounting policies throughout the economic entity;
- » Align reporting dates of controlled entities to that of the controlling entity;
- » Translate financial statements of foreign operations into the presentation currency of the entity;
- » Combine line by line the statement of financial performance, the statement of financial position items and the cash flow statement items of the controlling and controlled entities;
- » Eliminate in full the intra-economic entity balances and transactions between entities within the economic entity, including assets, liabilities, net assets, revenues, expenses, dividends or similar distributions and cash flows;
- » Account for non-controlling interest (NCI) ;
- » Eliminate the investment of the controlling entity in the controlled entity against the net assets (equity) of the economic entity.

# Consolidation Disclosures based on best practices

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## Key disclosures in respect of consolidation include:

- » the composition of the economic entity (a listing of controlled entities);
- » the interest that non-controlling interests have in the economic entity's activities and cash flows;
- » the nature of and changes in the risks associated with an entity's interests in controlled entities unconsolidated controlled entities and structured entities that are not consolidated.

**THANK YOU!**