PEMPAL TCOP Thematic Group

Consolidation of financial reporting

Identification of Consolidation Scope

VC, December 2013

Republic of Bulgaria Ministry of Finance

GFS and IPSAS reporting frameworks

- **Both GFS and IPSAS show:**

✓ accrual based financial information

✓ government's assets, liabilities, revenue, and expenses

✓ comprehensive information on cash flows

- **Although they have much in common, the two sets of financial information have some fundamental differences on how and what information is reported**

- **GFS and IPSAS differences**

✓ **Separate development and governance**

- System of National Accounts - European System of Accounts - Government Finance Statistics Manual

Joint responsibility of the United Nations, the International Monetary Fund, the Commission of the European Community, the Organisation for Economic Cooperation and Development, the World Bank

- IPSASs have been developed on the base of International Financial Reporting Standards

Developed and approved by the International Public Sector Accounting Standards Board

✓ **Type of differences**

- underlying conceptual differences
- presentation and terminology differences

GFS and IPSAS reporting frameworks

✓ GFS objectives

- analyze fiscal policy options, make policy, and evaluate the impact of fiscal policies
- determine the impact on the economy
- compare outcomes nationally and internationally

✓ IPSAS objectives

- evaluate financial performance and financial position
- inform users of general purpose financial statements

GFS and IPSAS Reporting Entity

GFS Institutional units and sectors:

The reporting unit is an institutional unit, defined as an entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities in its own name. The control and the nature of economic activities determine the consolidation and the scope of the reporting entity. The General Government Sector does not include institutional units primarily engaged in market activities.

GGS = CG + SG + LG + SSF

IPSAS Economic entity:

The reporting unit for financial statements is an economic entity, defined as a group of entities that includes one or more controlled entities. Control is the main criterion that determines consolidation. The whole of government reporting entity, at the highest level of consolidation, may include, in addition to government departments, sub-national bodies such as state governments, and government owned businesses that primarily engage in market activities.

Harmonization Initiatives

- **IPSASB new project "Alignment of IPSASs and Public Sector Statistical Reporting Guidance"**

- **European Commission conclusions on the suitability of IPSAS for application in the EU:**

  - it seemed that IPSASs cannot easily be implemented in EU Member States as it stands currently

  - the IPSAS standards represent an indisputable reference for the future development of European Public Sector Accounting Standards, based on a strong EU governance system

Legal Framework – Case of Bulgaria

- **EU Requirements for the Quality of Government Finance Statistics**

- Regulation 549/2013 on the European system of national and regional accounts in the EU
- Council Directive 2011/85/EU on requirements for budgetary frameworks of the Member States

- **Organic Budget Law, Law for Public Finances (as of 2014)**

- Legal Framework - authorization and responsibilities
- Coverage of Institutional Units GGS = CG + LG + SSF
- Unified Accounting and Reporting Methodology

Legal Framework – Case of Bulgaria

- **Unified Accounting and Reporting Guidelines**
  - ✓ Chart of Accounts
  - ✓ Budget Classification
  - ✓ Financial report's format

- **Presentation of Financial Reports – defined terms and conditions**
  - ✓ First Level Spending Units

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THANK YOU!

Republic of Bulgaria Ministry of Finance