

# First Time Adoption of IPSAS

## Austrias Opening Balance Sheet & Federal Financial Statement

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### General remarks

- The Financial statements shall provide a fair and true view of the financial position, financial performance and cash flows of an entity (IPSAS 1). This requires information on assets and liabilities in addition to information on cash flows and financial resources.
- Sustained positive growth in public finances requires the utmost clarity about the financial consequences of decisions.
- Opening Balance Sheet: first financial position with **full transparent presentation** of federal assets and liabilities.
- Reference standard: **IPSAS** (International Public Sector Accounting Standards)

## Opening Balance Sheet

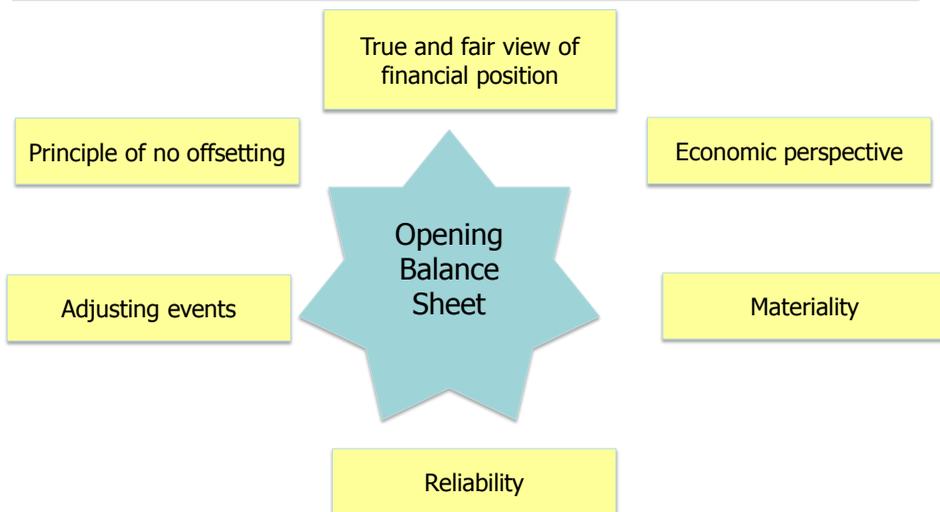
➤ structure

Assets	Liabilities
Current assets	Current liabilities
Non-current assets	Non-current liabilities
	Net Assets
<b>Total</b>	<b>Total</b>

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## Accounting principles I



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## Accounting principles II

- True and fair view of financial position
  - Without intentional overvaluation or undervaluation
- Economic perspective
  - Economic ownership of assets vs. legal form (federal assets were included in the opening balance sheet if the federal government is the economic owner - entity, that controls, in particular possesses and uses the asset, has the power to dispose and bears the risk of loss and destruction)
- Materiality
  - Recognition and measurement was performed based on materiality. It depends on size and type of the items (see next slide)
- Reliability
  - The opening balance sheet was prepared using reliable information. The accounting procedure of the opening balance sheet is based on the standard federal chart of accounts. Accounting policies were applied in a reasonable, verifiable and neutral manner.
- Adjusting events (events after reporting date)
  - Were taken into account, when became known between 1 January 2013 and the date on which preparation of the opening statement of financial position was completed.
- Principle of no offsetting/gross presentation
  - Each asset and liability was measured individually

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## The scope/coverage

- The goal was to fully report federal assets and liabilities while avoiding major administrative expenses as far as possible:
- The "Austrian Opening Balance Sheet Regulation" provides a number of **exceptions** and simplifications to reduce administrative burden **without reducing the quality of the information** it contains.
  - Flat-rate and comparative parameters were used
  - Measurement alternatives were permitted (if this was the only way to perform reliable measurement)
- Use of external experts was avoided, while building up measurement **expertise within the administration**.
- No full consolidation – see separate slide

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## Opening Balance Sheet 1.1.2013

ASSETS	in EUR
<b>A Non-current assets</b>	<b>76,102,292,902.39</b>
A.I Intangible assets	368,174,458.38
A.II Property, plant and equipment	39,588,678,261.93
A.III Securities and other investments	3,824,000,000.00
A.IV Equity investments	25,189,128,452.17
A.V Long-term receivables	7,132,311,729.91
<b>B Current assets</b>	<b>13,406,897,790.94</b>
<b>B.I Short-term financial assets</b>	0.00
<b>B.II Short-term receivables</b>	8,499,492,321.12
<b>B.III Inventories</b>	698,836,278.74
<b>B.IV Cash and cash equivalents</b>	4,208,569,191.08
<b>Total assets</b>	<b>89,509,190,693.33</b>
<b>NET ASSETS AND LIABILITIES</b>	<b>in EUR</b>
<b>C Net assets (balancing item)</b>	<b>-133,873,299,331.09</b>
<b>D Non-current liabilities</b>	<b>187,219,596,890.75</b>
D.I Long-term financial liabilities, net	169,702,071,074.72
D.II Long-term payables	14,004,805,522.87
D.III Long-term provisions	3,512,720,293.16
<b>E Current liabilities</b>	<b>36,162,893,133.67</b>
E.I Short-term financial liabilities, net	19,848,526,578.95
E.II Short-term payables	15,931,759,970.13
E.III Short-term provisions	382,606,584.59
<b>Total net assets and liabilities</b>	<b>89,509,190,693.33</b>

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## Asset valuation - Land

- Asset value **29.167.464.278,78 Euro**
- Full documentation of all Land
- Valuation according to asset costs, expert



➔ **Simplified method ("Land raster method")**

- Basis: land register
- Categorisation derived from land register (forest, agricultural use, building area)
- Price of square meter out of tax agency data of land sale
- Deductions for limited use (e.g. bodies of water, alpine land, military land)

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## Asset valuation - Land improvements

- Asset value: **984.443.454,23 Euro**
- Roads, railways, airports and port facilities are the main land improvements.
- These were measured at depreciated cost, or based on specified reference values or average values.
- Linear depreciation is used based on the usable lives specified in a decree by the Austrian Federal Ministry of Finance:
  - Paved: useful life 33 years
  - Unpaved: useful life 10 years
- Measurement: Values were calculated as average prices based on a variety of relevant sources.
  - Classification on condition as good (A), medium (B) or poor (C).



Example of a cobblestone road

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## Asset valuation - buildings

- Asset value **3.250.568.311,67 Euro**
- Historical acquisition and production costs
- If not available – 3 options
  - Overall refurbishment costs
  - Average construction costs of comparable buildings
  - Expert opinion if available
- Straight-line depreciation
  - **Measurement of Historical buildings:** no cost figures available, value can not be determined on market price due to the lack of an active market, special measurement method: average costs of comparable buildings, categorization of use as well as condition of building (good, medium, poor) – resulting net book values were calculated based on remaining useful lives.



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## Historical Buildings

- Reported as heritage assets



Burgtheater  
98,10 Mio. EUR



Historical Parliament Building -  
ramp area  
33,89 Mio. EUR



Schönbrunn Palace  
285,7 Mio. EUR



Vienna State Opera  
102,8 Mio. EUR

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## Asset valuation - equity investments

- Asset value **25.189.128.452,17 Euro**
- Measurement on the Federal Governments proportionate **share of the estimated net assets** (@ equity) – based on financial statements of each subsidiary.
- Categorization according to IPSAS (affiliates, associates, other equity investments)
- If **significant influence or control** can be exercised over a company or institution, it is reported as an equity investment, regardless of the legal relationship.
- Universities are included
- **No FULL CONSOLIDATION**

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## Provisions

- ▶ Value: **3.895.326.877,75 Euro**
- ▶ When event triggering the obligation occurs or will occur **with overwhelming probability (> than 50%)**.
- ▶ Categorization according to IPSAS (current – non current)
- ▶ Areas: severance payments, anniversary payments, contingent liabilities, accumulated vacation pay, cost of pending litigation

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## Long term Provisions

Provision	classes	Carrying amount in EUR
Long-term provisions		
Provisions for severance payments		507,013,789.66
Provisions for anniversary bonuses		976,446,715.45
Provisions for guarantees		1,509,044,604.93
Provisions for reclamation of contaminated sites		28,868,802.86
Other long-term provisions		491,346,380.26
<b>Total</b>		<b>3,512,720,293.16</b>

- ▶ **Severance payments:** required under Austrian employment law and take the form of one-time compensation payment (termination)
- ▶ **Anniversary bonuses:** may be rewarded to employees upon completion of 25 and 40 years of service.
- ▶ were calculated using the **projected unit credit method**.
- ▶ **Guarantees:** Austrian export guarantees act, financial market stability.

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## Short-Term Provisions

Provision	classes	Carrying amount in EUR
<b>Short-term provisions</b>		
Provisions for litigation expenses		36,977,385.00
Provisions for unused vacations		314,195,425.06
Other short-term provisions		31,433,774.53
<b>Total</b>		<b>382,606,584.59</b>

- **Litigation expenses:** Group measurement was performed in a few exceptional cases: large number of similar cases: legal actions before the European Court of Human Rights, Austrian Supreme Constitutional Court, Austrian Supreme Administrative Court.
- **Vacations:** Carry unused vacations from the past two years forward

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## Financial liabilities (federal financing)

- Value: **189.550.597.653,67 Euro**
- Only authorisation by Austrian Federal Financial Act
- Debts to domestic and foreign investors
- 93% are fungible
- 90% of Austria's debt is owed to investors in Europe
- Risk averse orientation – more than 90% at fixe interest rates
- Currency swaps are only entered as a hedge for other transactions (not singular)

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## Pensions

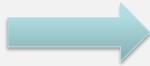
- ▶ Liabilities for pensions displayed in an annex and in fiscal sustainability report – not as a provision in the financial statement
- 2013: 6.151,0 Mio. EUR (net – not covered by contributions)
- 30- year projection of pension liability (2013-2042) : 342.151,2 Mio. EUR (net – not covered by contributions)

## Opening Balance Sheet Asset valuation - difficulties

- Austrian specific problems with complex legal structure (e.g. streets are owned by state, but leased unpaid to agency without restriction)
- Tension of true and fair view and pragmatic approach
- Discussion about value added of balance sheet (it is not envisaged, that assets are being sold, assets have a cultural value, state is not an enterprise)
- Standard setting and data gathering involve costs

## Conclusion

- Negative value for net asset shows that federal liabilities are significantly greater than federal assets.
- The significance of this item lies more in the changes over time than its value at this date.



Transparent information on assets and liabilities, that help to induce efforts to achieve sustainable public finances.

Future Financial Statements are conducted by the Court of Audit (Annual Report/BRA)

## Outline

- Opening Balance Sheet and deviations from IPSAS
- **Regulations on the Federal Report**

**Reporting entities**

- The Court of Audit (CoA) draws up the final Federal Financial Statements and submits them to the National Council



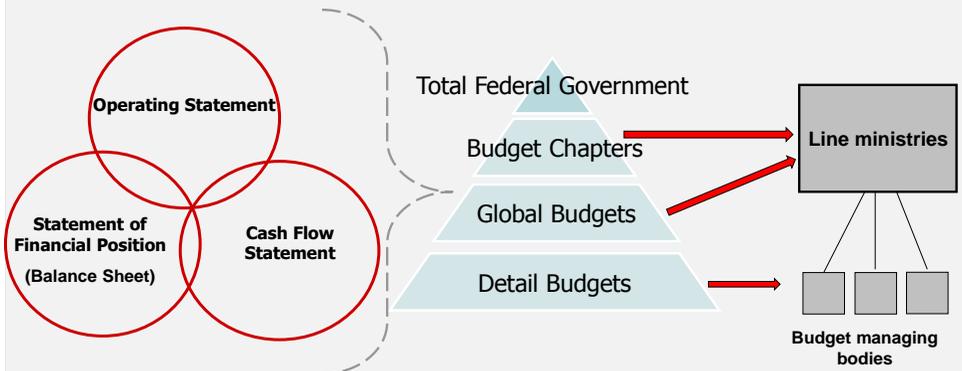
- The CoA schedules the date and the content of the financial statements in the Rechnungslegungsverordnung 2013 (Austrian Accounting Ordinance of 2013) in consultation with the Minister of Finance (MoF)

**Reporting entities**

- **Reporting of the federal government**
  - Separate reporting of the regions and municipalities
  - Financial statements of hived off entities are displayed in the notes
- **Reporting entities within the federal government**
  - The Court of Audit
  - Ministry of Finance
  - Line ministries

**Reporting entities**

- **The layout of the financial statements follows the budget structure**



**Accountability**

- The financial statements have to provide **a fair and true view of the financial position** of the entity
- The budget-managing bodies are responsible for the final reports within their remits (Detailbudgets)
- Line ministries are responsible for the final reports under their entire remits (Chapters)
  - Line ministries have to submit a Management Representation Letter to the CoA attesting the accuracy of the financial statements
- The MoF is responsible for the final report under its entire remits (Chapters) and for the consolidation of the financial statements on federal level
- The CoA has the final responsibility for the federal financial statement and has to present the report to the National Council

**Contents**



Contains a **text part** and a **set of figures**

**Contents - set of figures**

➤ **Comparative Calculations**

- *Comparison Budget Statements of the cash flow statement*
- *Comparison Budget Statements of the operating statement*
- *Notes*

} submitted by the CoA to the National Council by **April 30th**

➤ **Consolidated Statements**

- *Statement of Financial Position*
- *Operating Statement*
- *Cash-Flow Statement*
- *Notes*

} submitted by the CoA to the National Council by **September 30th**

## ***Contents - text-part***

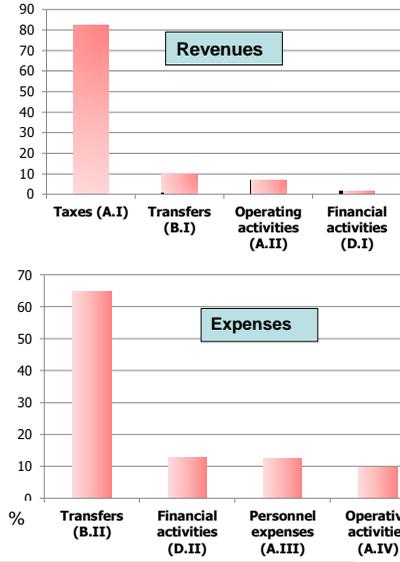
- **The CoA draws up the text-part**
  
- **The text-part consists of:**
  - Macroeconomic analysis
  - Presentation and explanation of figures
  - Report on audit of financial statements

## ***Consolidation policy***

- **Consolidation within federal government**
- **Financial statements have to be consolidated on all levels**
  - Federal level as a whole
  - Budget Chapters
  - Global Budgets
  - Detail Budgets
- **Transactions between budgeting managing bodies are eliminated**
- **No full consolidation as yet**
  - Next step - capital consolidation of affiliates
  - Consolidation of other public entities open for discussion

## Operating Statement

<b>Operating Statement</b>
<b>A Net result from operating activities</b>
A.I Revenues from taxes
A.II Revenues from operating activities
A.III Personnel expenses
A.IV Operating expenses
<b>B Net result from transfers</b>
B.I Revenues from transfers
B.II Expenses from transfers
<b>C Net result from operating activities and transfers</b>
<b>D Net result from financial activities</b>
D.I Expenses on financial activities
D.II Revenues from financial activities
<b>E Net balance</b>



## Cash Flow Statement

<b>Cash flow</b>
<b>A Cash flow based on operating activities</b>
A.I Receipts from taxes
A.II Receipts from operating activities
A.III Expenditures from operating activities
<b>B Cash flow based on transfers</b>
B.I Receipts from transfers
B.II Expenditures from transfers
<b>C Cash flow based on loans</b>
C.I Receipts from the repayment of loans
C.II Expenditures from the payment of loans
<b>D Cash flow based on investment operations</b>
D.I Receipts from investment operations
D.II Expenditures from investment operations
<b>E Net borrowing</b>
<b>F Cash flow from budget management without budgetary effect</b>
<b>G Liquidity requirement</b>

**Operating vs Cash Flow Statement****~ 2,8 Billion EUR difference in net result due to:**

- Different time to pass to account
- Revenues and expenses not affecting cash flow
  - Depreciations
  - Allocation and release of provisions
  - Revaluations
- Receipts and expenditures not affecting operating statement
  - Release of reserves in cash flow of operational administrative activity
  - Cash flow based on granting of loans
  - Cash flow based on investment operations

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**Statement of Financial Position 2013**

ASSETS	Opening balance	Closing balance	Change (%)
<b>A Non-current assets</b>	<b>76,102,292,902.39</b>	<b>73,667,242,448,91</b>	<b>-3,2</b>
A.I Intangible assets	368,174,458.38	451,945,755,24	22,8
A.II Property, plant and equipment	39,588,678,261.93	39,468,809,756,62	-0,3
A.III Securities and other investments	3,824,000,000.00	2,400,000,000,00	-37,2
A.IV Equity investments	25,189,128,452.17	24,544,151,270,31	-2,6
A.V Long-term receivables	7,132,311,729.91	6,802,335,666,74	-4,6
<b>B Current assets</b>	<b>13,406,897,790.94</b>	<b>16,515,043,722,39</b>	<b>23,2</b>
<b>B.I Short-term financial assets</b>	-	-	-
<b>B.II Short-term receivables</b>	8,499,559,821,12	11,653,937,204,16	37,1
<b>B.III Inventories</b>	698,836,278,74	701,065,234,18	0,3
<b>B.IV Cash and cash equivalents</b>	4,208,569,191.08	4,160,041,284,05	-1,2
<b>Total assets</b>	<b>89,509,258,193,33</b>	<b>90,182,286,171,30</b>	<b>0,8</b>
<b>NET ASSETS AND LIABILITIES</b>	<b>Opening balance</b>	<b>Closing balance</b>	<b>Change (%)</b>
<b>C Net assets (balancing item)</b>	<b>-134,166,930,708,10</b>	<b>-140,590,609,922,97</b>	<b>4,8</b>
<b>D Non-current liabilities</b>	<b>187,219,596,890,75</b>	<b>-188,050,659,932,13</b>	<b>0,4</b>
D.I Long-term financial liabilities, net	169,702,071,074.72	169,904,805,795,60	0,1
D.II Long-term payables	14,004,805,522.87	14,665,903,676,33	4,7
D.III Long-term provisions	3,512,720,293.16	3,479,950,460,20	-0,9
<b>E Current liabilities</b>	<b>36,456,592,010,68</b>	<b>42,722,236,162,14</b>	<b>17,2</b>
E.I Short-term financial liabilities, net	19,848,526,578.95	24,037,475,700,47	21,1
E.II Short-term payables	16,156,016,715,16	17,994,604,499,72	11,4
E.III Short-term provisions	452,048,716,57	690,155,961,95	52,7
<b>Total net assets and liabilities</b>	<b>89,509,258,193,33</b>	<b>90,182,286,171,30</b>	<b>0,8</b>

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**Notes**

**Comprehensive annex:**

Reserves
Equity Investments
Contingent liabilities
Financial liabilities
Property, plant and equipment
Leasing
Inventories
Receivables and payables
Provisions
Revenue from exchange transactions
Revenue from non-exchange transactions (taxes and transfers)
Events after the reporting period
Related Party disclosures
Human resources
Pension expenses
Allocations and appropriations pursuant to the criteria of ESA
Financial Statements of hived off entities

**Thank you for your attention!**