



REPUBLIC OF ESTONIA
MINISTRY OF FINANCE



Estonia's journey to efficient public sector accounting and consolidation process

Mirjam Suurekivi

Adviser

Entrepreneurship and Accounting Policy Department

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What we have done and work in progress

- 1) Estonian public sector accounting reform in 2002-2005 -**
implementation of IPSAS and IFRS based accounting and financial reporting
- 2) Shared Service Centre project in 2009-2017 –** centralization of accounting units into one service centre, transition to common IT-systems, transition from paper documents to electronic documents, interfaces with some core business IT-systems
- 3) Budgeting reform –** from cash-basis to accrual basis on 2017 and from economic items basis to program basis on 2020

How we did it?

1. Accounting guidelines
2. Reporting system
3. IT system(s)
4. Implementation in stages

Public sector accounting reform

The main stages of accounting reform

1. Preparation of guidelines and IT-systems 2003

2. First phase of reform in 2004

- opening balance sheet 31.12.2003
- business companies were not taken along

3. Second phase of reform in 2005

- revaluation of the non-financial fixed assets
- business companies were also consolidated line by line

Lots of questions-answers and training courses within two years. Help desk and improvement of guidelines

Training

- Instruction manuals and guidelines were especially important
- Every accounting unit has internal accounting rules in addition to the general public sector accounting and reporting standard
- Trainings were organized by the ministry of finance (SSSC)
- Training days, help desk, frequently asked questions and answers on the website
- Regular trainings at the beginning to all accountants
- Further trainings to beginning and advanced accountants
- Special trainings according to incorrect reports

Unified chart of accounts

Chart of accounts includes:

- account codes
 - trading partner codes
 - functional area codes
 - transaction type codes
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- Unified chart of accounts have a link with ESA 2010
 - Reports to the SSSR consolidation database consist of account combinations and their balances
 - Account combination is formed of account, trading partner, functional area and transaction type

Technical aspects

Shared Service Centre project

Consolidated financial reports IT-system Saldoandmik

- Reports formed automatically in the ERP-s used by public sector entities
- Inserted into the special IT-system of SSSC via internet (accounting balances according to the uniform chart of accounts)
- Consolidated reports formed automatically in the system (thanks to trading partner codes for all public sector entities which should be used to split balances of accounts, balances are compared in the system)
- Obligatory to all public sector entities
 - monthly: all units of General Government Sector (ESA 2010)
 - quarterly: all other public sector entities, including public sector enterprises

State Government decision from 29.12.2009



IT solutions

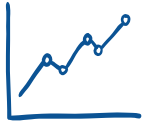
- Common financial, personnel and payroll information system to all state agencies
- E-invoicing and web-based reporting system to the relevant accounting areas
- Integration of state core activity information systems to financial management-, personnel and payroll information system



Centralization

- Centralisation of accounting-, personnel- and payroll services within administrative areas of ministries
- Implementation operational models, which regulate the division of functions between government institutions and service provider

State Shared Service Centre services



Financial accounting

- 170 institutions
- State General Accounting



HR services

- HR data management for 169 institutions
- Central Training Unit



Development of IT systems

- Common ERP
- State Employee Self service Portal
- Central e-invoice environment
- Reporting system



Administration of state claims

- Claims from court decision
- Alimony subsidy
- Loans for students
- Loans for land privatization



Public procurement

- Procurement services for 36 institutions
- Joint procurement

Consolidated financial reporting service of SSSC

- Checking and verifying financial reports of public sector entities in the Saldoandmik IT-system
- Comparison of intra-group balances
- Consolidation entries
- Monthly consolidated reports: budget fulfillment report of the state, surplus/deficit report and fiscal indicators of the government sector and its sub-sectors
- Annual financial statements of the state, government sector (ESA 2010) and public sector
- Public sector financial accounting and reporting guidelines
- Advising of public sector entities

Consolidation and reconciliation techniques

- Consolidation criteria the same as in the private sector (IFRS, IPSAS)
- Full consolidation, no big difficulties, some questions-answers and additional consolidation reporting units with consolidation entries
- All intra-group transfers are eliminated using trading partner codes, intra-group balances are left out in consolidated reports
- All general government entities who have control over other entity are obliged to draw up consolidated financial reports
- All consolidated reports of the government sector entities in the consolidated reports IT-system of SSSC
- All public sector entities consolidated financial reports consistent with Directive 2013/34/EU (according to Accounting Law)

Financial reporting and consolidating system

Covers all levels of the public sector (appr. 1100 accounting units in total at present):

- Central government institutions (200+ units)
- Local governments (200+ units)
- Social security funds (2)
- Not-for-profit public sector organisations; public sector enterprises (500+ units)

Reports of entities checked by State Shared Service Centre

Once a year reports of reporting units are compared with their audited annual financial statements

Annual report of the State

The annual report of the state include (starting from 2005):

- the statement of activities (incl fulfilling the development plans)
- financial statements of the state (consolidated)
- information about the financial statements of the local governments (consolidated)
- information about the financial statements of the whole government sector and the public sector (consolidated)
- every set of financial statements include 4 main reports (statement of financial position, statement of financial performance, statement of cash flows, statement of movements in net assets) + detailed disclosures
- the financial statements of the state include statement of comparison of budget and actual amounts

Timeline and controls of the consolidation process

- All public sector entities have to input their financial reports into the MOF reports IT-system during **25 days** after the end of month or quarter
- Whole of Government consolidated balance sheet and income statement available by the end of next month
- Annual Whole of Public Sector financial statements prepared by **31 May**
- Presented to the Parliament by **30 August**

Controls:

- Data quality control done by the public sector entities and SSSC
- Internal audit for state agencies and local governments
- Independent private sector audit for local governments and enterprises of public sector
- State audit is done by National Audit Office

Main benefits achieved

- Increased transparency – better understanding of what the nation owns, what are its obligations and how it manages its resources
- Helps to make long-term fiscal decisions
- Has contributed to better financial discipline in the whole public sector
- Basis for wider management reforms (cost effectiveness, results-based management)
- Used as a basis for Eurostat calculations – enables to assess compliance with Maastricht criteria in a short time period
- High reputation in the eyes of international organizations



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Thank you!

Mirjam Suurekivi

Mirjam.suurekivi@fin.ee