



SPANISH FINANCIAL REPORTING

12th ANNUAL OECD SECTOR ACCRUALS SYMPOSIUM

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Different levels in the central administration

PUBLIC ADMINISTRATION SECTOR

Central Government (Ministries),
Autonomous Bodies, Social Security



**General Budgetary Law +
General Public Sector
Accounting Plan**

GOVERNMENT OWNED COMPANIES + OTHER PUBLIC CORPORATIONS



**General Accounting Plan for
the Private Sector +
Commercial Legislation**

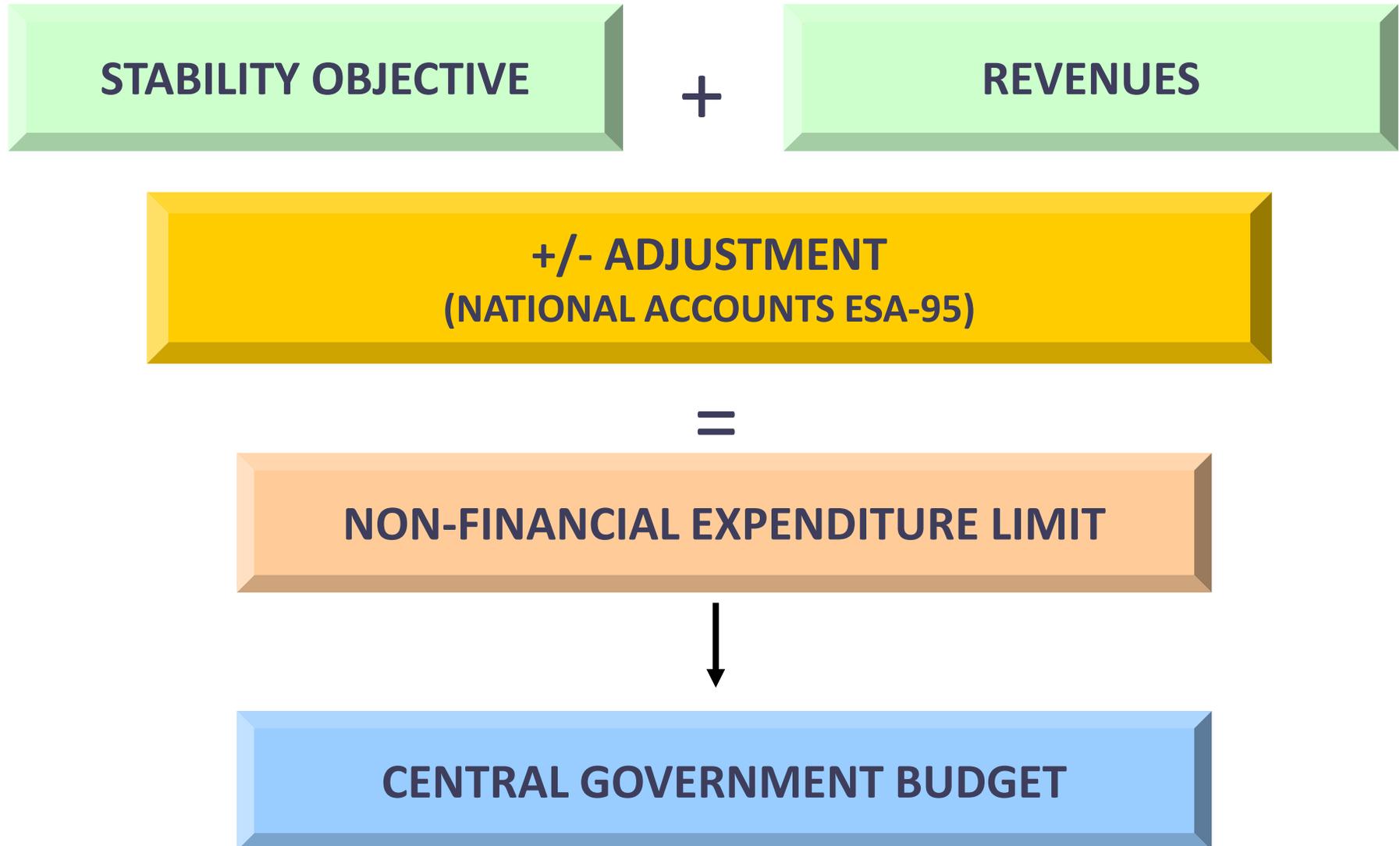
PUBLIC NON-PROFIT ORGANIZATIONS



**General Accounting Plan for
non-profit entities**

First Step: Fixing of the non-financial expenditure limit

From accruals to cash basis



Accruals vs. Cash basis

- The Stability and Growth Pact obliges Member States to comply with budgetary discipline by respecting two criteria: **deficit < 3% GDP & public debt < 60% GDP**
- These reference values are based on concepts defined in ESA-95
- To convert the stability objectives into cash basis concepts, 3 adjustments have to be done:
 - ✓ **Classification of units** → Government Sector
 - ✓ **Timing of transactions** → When the activity takes place vs. when the cash is paid
 - ✓ **Nature of transactions** → Non-financial transactions affect deficit, whereas financial transactions do not (acquisitions of financial assets, repayment of debts)

Once the Budget is approved, the application of the Spanish Public Sector accounting principles starts

- The Central Government Budget is the first journal entry of the year
- The General Public Sector Accounting Plan (2010) adapts the international guidance elaborated by the International Federation of Accountants through the International Public Sector Accounting Standards Board (IPSASB).
- Both criteria, accruals and cash basis, are used. Therefore, the following concepts can be defined:

“Revenue” & “Budgetary revenue”

“Expenditure” & “Budgetary expenditure”

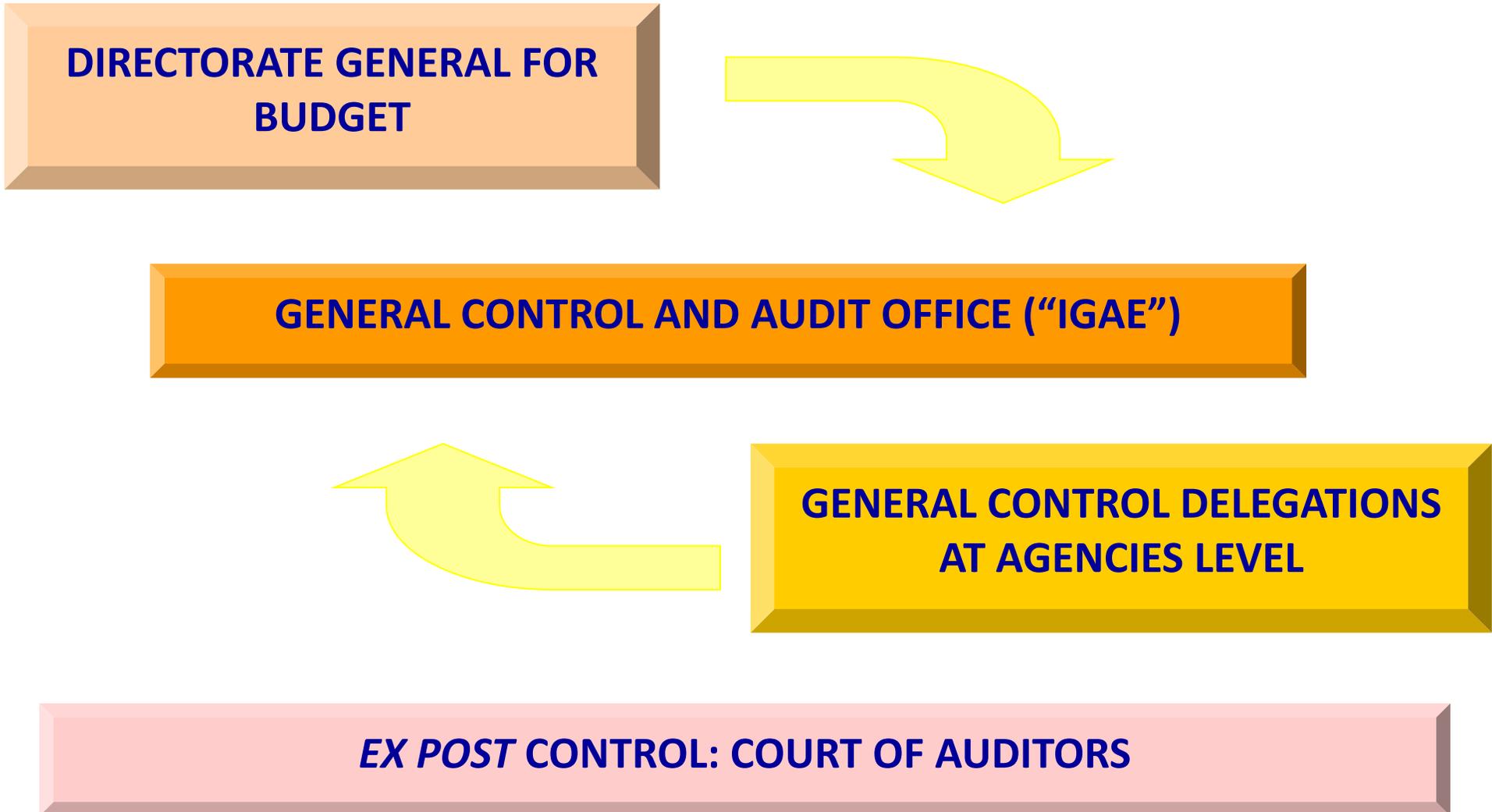
Aims of public sector accounting

- Accounting in the public sector must comply with some objectives of management, control, analysis and information:
 - To show budgetary performance, highlighting budgetary results and providing information for monitoring objectives in the Central Government Budget
 - To provide yearly information about the execution of control functions in legality, finance, economy, effectiveness and efficiency
 - To provide economic and financial information that is useful for decision-making
 - Etc.

Formulation of annual accounts: the financial statements

Balance Sheet	Assets, liabilities and equity of the entity
Statement of Financial Performance	Results for the year (+/- savings)
Statement of Changes in Equity	Variations in equity
Cash Flow Statement	Sources and application of movements in the monetary asset items representing cash and equivalent liquid assets
Budget Settlement Statement	Entities' expenditure and income budgets
Notes to the Accounts	Complementary information to the financial statements

Roles and responsibilities



New challenges I

- Spain, as a decentralized country, depends on the Autonomous Communities and the Regions to aggregate all the Spanish data (*more than 50% expenditure come from these entities*)
- The Ministry of Finance has developed guidelines to adapt their rules about both Public Accountancy and how to apply ESA-95 principles. However, the information delivery is being substantially delayed
- The financial control and audit functions are not as well developed as in the Central Government

The Spanish draft of the new Organic Law on Stability and Sustainability strengthens the regulation about coordination among administrations, and introduces preventive and corrective mechanisms.

New challenges II

- Regarding the November 8th 2011 Council Directive on requirements for budgetary frameworks of the Member States: “By 31 December 2012, the Commission shall assess the suitability of the International Public Sector Accounting Standards for the Member States”

The European trend seems to move towards harmonizing financial and accountancy criteria among Member States.