Country-level practical implementation experiences

Presented by

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Public Sector Accounting System Reform in Lithuania: experience, lessons and challenges

UNCTAD
Workshop on practical implementation of IPSAS

Ingrida Muckutė,
Ministry of Finance of the Republic of Lithuania

Geneva, 3 November 2015
Agenda

- Scope of the Reform
- Proceedings of the Reform
- Transition rules
- Financial statements
- Challenges still to face
- Benefits of the Reform
Scope of the Reform

• MoF chose BIG BANG approach – transition to accrual in all levels from 1 January 2010:
  ✓ Budgetary institutions (government and municipality levels)
  ✓ Social funds (2)
  ✓ State treasury fund
  ✓ State monetary funds (4)
  ✓ Municipalities (60)
  ✓ Public institutions (hospitals, universities)

• More then 4500 entities participated in the reform
• Separate financial statements for every public sector entity.
• Consolidated financial statements for every group, state, municipality, country as a whole.
Proceedings of the Reform (1)

I stage: Preparation (2005-2008)
- Concept paper
- Law
- Standards
- Transition rules
- Manuals
- Trainings

II stage: Implementation (2009-2013)
- Standardised IT systems;
- Consolidation IT system;
- Help Desk;
- State Consolidated FS for 2010;
- National FS for 2012

LPSAS are prepared in accordance to IPSAS and other materials prepared by IPSAS Board (Recommended Practice Guidelines)
Proceeding of the Reform

Consolidation is the final step of Accounting Reform

- Preparation of National public sector Accounting and Financial Reporting Standards, Unified Chart of Accounts and Accounting Manuals
- Preparation of public sector Consolidation Manual
- IS analysis and preparation of public sector IS Feasibility Study
- Review and amendment of the current legislation
- Public sector accountants’ trainings
- Implementation of National public sector Accounting Standards; Adaptation of IS
- Implementation of Consolidation IS

Beginning of PSAFRS implementation

2006 01 01
2007 01 01
2008 01 01
2009 01 01
2010 01 01
2012 01 01
2014 01 01
Transitional rules: 2009

1. Bridge the old chart of accounts with the new one

2. Register the amounts of assets, liabilities and funds in the New chart of accounts

3. Valuation and adjustments in accordance to NPSAS

4. Opening balances
## State Balance Sheet (€ billion): 2010 vs. 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibles</td>
<td>0.10</td>
<td>0.06</td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>28.60</td>
<td>16.86</td>
</tr>
<tr>
<td>Incl. Land</td>
<td>24.61</td>
<td>13.64</td>
</tr>
<tr>
<td>Long-term Financial Assets</td>
<td>10.98</td>
<td>8.61</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>0.55</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM ASSETS</strong></td>
<td>40.23</td>
<td>25.53</td>
</tr>
<tr>
<td>Biological Assets</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Inventories and Prepayments</td>
<td>0.39</td>
<td>0.34</td>
</tr>
<tr>
<td>Accounts receivables</td>
<td>2.04</td>
<td>1.27</td>
</tr>
<tr>
<td>Cash and Short-term investments</td>
<td>2.48</td>
<td>1.75</td>
</tr>
<tr>
<td><strong>TOTAL SHORT-TERM ASSETS</strong></td>
<td>4.91</td>
<td>3.36</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>45.14</td>
<td>28.89</td>
</tr>
</tbody>
</table>
State Balance Sheet (€ billion): 2010 vs. 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>FUNDS</td>
<td>3,59</td>
<td>1,75</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>12,48</td>
<td>9,46</td>
</tr>
<tr>
<td>Short-term Liabilities</td>
<td>3,88</td>
<td>2,03</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>16,36</td>
<td>11,49</td>
</tr>
<tr>
<td>Reserves</td>
<td>18,72</td>
<td>11,61</td>
</tr>
<tr>
<td>Result from Equity Method</td>
<td>0,22</td>
<td>1,07</td>
</tr>
<tr>
<td>Net Surplus or Deficit</td>
<td>6,25</td>
<td>2,97</td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>25,19</td>
<td>15,65</td>
</tr>
<tr>
<td><strong>TOTAL FUNDS, LIABILITIES AND NET ASSETS</strong></td>
<td>45,14</td>
<td>28,89</td>
</tr>
</tbody>
</table>
# Statement of Financial Performance

<table>
<thead>
<tr>
<th>Revenue From Main Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from funding</td>
</tr>
<tr>
<td>Tax revenue</td>
</tr>
<tr>
<td>Other revenue from main activities</td>
</tr>
</tbody>
</table>

## Expenses From Main Activities

## Surplus or deficit from Main Functions

<table>
<thead>
<tr>
<th>Result from other activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result from financial activities</td>
</tr>
<tr>
<td>Change of accounting policies and Impact of Material Errors Correction</td>
</tr>
</tbody>
</table>

## Surplus or deficit from before Result from Equity Method

| Result from Equity method            |

## Net Surplus or Deficit

| 9 |
Challenges still to face

- Optimization of accounting and financial reporting function
- Establishment of competence centers
- Encouraging the use of financial statements amongst management of public sector entities
- Analysis of financial statements information
- Interrelation to budgeting and statistical reporting
- Use of financial information in decision making
- Long term fiscal sustainability planning
Benefits of the Reform

- Transparency of information
- Improved control through financial data and its reconciliation
- Ability to evaluate short term and long term assets and liabilities on both – institutional and national levels
- Improved competence of the public sector accountants
QUESTIONS?