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Implementation of IPSAS

Experiences from Austria

15th of September 2015, Malta

Agenda

- Preconditions
- OBS Project management
- Challenges faced
- Lessons learned

Preconditions

- Data availability & Data quality
 - Assets (Land, Buildings), Companies, Inventories
 - Consistent, Complete, Computable
- Organizational Preconditions
 - Recognition and Measurement Methodology
 - Training programs, skilled staff

= Determine Implementation (Transition)

Period and OBS quality

OBS project management

- Central, small, fulltime project team
 - AT: 3-5 FTEs, directly responsible to budget director
 - Key account to all line ministries and implementation stakeholders (CoA, Parliament, political level)
- Tasks of the OBS unit
 - Quality Management (Data and Methodology)
 - Guidelines and Practical Information

List of IPSAS Standards and their application in Austria

Number	Name
IPSAS 1	Presentation of Financial Statements
IPSAS 2	Cash Flow - Statements
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4	The Effects of Changes in Foreign Exchange Rates
IPSAS 5	Borrowing Costs
IPSAS 6	Consolidated Financial Statements and Accounting for Controlled Entities
IPSAS 7	Accounting for Investments in Associates
IPSAS 8	Financial reporting of Interests in Joint Ventures
IPSAS 9	Revenue from Exchange Transactions
IPSAS 10	Financial Reporting in Hyperinflationary Economies
IPSAS 11	Construction Contracts
IPSAS 12	Inventories
IPSAS 13	Leases
IPSAS 14	Events after the Reporting Date
IPSAS 15	Financial Instruments: Disclosure and Presentation
IPSAS 16	Investment Property
IPSAS 17	Property, Plant and Equipment
IPSAS 18	Segment Reporting
IPSAS 19	Provisions, Contingent Liabilities, Contingent Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-cash-generating Assets
IPSAS 22	Disclosure of Financial Information About the General Government Sector
IPSAS 23	Revenue from non-exchange transactions (Taxes and Transfers)
IPSAS 24	Presentation of Budget Information in Financial Statements
IPSAS 25	Employee Benefits
IPSAS 26	Impairment of Cash-Generating Assets
IPSAS 27	Agriculture
IPSAS 28	Financial Instruments: Presentation
IPSAS 29	Financial Instruments: Recognition and Measurement
IPSAS 30	Financial Instruments: Disclosure
IPSAS 31	Intangible Assets
IPSAS 32	Service Concession Arrangements: Grantor

Challenges faced

- **Recognition and Valuation of:**
 - >9.3 bn sqm Land (in Austria and abroad)
 - Mainly forests and rocks/waste land, gardens
 - Roads, railways, port facilities
 - > 6.400 buildings (solid constructions, garages, warehouses, sheds, stables, etc.)
 - Cultural heritage assets (historical buildings)
 - Provisions (Guarantees, Law Cases, etc.)
- **Consolidation and Pension Obligations**

Valuation of Land

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

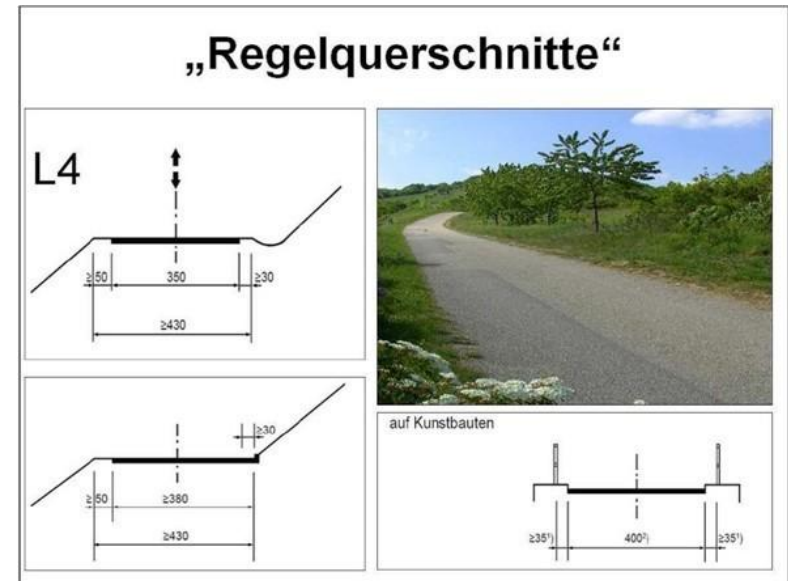


Simplified method (“Land raster method”)

- 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)

Valuation of Roads

- 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).

Valuation of (historical) buildings

- Asset value **3.250.568.311,67 Euro**
- Historical acquisition and production costs
- If not available – 3 options for OBS
 - Overall refurbishment costs
 - Average construction costs of comparable buildings
 - Expert opinion if available
- Straight-line depreciation
- **Measurement of Historical buildings:** no historical cost 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.

Historical Buildings

- Reported as heritage assets



Burgtheater
98,10 Mio. EUR



Schönbrunn Palace
285,7 Mio. EUR



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



Vienna State Opera
102,8 Mio. EUR

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

Consolidation

- More than 180 entities controlled by federal government
- Some use IFRS, many use National Commercial Code, some use different accounting systems
- Limited implementation period and time – therefore at equity valuation

Pension Obligations

- No recognition in balance sheet due to limited time frame and resources at hand
- 22 Pension Agencies, several legislations, 7 different types of contributions
- Annex: 30 year forecast of Pension obligations

Lessons learnt

- Develop precise and undisputed methods for recognition and valuation
- Take stakeholders on board (CoA, parliament, Line Ministries, political level)
- Use thresholds and simplified methods (Materiality!)
- Clear timetable (no evergreen activity)
- Create Ownership

Thank you for your Attention!

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More information on the Austrian Opening Balance
sheet:

<https://english.bmf.gv.at/budget-economic-policy/opening-statement-of-financial-position.html>