Public sector accounting system in Estonia

In December of 2003, the Minister of Finance approved the General Rules for Public Sector Accounting which came into force on 1st of January 2004. A major change was that the public sector accounting rules were brought in line with the basic accounting principles of the IPSAS (International Public Sector Accounting Standards). In addition, the requirements for a compilation of consolidated statements were laid down as well as the adoption of common accounting principles and rules for submitting statements to the State Shared Service Center (SSSC) based on the common chart of accounts.

In 2005, for the first time, the consolidated annual report of the state for the year 2004 was compiled using internationally acknowledged accounting principles similar to those applied in the private sector. Since 2005 subsidiaries have been included in the consolidated financial statements of the state which means that the entire public sector is covered in the consolidated financial statements of the state. The consolidated financial statement of the state contains the following groups since 2005:

1. consolidated and unconsolidated financial statements of the state;
2. consolidated and unconsolidated financial statements of the local governments together;
3. consolidated financial statements of the government sector and public sector together.

Public sector accounting is regulated by the Accounting Act, the General Rules for Public Sector Accounting, the Guidelines of the Estonian Accounting Standards Board (Estonian GAAP) and internal accounting principles and procedures of a reporting entity. All public sector entities (incl government sector entities) apply the same accounting standards, although non-profit oriented entities apply IPSAS and profit oriented entities apply IFRS.

Collection and dissemination of data

According to the General Rules for Public Sector Accounting all public sector accounting entities insert their financial reports to the special web-based database of the SSSC. The reports are based on the common chart of accounts and are inserted to the database in form of a special unified report. This special unified report consists of balance sheet accounts, revenue, and expenses accounts as well as off-balance sheet information. The latter is presented once a year after the end of the financial year.

All general government sector accounting entities insert their reports into the database of the SSSC monthly. Enterprises controlled by the government entities insert their reports quarterly. Deadline is the end of next month from the end of the reporting period. Starting from 2014, the deadline will be the 25th day from the end of the reporting period. Statistics Estonia decides which entities are enrolled into the government sector and publishes relevant information regularly on its webpage. The reports from the database of the SSSC are available to public (all separate financial reports of the reporting entities as well as consolidated reports of different groups and sectors).

The consolidated trial balance is a special unified report in which the balances of account combinations reflecting mutual balances of assets, liabilities, net assets, revenues, and expenses of entities belonging to the same consolidation group are eliminated. Account combinations include trade partner codes which are used for elimination purposes – every reporting entity has a unique code identifying its consolidation group and subsector characteristic. Besides trade partner codes, the account combination also consists of functional area codes based on the COFOG, source codes for grants, and cash-flow codes for cash-flow statements.
All reporting entities have the right to view applicable codes of the chart of accounts, make amendments in their reports within a permitted period, and to compile reports and inquiries.

Consolidating entities have an additional right to review the data of consolidated entities, as well as compiling reports and inquiries on them in the SSSC database. Consolidating entities have the right (and the liability) to compile consolidated reports which in the SSSC database are compiled automatically.

**Government sector reporting entities**

The government sector consists of central government entities, local government entities, social security funds and other government sector entities under the direct dominant influence of these three subsectors (mainly foundations, non-profit organisations and few enterprises according to the decision of Estonian Statistical Office). Data for state government subsector is not presented as Estonia is lacking the state government level as defined in EAS 95.

Subsectors of the government sector consist of the following entities:

1) **Central government subsector** – ministries and Government Office with their agencies; constitutional institutions; other legal persons in public law (for example public universities, Estonian Defence League, The Cultural Endowment of Estonia, Estonian Broadcasting, National Opera Estonia, National Library etc.), and government sector entities under the direct dominant influence of abovementioned units (foundations, State Real Estate Ltd Group, Welfare Services Ltd Group). Estonian Health Insurance Fund and Estonian Unemployment Insurance Fund are not included in central government subsector.

2) **Local government subsector** – all local government entities with other government sector entities under their direct dominant influence (foundations, non-profit organisations, and a few enterprises).

3) **Social security subsector** - Estonian Health Insurance Fund and Estonian Unemployment Insurance Fund.

**Publication of data in accordance with the Council Directive 2011/85**

All above mentioned government sector reporting entities are bound to present their special unified reports to the web-based database of the SSSC by the 25th day of each month/quarter about the previous month/quarter. State accounting department of the SSSC will thereafter check if all the entities have inserted their reports and if these meet the requirements of the public sector accounting principles, including mutual balances between the trade partners, the accurateness of primary balances, the inspection of cash-flow codes and other relevant procedures. On the last day of the month the SSSC compiles a fiscal report on the government sector and subsectors revenues and expenses for the previous month/quarter.

Primary report on fiscal data will be published on a single dedicated webpage of the SSSC [http://www.rtk.ee/fiscal-indicators-CD2011-85](http://www.rtk.ee/fiscal-indicators-CD2011-85) on the last day of each month. If estimations have been used instead of direct data in some cases, the note will be added to the table.

Reports will be renewed after the completion of the annual accounting report of the state (in july/august for the previous year). The date of renewal is published in the report.