


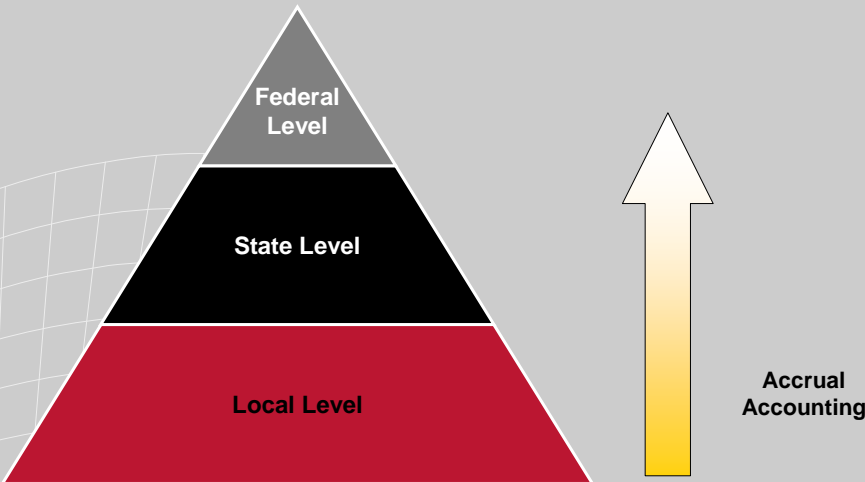

Joint FEE and CNDCEC Public Sector Seminar  
„Challenges of Accrual Accounting in the Public Sector“,  
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**Accounting and Auditing Practices  
in the Public Sector in Germany**

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**Overview of Governmental Accounting  
in Germany**



**Federal Level**

**State Level**

**Local Level**

**Accrual Accounting**

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Bundesland	Accounting/Budgeting System	Opening Balance Sheet per
Baden-Württemberg	solely accrual	01.01.2016
Bayern	choice between old cameral system and accrual	no fixed date
Brandenburg	only accrual	01.01.2011
Hessen	choice between extended cameralistic and accrual	01.01.2009
Mecklenburg-Vorpommern	solely accrual	01.01.2012
Niedersachsen	solely accrual	01.01.2012
Nordrhein-Westfalen	solely accrual	01.01.2009
Rheinland-Pfalz	solely accrual	01.01.2009
Saarland	solely accrual	01.01.2009
Sachsen	solely accrual	01.01.2013
Sachsen-Anhalt	solely accrual	01.01.2011
Schleswig-Holstein	choice between old cameral system and accrual	no fixed date
Thüringen	choice between old cameral system and accrual	no fixed date



### Overview of Governmental Accounting in Germany (2) – Local Level

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Reform of the Budget Principles Law - Federal and State Level
<ul style="list-style-type: none"> <li>◆ July 2009: Federal Government published a law to modernize the 'budget principles law' ('Haushaltsgrundsätze-gesetz')</li> <li>◆ objectives of the new law:                             <ul style="list-style-type: none"> <li>● harmonization of governmental accounting on the national and state level</li> <li>● to acknowledge accrual accounting as adequate system for budgeting and financial reporting for the states ('Bundesländer') and the Federal Government</li> </ul> </li> <li>◆ consequences:                             <ul style="list-style-type: none"> <li>● possibility to implement accrual accounting without having the burden to operate a cash-based accounting system at the same time</li> <li>● implementation of accrual accounting is becoming more attractive</li> </ul> </li> <li>◆ law came into force by January 1, 2010</li> <li>◆ a new <b>Board for the Standardization of Governmental Accounting</b> is in charge for standard-setting in budgeting and financial reporting for the states and the Federal government in Germany                             <ul style="list-style-type: none"> <li>● board should guarantee a minimum level of comparability in governmental accounting</li> <li>● to pronounce '<b>Principles for Governmental Accrual Accounting</b>'</li> </ul> </li> </ul>



### Reform of the Budget Principles Law - Federal and State Level

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### Practical Problems Faced in Implementing Accrual Accounting



- ◆ data for the recognition and valuation of assets and liabilities often missing
- ◆ procedural and organizational structures are determined by the cameral structures
- ◆ political support for the reforms of major importance
- ◆ important role of IT
- ◆ lack of accrual accounting know-how



use of private sector auditors' experience

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### Major Challenges in Accounting and Auditing



- ◆ different approaches for governmental accounting
  - introduction date
  - different sets of accounting rules
    - lack of comparability (e.g. pension costs)
    - group accounts
  - missing harmonization between federal/state and local level
- ◆ different audit institutions on each level with different auditing objectives/ approaches as well as background of auditors
- ◆ involvement of private sector auditors possible, but not required (→ application of *IDW Auditing Standards*)

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