

Practical Experiences in Accounting and Auditing Practices in Denmark

Head of Division Erik Hammer, Member of FEE/PSC

Levels of Government

Central Government	Ministries/Ministerial departments	19
	Departmental Agencies	70
	Other Agencies	76
Local Government	A reform was introduced from 2007 reducing the number from 275 to 98	
Regional Government (Hospitals)	A reform from 2007 changed the number from 14 to 5 and the focus is primarily on hospitals and some regional development	
Universities and secondary public schools	Since 1989 Secondary public schools have been transferred from government agencies to public financed non-profit organisations (approx 430). Universities (12) were transferred 2005.	

Reform of Accounting and Budgeting

	Central Government	Local Government	Regional (Hospitals)	Universities and Secondary Schools
Financing	Taxation and user fees	Taxation , Grants and user fees	Grants	Grants and subsidies (and fees)
Accrual Accounting	2003-2005	2004	2004	1989 *
Accrual Budgetting	2005-2007	%	%	1989 *
Audit	Auditor General	Private audit firm	Private audit firm	Private firm (on behalf of Auditor General)

Accounting Principles

- Central Government Accounting Principles were developed prior to 2003 and have been evaluated during the implementation
- The basis is mostly National GAAP
- Focus on:
 - Cost of Service Provision (Operating Budget)
 - Standardizes Principles and Practices (cross agencies)
 - Generally Historic Cost and not Fair Value
- Heritage Assets, Infrastructure and non-exchange expenditure and revenues not included in reform and still appropriated and accounted for on a modified cash basis

Practical problems during implementation

- A series of process-guidelines were developed to help Agencies with identification, measuring and valuing assets and liabilities
- IT-systems had to be reconfigured. Guidelines to help Agencies were developed
- Education – Process implementation, Accountants, Managers, Top management
- Change in Economic Management takes time
 - Some Agencies have still not made changes to internal procedures, and don't see many advantages from the reform

Impact of the reform

A survey among Agencies show:

- 83 % have made new investments based on the identification and valuation of assets
- 60 % have sold assets they don't use any more
- 56 % have changed their maintenance plans
- 32 % uses Business Cases more actively
- 32 % have used the higher transparency to cut costs
- 65 % take budgeting for future years more seriously

Expected change and development

- Central Government Accounting Principles are undergoing evaluation (including examination of differences towards IPSAS and other international standards)
- Special Areas of change:
 - **Heritage Assets:** Accounting Principles have been evaluated and confirmed
 - **Infrastructure Assets:** Work on standardized Accounting Principles are undergoing. However no change in Appropriation Principles (Budget) are expected.
 - **Civil Servant Pensions:** Work on Accounting Principle for Central Government Accounts are undergoing, but no inclusion in Annual Reports for Agencies are expected.