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Public Sector Accounting and Auditing in Austria

Iris Rauskala and Iris Saliterer

2.1 Introduction

Austria is a federal republic that consists of nine states (Länder) and 2,354 (in 2013) local governments, which are organized upon the principle of local self-administration. The combination of a federal principle and the principle of local self-administration accounts for the organizational complexity of Austrian public administration. Legislation is divided between central and federal governments, while executive functions are split even further between all three levels of government. The strong legalistic tradition and the federal principle also impact the development and implementation of budgeting and accounting reforms at all levels. Mutual legislative participation of federal and state governments makes far-reaching reforms in general a very complex and prolonged process (Meyer and Hammerschmid, 2005).

2.2 Public sector accounting standards in Austria

2.2.1 Framework of public sector accounting

According to the legal traditions of the Austrian state, governmental budgeting and accounting standards are laid down in laws, regulations and directives. Therefore, in most cases budgeting and accounting reforms make legal amendments necessary.

In the years 2007–2013 the central government implemented a comprehensive budgeting and accounting reform (see Section 2.3). The reform involved amendments of the constitution on the one hand, where the core pillars and main principles (outcome/performance orientation with explicit integration of gender equality, efficiency, transparency, true and fair view) of the reform were laid down; and, on the other hand, comprehensive revisions of Federal Budget Law (Bundeshaushaltsgesetz, BHG) through the introduction of two detailed reform bills, which were unanimously approved by Parliament in 2007 and 2009. Based on the BHG, a number of regulations were issued by the Ministry of Finance (MoF) with the consent of the
Court of Audit (CoA) (e.g. Federal Budget Regulations, Chart of Accounts Regulations, Opening Balance Regulations), or by the CoA itself where it had responsibility (e.g. Accounting Regulations). Some of these regulations were further operationalized through directives, which included detailed explanations regarding the origin and implementation of different accounting standards.

As the nine federal states are autonomous in regulating their own and their local governments' budgeting and accounting systems a high diversity of budgeting and accounting approaches can be observed. The legal budgeting and accounting frameworks for the three layers of government can therefore be regarded as highly complex. Apart from primarily reporting-oriented harmonization elements laid down in the Voranschlags und Rechnungsabschlussverordnung (VRV, see Sections 2.2.2 and 2.2.4), up until then no general accounting plan or conceptual framework for public sector entities at all levels had existed.

The VRV includes the charts of (economic) accounts (which are very similar at central, state and local government levels) and a detailed functional chart for regional and local governments to ensure the comparability of their reports. In the course of the reform at central level, the chart of accounts only needed minor adaptations as it included most of the accounts necessary for accrual accounting elements since the 1980s. At central level this was laid down in the Chart of Accounts Regulation (and not in the VRV) and served as a basis for the different financial statements. Here, a revised internal accounting manual is in the preparation stage. For all levels there is a direct link between each account and its respective position in the required financial statements.

2.2.2 Financial statements, consolidation, measurement and recognition standards

Even though no general accounting plan exists, some crucial harmonization elements have been established in a Voranschlags und Rechnungsabschlussverordnung (VRV), issued by the Ministry of Finance (MoF) together with the Court of Audit (CoA), the last amended regulation being the VRV 1997. The power of the central level to issue this regulation (VRV) is laid down in the constitution (§ 16 (1) Finanz-Verfassungsgesetz). The consensus that the central level has the power to issue a regulation which defines the compulsory structure of the budget and the financial statement for harmonization purposes (VRV) was reached in 1949. Nevertheless, amendments to the VRV have always relied on a broad consensus, as a gentlemen’s agreement was reached in the 1970s, which made the unanimous approval of all members of the VRV Committee (VRV Komitee) necessary. This committee consists of representatives from central, regional and local government levels, as well as the Austrian Court of Audit. Local governments are represented by the Associations of Towns and Municipalities.