

EDP Consolidated Inventory of sources and methods

Czech Republic

September 2007

1. Delimitation of General Government

The general government sector is split into three sub-sectors, i.e. S.1311, S.1313 and S.1314. The sub-sectors include only institutional units, which are treated as non-market producers in compliance with ESA95. Some of them are principally engaged in the redistribution of national income and wealth; some of them are classified into S.1311 and S.1313 on 50% criterion (i.e. semi-budgetary organizations or public universities).

The general government sector includes:

Central government subsector (S.1311):

- Budgetary organizations (CBO) –ministries, central offices and organizations established and managed by ministries or other central authorities,
- State Funds (SF):- agricultural intervention fund, cultural, cinematography, environmental, housing and transport infrastructure
- Other extra-budgetary funds: National Property Fund (by the year 2005) and Land Fund (NPF; LF), Support and Guarantee Agricultural and Forestry Fund (SGAFF), Vine-grower Fund (VGF),
- Semi-budgetary organizations (CSBO)
- Railway Infrastructure Administration (RIA), transformation institutions, i.e. Czech Consolidation Agency (CKA) and its subsidiaries and Czech Collection Company (CCC) and Public-Private-Partnership Centrum (PPPC),
- Public Universities (PU),
- Public Research Institutions (since 1 January 2007; they have been transformed from semi-budgetary organizations into non-profit institutions);

Local government subsector (S.1313):

- Local budgetary organizations, i.e. Regional Offices, Town Council, Regional Councils of Region, Municipalities and Voluntary Association of Municipalities
- Local semi-budgetary organizations

Social security funds subsector (S.1314):

- Health insurance companies
- Association of Health insurance companies (since 2004)
- Centre of Interstate Settlements (since 2004)

2. Central Government data

This section describes the availability and use of main data sources for the Central Government sub-sector (S.1311) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

2.1 Availability and use of data sources

Data sources have been available and used for:

“The State”

- A) Budgetary organizations (CBO)*
- B) State Funds (SF)*

“Other central entities”




- C) Semi-budgetary organizations (CSBO)
- D) National Property Fund (by the year 2005) and Land Fund (NPF;LF)
- E) Support and Guarantee Agricultural and Forestry Fund (SGAFF), Vine-grower Fund (VGF), Railway Infrastructure Administration (RIA), and transformation institutions, i.e. Czech Consolidation Agency (CKA) and its subsidiaries and Czech Collection Company (CCC) and Public-Private-Partnership Centrum (PPPC)
- F) Public Universities (PU)
- G) Public Research Institutions (PRI)- since 2007

2.1.1 Data sources for Central Government main unit: “The State”

1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 1 – Source Data Accounting ¹

A) Central budgetary organizations (CBO)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
C	(1) Current revenue and expenditure	NA/NU	A/NU	A/NU	A/NU
C	(2) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
C	(5) Current revenue and expenditure	A/U	A/U	A/U	A/U
C	(6) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(7) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	 Financial Statements				
A	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	 Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Detailed information on e.g. foreign claims of the government, state guarantees, accrual interest, swaps interest	A/U	A/U	A/U	A/U




¹ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

	or military equipment				
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*) The budgetary organizations compile financial statements: the Revenue and Expenditure statement for main activities FIN 2-04 U, and the Profit and loss statement for their secondary activities..

Table 1 – Source Data Accounting ²

B) State extra-budgetary funds (SEF)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
M	 Budget Reporting				
	Summary				
C	(1) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(2) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
A	(4) Balance sheets	NA/NU	A/U	A/U	A/U
	Detailed				
C	(5) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(6) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
A	(8) Balance sheets	NA/NU	A/U	A/U	A/U
	 Financial Statements				
	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	 Other Reporting				
C	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Detailed information e.g. on subsidies, loans or EU grants	A/U	A/U	A/U	A/U

Note: Data for State funds are also included into “working balance”. Data sources showed in the points - (4), (8) and (10) - are the same

You stated below that all available data are used. Please correct/clarify the text or the table.

Available accounting reports are used

1. Budget Reporting, i.e. the Final state budget; it is submitted for approval to the Government and Parliament at the end of April in the current year – after the April EDP notification. Therefore it can be used for year n-1 in the October EDP notification.
 - a) It is a summary report, containing aggregated data (tables and comments); it allows comparison of the aggregated data with data from financial statements;
 - b) It includes information primarily on central budgetary organizations (fully financed from the State budget) and also information on state extra-budgetary funds;

² A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

2. *“Detailed information” is obtained from financial statements (FIN 2-04 U) of central budgetary organizations – as aggregated data - and individual statements for state funds, which are used also for compilation of the Final state budget (Budget Reporting). Information on revenue and expenditure (from FIN 2-04 U) is on cash basis (for main activities) and split by budgetary classification, and by NACE; data on expenditures is split by COFOG.*
3. *“Financial statements”:* More over data on revenue and expenditure, data from a profit and loss statement on accrual basis (for secondary activities) and balance sheets are split by individual items of the statements and by NACE. Accounting systems and forms of these financial statements of the SBO and SF differ from the ESA95 conception
4. *“Other Reporting” includes especially the annual statistical questionnaire containing data, which is not included in the financial statements or which is recorded in the financial statements in other way; information is on accrual basis.*

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All data sources from the government units are used.

- a) *Financial statements are used as basic sources;*
- b) *Budget reporting, i.e. the Final state budget, is used as a important source for checking and also for other information, which is not included in the financial statements, e.g. information on “state financial assets and liabilities);*
- c) *Annual statistical questionnaire (VI 1-01): accounting systems of the government units are different from the ESA95 and therefore, the annual statistical questionnaire is used. It includes for instance data on rent on land, or interest etc. or data on individual types of financial assets;*

The Final state budget allows comparison of the aggregated data with data from financial statements and from the annual statistical questionnaire.

The CZSO compares selected indicators (e.g. wages and salaries, fixed assets, financial assets, currency and deposits and claims) from financial statements of the central budgetary organizations (obtained from the MOF) with data from the annual statistical questionnaire by individual central budgetary organizations. A substantial difference is examined in cooperation with the unit.

1c) Complementary codification at data source, by counterpart sector

Sector counterpart information is available only partially:

- *For non-financial transactions it is information on subsidies, other current transfers, investment grants or on other capital transfers, based on budgetary classification and used as basis for consolidation of items D.7 and D.9; sector counterpart information on D.4 is based on the statistical questionnaire and on information from the banking statistics (see 1h);*

- *For financial transactions it is information on Treasury bills and state debentures and on some shares and other equity (in international banks or some selected corporations).*
- *Other information can be obtained only on questioning of individual respondents and on voluntary basis.*

The National Accounts Branch introduced additional questions on stocks of financial assets split by counterpart sector into the annual statistical questionnaire (VI 1-01) for government units (since 2006). Results from the statistical survey are obtained in the 3rd quarter of the current year (for year n-1) or later.

1d) Complementary information of other units/departments that are not reflected in the Budget Reporting, when compiling ESA95 accounts.

a) Central government units, which are not reflected in the Budget Reporting provides financial statements, i.e. NPF, LF, SGAFF, CKA and its subsidiaries, CCC, RIA, VGF, PPPC.

b) The MOF provides financial statements for group of SBO and the ministry of Education for the group of PU and also for “NPF”;

NPF discontinued the activities on the date 31 December 2005 and was integrated into the MOF. However some activities are accounted separately and they are not reflected in the Budget Reporting (working balance).

Moreover, additional information is need also for units included in the Budget Reporting because their accounting systems are different and they are also different from the ESA95 methodology. Therefore important information is obtained via

- a) the annual statistical questionnaires (VI 1-01 and NI 1-01);*
- b) questioning of individual respondents on voluntary basis.*

1e) Consistency of classifications used in the Budget Reporting of “the State” and in the Budget Reporting of other General Government entities.

A classification of units or non-financial and financial transactions used in the Budget Reporting of “the State” (i.e. in the Final state budget) is consistent only with the Budget reporting for local BO (but it is different from the ESA95 conception).

Other general government entities use different accounting systems.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The National Accounts Branch uses data, i.e.:

- *Final state budget - which allows comparison of its aggregated data with detailed data from financial statements of central BO and also includes some important explanatory notes; the report is re-sent by the MOF;*

- *Financial statements of CBO and state funds – re-sent by the MOF;*
- *Additional data, which are not included in the financial statements of CBO or state funds, or which are recorded in other way (e.g. EU grants, foreign claims, accrual interest on state debt securities and loans; further data on swap interest, taxes split by type and time adjusted, social contributions etc, re-sent by the Ministry of Finance, the Ministry of Labour and Social Affairs or by the Ministry of Defence;*
- *Annual statistical questionnaires collected and processed by the CZSO;*
- *Information based on questioning of individual respondents (on voluntary basis);*

1g) Nature of the data sources – cash, accrual or mixed

Data sources on main activities (information on revenue and expenditure) for CBO and SEF are only on cash basis.

Data sources on secondary activities are on accrual basis (from Profit and Loss Statement)

Data from statistical questionnaires is on accrual bases.

1h) Circumstances in which data available from basic sources is consolidated.

Data from the Budget reporting and financial statements of central budgetary organizations and state fund is not consolidated, however they allow a partial consolidation. Therefore, the annual statistical questionnaire and individual questioning are used.

Consolidation of D.7-other current transfers and D.9-capital transfers is based on information from

- *financial statements on revenue and expenditure of CBO and of state extra-budgetary funds (split by budgetary classification);*
- *annual statistical questionnaire.*

Consolidation of interest (D.41) is based on information from

- *the MOF - information on interest on state debt (Treasury bills, state debentures and received foreign loans);*
- *some central government units e.g. the National Property Fund (NPF), the Land Fund (LF), the Railway Infrastructure Administration (RIA) or Czech Consolidation Agency (CKA) via individual questioning;*
- *the annual statistical questionnaire.*

Consolidation of the financial transactions is based on information from

- *the MOF – information on issued Treasury bills and debentures split by holder (sector and sub-sector);*
- *some central government units e.g. the NPF, LF, RIA or CKA via individual questioning;*
- *annual statistical questionnaire (VI 1-01 and NI 1-01).*

1i) Changes in the accounting rules foreseen in the near future (if any).

The Ministry of Finance has carried out some changes in budgetary classification (starting from 2007). The CZSO has no information from the MOF on other changes relating to other accounting systems (rules).

2.1.2 Data sources for Central Government: Other entities / other central government

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 2 – Source Data Accounting ³

C) Central semi-budgetary organizations (CSBO)



Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting *)				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
A	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Information on revenues and expenditures of budgetary organizations related to semi-budgetary organizations, e.g. subsidies	A/U	A/U	A/U	A/U

*) Information from the Budget Reporting is very limited. The report includes only information on subsidies and investment grants from the State budget and local budgets to semi-budgetary organizations as a whole or some comments.

³ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

Table 2 – Source Data Accounting ⁴

D) National Property Fund (NPF) ^{*} and Land Fund (LF)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements [*]				
A	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	 Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Detailed information e.g. on subsidies, loans or dividends, shares and other equities etc.	A/U	A/U	A/U	A/U

** Information from the Budget Reporting is very limited. Data on the National Property Fund and Land Fund is integrated into information on so called “public accounts” - as a whole. “Public accounts” cover (according to the MOF): transactions of the State budget, “National Fund”, 7 state funds, NPF and LF and general health insurance).*

NPF discontinued its activities on the date 31 December 2005 and was integrated into the MOF as a special department. However, some transactions are accounted separately (especially transaction in assets) and they are not reflected in the Budget Reporting (working balance).

The Final state budget has included data for the NPF in the separated Annex of the report only for 2005; starting from 2006 the Fund has been integrated into the MOF or into “public accounts




Table 2 – Source Data Accounting ⁵

E) Support and Guarantee Agricultural and Forestry Fund (SGAFF), Railway Infrastructure Administration (RIA), Vine-grow Fund (VGF), Czech Consolidation

⁴ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

⁵ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

Agency (CKA) and its subsidiaries (Czech Financial, PRISKO, KONPO) ^{*)}, Czech Collection Company (CCC) and Public Private-Partnership Centrum (PPPC)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	 Financial Statements				
A	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	 Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Detailed information e.g. on subsidies, loans or EU grants, etc. based on voluntary basis from the units	A/U	A/U	A/U	A/U

**) Two subsidiaries of the CKA – Konpo and Czech Financial - were abolished on the date 31 August 2006.*

Table 2 – Source Data Accounting ⁶

F) Public Universities (PU)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU

⁶ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
A	(9) Profit and loss accounts	NA/NU	A/U	A/U	A/U
A	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	Other Reporting				
A	(11) Statistical surveys	Quarterly statistical data (VPI 3-04)	A/U	A/U	A/U
M	(12) Other: Information on revenues and expenditures of budgetary organizations relates to PU, e.g. subsidies	A/U	A/U	A/U	A/U

Table 2 – Source Data Accounting ⁷

F) Public Research Institutions (PRI) ^{*)}

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU

⁷ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
	(10) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Other Reporting				
A	(11) Statistical surveys	Quarterly statistical data (VPI 3-04) *)	A/U	A/U	A/U
M	(12) Other: Information on revenues and expenditures of budgetary organizations relates to PRI, e.g. subsidies	A/U	A/U	A/U	A/U

*) The units have been transferred from semi-budgetary organizations into non-profit institutions (since 2007)

Data sources for other central government units are following:

1. Financial statements

- aggregated data for the group of SBO split by individual item of financial statements and by NACE - re-sent by the Ministry of Finance;
- aggregated data for the group of public universities; the information is split by individual items of the financial statements, processed and obtained from the Ministry of Education;
- individual (supplement) data from other central government units (NPF, LF, CKA, RIA etc.),

2. Final Reports of the National Property Fund (by the year 2005) and the Land Fund submitted to the Government and Parliament for approval (about in June or in July); they are used for year n-1 notified in October of year n. Since 2006 some transactions of the NPF are integrated into Budget reporting (via the MOF), some information, e.g. on financial transactions including balance sheet items are recorded and reported separately.

3. Final state budget (for year n-) includes aggregated data and some limited comments on semi-budgetary organizations; the information is reported only as a balance between budget revenues from and expenditures to SBO (more exactly as expenditure of the State budget to semi-budgetary organizations);

4. Statistical questionnaires (VI 1-01) for all SBO, extra-budgetary funds etc and annual and quarterly statistical questionnaires (NI 1-01; VPI 3-04) for public universities and (starting 2007) also for public research institutions.

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All data sources from government units are used.

- a) Financial statements are used as basic sources;

- b) *Annual statistical questionnaires (VI 1-01 and NI 1-01): accounting systems of the other government units are different from the ESA95 and therefore, the annual statistical questionnaires are used. They includes for instance data on rent on land, or interest etc. or data on individual types of financial assets;*
- c) *Statistical questionnaires (annual NI 1-01 and quarterly VPI 3-04) are used as basic sources for public research institutions (non-profit institutions); their financial statements are not available.*

The CZSO compares selected indicators from financial statements of central semi-budgetary organizations (e.g. wages and salaries, total fixed assets, total financial assets, currency and deposits and claims) with data from the annual statistical questionnaire by individual central SBO. A substantial difference is examined in cooperation with the unit.

Other central government units (excluding CSBO, PU and PRI) provide preliminary financial statements (used in the April EDP notification) and final financial statements (used in the September EDP notification). Therefore, it is used individual dialogue and the differences are examined.

2c) Complementary codification at data source, by counterpart sector

Sector counterpart information is not available from financial statements of these other central government units. Information on

- *non-financial transactions is available only partially (e.g. the total of subsidies to SBO or PU, similarly the total of other current transfers, investment grants and other capital transfers) through information on revenue and expenditure of budgetary organizations;*
- *financial transactions has been obtained as additional information based on questioning of individual the respondents and on voluntary basis.*

The National Accounts Branch introduced additional questions on stocks of financial assets split by counterpart sector into the annual statistical questionnaire (VI 1-01) for government units (since 2006). Results from the statistical survey are obtained in the 3rd quarter of the current year (for year n-1) or later.

2d) Complementary information, which is not in the financial statements, when compiling ESA95 accounts.

Main problems follow from:

- *Different accounting systems, used by the government units (e.g. for SBO, entrepreneurs, financial institutions or non-profit institutions), which differ with one another, but especially they differ from ESA95 methodology;*
- *Aggregated items in financial statements; e.g. debentures and shares are integrated into the item “other stocks and bonds, total”; similarly financial derivatives, EU grants or received non-banking loans;*
- *Different methods used in the accounting systems e.g. as to financial leasing, rent on land or wages and salaries (diversely from ESA95);*
- *Information on gross capital formation, financial transaction is not available.*

Additional information is obtained

a) via the annual statistical questionnaires for other government units, the annual survey of labour cost or other statistical questionnaires;

b) via questioning of individual respondents on voluntary basis

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units with ESA95 classifications.

Classification other central government units used in the Budget reporting, i.e. units, which are not reported in the Budget reporting, is different from ESA95.

These units (excepting SBO) are considered (by the MOF) to be non-government entities (as non-financial or financial corporations etc.); therefore, they are not included into “public budgets”.

Central semi-budgetary organizations (as well as local SBO) also are not treated as government units. In financial statements of budgetary organizations, they are recorded only revenue from and expenditure to semi-budgetary organizations relating to the State budget-.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Basic data requested by the CZSO, are following:

a) Financial statements of the SBO – individual items from these statements (split by NACE) for the corresponding group of these units (re-sent by the Ministry of Finance to the CZSO);

b) Financial statements of public universities – individual items from the statements for the group of these units (re-sent by the Ministry of Education to the CZSO);

c) Individual financial statements and additional data from other central government units, i.e. CKA, RIA, SGAFF, VGF etc., sent direct to the CZSO;

d) Annual statistical questionnaires (especially VI 1-01 and NI 1-01 including quarterly VPI 3-04) for the other central government units (collected and processed by the CZSO).

e) Additional data based on individual questioning of the other central government bodies (on voluntary basis);

2g) Nature of the data sources – cash, accrual or mixed

Financial statements (Profit and loss statement and Balance sheet) for other central government units (see Tables 2/C-F) and the annual statistical questionnaires are on accrual basis.

Budget reporting is only on cash basis. Additional data sources are mixed.

2h) Circumstances in which data available from basic sources is consolidated.

Consolidation within the central government subsector, between other central government bodies is based on information from the revenue and expenditure statements of central and local budgetary organizations as well as state funds, from the annual statistical questionnaires. Individual questioning is also used.

Consolidation of D.7-other current transfers and D.9-capital transfers is based on information from

- *financial statements on revenue and expenditure of central and local budgetary organizations and of state extra-budgetary funds (split by budgetary classification),*
- *the annual statistical questionnaire.*

Consolidation of interest (D.41) is based on information from

- *the MOF - on interest on state debt (Treasury bills, state debentures and received foreign loans held by central government as a whole);*
- *some central government units e.g. the NPF, LF, RIA or CKA via individual questioning;*
- *the annual statistical questionnaire.*

Consolidation of the financial transactions is based on information from

- *The MOF – information on issued Treasury bills and debentures split by holder (sector and sub-sector);*
- *some central government units e.g. the NPF, LF, RIA or CKA via individual questioning;*
- *the annual statistical questionnaire.*

2i) Changes in the accounting rules foreseen in the near future (if any).

The CZSO has no information from the MOF on changes relating to accounting systems (rules) in other central government units.

2.1.3 Data for the year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the year n-1 in the first notification.

Only financial statements for central budgetary and semi-budgetary organizations and the Final state budget are common data sources for all versions.

ii) Data sources specifically used in the context of the first notification

Data sources used in the context of the 1st notification, for n-1, is following:

- *Financial statements of central budgetary and semi-budgetary organizations and state extra-budgetary funds;*
- *Preliminary version of financial statements from other central government units (as preliminary information on expected results) – excepting public universities and public research institutions;*
- *Additional information, e.g. on EU grants, accrual interest, foreign claims etc.*
- *Quarterly statistical questionnaire (VPI 3-04) for public universities and (since 2007) also for public research institutions.*

iii) Estimation methods that may be used in the context of the first notification and their importance in the central budget and for other units included in central government.

Estimation methods - through coefficients or extrapolation - are used primarily in the context of the first notification for methodological adjustments or calculation of gross capital formation and for splitting some non-financial or financial transactions. An expert guess,

based on classification (structure) and development of the accounting items surveyed and recorded in previous years, is made.

2.1.4 Auditing Process

I) Working balances of Central Government that were submitted to an auditing process.

- a) Central budgetary organizations submit their financial statements to corresponding ministries or central offices, which elaborate summary final budgets. State extra-budgetary funds submit also their financial statements and final reports to corresponding ministries and as a part of the Budget Reporting. The MOF elaborates the summary Budget Reporting (the Final state budget, split by chapter, e.g. by ministry, central offices etc.), which is submitted to the Government and to Parliament for approval. It is base of working balance in the notification tables;*
- b) State funds submit their financial statements for approval also to the official accounting auditors*
- c) The National Property Fund submitted (by the end of 2005) its final reports to the official accounting auditors for approval and to the Government and to Parliament (in conformity with the legislation). The authorities take cognizance of the report. In 2006 the NPF has been integrated into the MOF.*
- d) Land Fund send its financial statements and reports, to the MOF, which includes the data into summary “public accounts”, showed in the Final state budget report. The units submit the final reports also to the official accounting auditors for approval and to the Government and to Parliament (in conformity with the legislation). The authorities take cognizance of the report.*
- e) Central semi-budgetary organizations do not have statutory duty to submit final annual reports to an auditing process. They present financial statements to corresponding founders (ministries or central offices) and to the MOF, which is responsible for processing of these statements. A final balance of revenues and expenditures of the SBO is recorded in the Final state budget as reason for financing.*
- f) The Support and Guarantee Agricultural and Forestry Fund, the CKA and its subsidiaries, the Czech Collection, the Vine-grower Fund and the PPP Centrum submit their financial statements for approval to the official accounting auditors (in conformity with the legislation);*
- g) Public universities submit their financial statements for approval to the official accounting auditors and to the Ministry of Education, which is responsible for their processing;*
- h) The Railway Infrastructure Administration submits its financial statements for approval to the official accounting auditor and presents these financial statements to the Ministry of Transport.*

II) Incorporation of the findings of the auditing process in the national accounts.

- a) The national accounts of the Czech Republic are not submitted for approval to any central authority (e.g. to the Government and to Parliament etc.)*
- b) In 2004 was carried out an audit of the national accounts of the Czech Republic by a group of experts from the Economy University, the Ministry of Finance, the Supreme Control Office and experts from the CZSO;*

c) In 2005 was carried out an audit by experts from the European Court of Auditors - in supervision and verification systems, which are used within compilation of the national accounts – calculation of the “own source”.

Auditing process in the national accounts has been carried out also via compilation and publishing of following summary reports:

- *National accounts for the Czech Republic (Sources and Methods), OECD, Paris 1998, where methodological aspects were consulted and solved;*
- *Sources and methods of calculation GDP (Pilot project) CZSO, 2001;*
- *Exhaustiveness (Pilot project, Phare 2000), CZSO, 2003;*
- *EDP missions in 2003, 2005 and 2007 and Eurostat missions oriented on compilation of tables 2, 9 and 11;*
- *GNI Inventory (elaborated in 2006) and Quality Report (September 2007)*

Moreover, reports on Sources and Methods of Annual Financial Accounts, Sources and Methods of quarterly non-financial government accounts or Inventory and Explanatory notes as part of the EDP notifications, etc. are submitted and transmitted to Eurostat (in compliance with Eurostat requirements).

The findings from the auditing process in the national accounts are implemented immediately or in the near future or as part of national accounts revision.

2.2 Data treatment

2.2.1 Half-finalised and finalised data

a) Financial transactions that may be included in the public accounts of central government and are excluded in notification table 2.

The national balance is outcome of all operations recorded on revenue and expenditure side realized during the fiscal year and in compliance with economic policy aims. It may include some kinds of financial transactions, which must be excluded from overall balance of the State budget and from budgets of State funds when calculating the net borrowing/net lending of central government in the table 2A:

- *Expenditures related to granting of loans*
- *Revenues arising from repayments of loans*
- *Expenditures connected with payments of state guarantees*
- *Income from receivable repayment concerning the state guarantees*
- *Expenditure connected with the lease of fighter aircrafts Grippens.*

b) Information and method (s) used for the adjustment cash/accrual for items other than interest.

Only budgetary organizations and state extra-budgetary funds record and provide information on revenue and expenditure on cash basis. Other central government units (semi-budgetary organizations, other extra-budgetary funds, public universities etc.) keep accounting system on accrual basis.

Taxes and social contributions are calculated on time-adjusted basis.

Taxes:

The Ministry of Finance provides (in detail) data as time adjusted. Some of them are classified (in the national accounts) as sales of services and their use is included to the P.1 or divided between different types of taxes (D.214, D.29 or D.5).

Methods used for the calculation accrual taxes comply with the Regulation (EC) No 2516/2000 of the European Parliament and of the Council of 7 November 2000.

For all kinds of the tax revenue, time-adjusted cash revenue is used. All the information about cash revenue draws from information about amounts on accounts of different type's taxes provided by the Czech National Bank to the Ministry of Finance on the daily basis.

Social contributions cover social contributions on pensions and sickness benefits and benefits for unemployment persons. The contributions are calculated also in compliance with the Regulation (EC) No 2516/2000 of the European Parliament and of the Council of 7 November 2000, article 3/b, i.e. as time-adjusted.

The Ministry of Labour and Social Affairs provides information on collected social insurance contributions (paid into pensions, sickness and unemployment social security "funds" of the State budget) on cash basis – regularly monthly.

The amounts are attributed to the month when the work took place; delay is one month. It means that contributions paid (and collected) in February are recorded as accrued in January (Q1 = amounts collected in February+ March + April).

Sales and intermediate consumption: The cash data obtained for budgetary organizations including state funds is treated as accrual data and no adjustment is calculated. Sales and intermediate consumption for other government units is on accrual basis.

Compensation of employees: All government units (inclusive of budgetary organizations) record compensation of employees in the month when the work took place, i.e. the amount is on accrual basis.

Social benefits: pensions, sickness and unemployment benefits (as expenditure of the State budget) paid regularly monthly by the Czech Social Security Administration (classified in S.1311) are obtained on accrual basis.

Data on social assistant benefits (under D.624), paid also from the State budget and obtained on cash basis, are treated as accrual data including "social benefits" paid on behalf of individual persons, who do not pay health insurance contributions (in compliance with the legislation, e.g. on behalf of pensioners, children etc). No adjustment is made.

c) Sources and methods used for the calculation of interest on an accrual basis.

The budgetary organizations record interest on cash basis; other government units record interest on accrual basis.

The Ministry of Finance adjusts the interest on accrual base for state debt instruments. Accrued interest is calculated for Treasury bills, medium-term and long-term Treasury bonds as well as received loans and swap operations. The premium (bonus) and discount of all issues were taken into account. The difference between nominal value and issue value is treated as interest that is accrued over the life of the instrument.

A simple interest method was used. The calculation of aliquot part of interest is based on 1 year with 360 days and 12 months having 30 days each (BCK standard 30E/360). The current exchange rate for foreign loans was used for each day.

d) Information on other accounts receivable/payable that may be provided in public accounts data.

According to the national accounting practice, balance sheets include item “Other accounts receivable/payable”, (in principle as a whole) e.g.:

- From/to suppliers or customers;*
- From/to employees (in respect of employees’ relationships – wages and salaries, reimbursement of travel expenses, reimbursement of damages/losses, etc.;*
- From/to institutions and other natural persons - social contributions, interest or taxes, reimbursement of damages/losses, etc;*
- From/to other public budgets (e.g. some transfers returned, social contributions, taxes).*

According to the accounting rules, institutional units cannot forgive receivables (payables). They can write-off some receivables/payables only in some special cases (especially if creditor/debtor went bankrupt).

Certain corrections have been made for recording of transactions on an accrual basis, primarily as to taxes arrears and social insurance contributions arrears.

Taxes arrears are not recorded in balance sheet of budgetary organizations inclusive of the MOF. Therefore the CZSO calculates the receivables on taxes, which should be paid. Adjustment is made for taxes, which are expected not to be paid. The calculation is based on difference between actually collected amount and time-adjusted amount of the taxes.

Social insurance contributions arrears: The calculation (carried out by the CZSO) is based on difference between actually collected amount and time-adjusted amount of the contributions.

e) Sources and method (s) for the adjustment related to units classified within or outside central government.

Sector classification is based on:

a) information from

- the Register of Companies kept by the Commercial Court and registers kept by other authorities (e.g. especially by the Ministry of Internal Affairs),*
- the financial statements of institutional units,*
- the annual statistical questionnaires,*
- questioning of individual respondents;*

b) ESA95 rules; it means that the government units are:

- institutional units (legal persons) incorporated in business registers,*
- non-market producers,*
- units, which distribute national income, carry out privatisation process, purchase and sale bad claims in the name of the government,*
- units whose expenditures are fully or partially financed from the State budget or local budgets (they meet 50% criterion),*

- units, which provide services only to the government.

New classification of semi-budgetary organizations was applied in 2004. The Ministry of Finance carried out new test on the 50% criterion, which was based on data from financial statements (for 2003 and 2004 years) of the semi-budgetary organizations. Some of the units were reclassified from the government sector to the non-financial corporations.

In 2005 a new institutional unit – Public-Private-Partnership Centrum (PPP Centrum, a. s., serving government units) and public research institutions (transferred from SBO into non-profit institutions since 2007) have been classified into S.1311.

f) Other adjustments regularly implemented.

EDP table 2A

- The item **bad foreign claims** correspond to transactions relating to foreign claims that are not reflected in the working balance: debt forgiveness recorded as capital transfer expenditure (negative sign), debt repayments in kind recorded as intermediate consumption (negative sign), accrued interest revenue (positive sign). Cash receipts from the sale of bad foreign claims and debt repayments in cash are not included in this item, since they are already excluded from the working balance in the context of the item “financial transactions considered in the working balance” (negative sign).
- The item **state guarantee** captures capital transfers expenditure relating to debt assumptions on guaranteed debt (negative sign), accrued interest expenditure on debt assumed (standard guarantees) (negative sign), capital transfers revenue relating to the repayments of previously assumed debt by the original debtor (positive sign) and capital transfers expenditure on non-standard guarantees (negative sign).
- The item **EU flows**: The item includes adjustment relate to “National Fund”, Pre-accession funds and After-accession fund. *National Fund* includes adjustment for the national co-financing of National Fund expenditure relating to pre-accession flows (negative sign). National Fund expenditures are not included in the working balance. *Pre-accession funds* (positive sign) captures flows to be reimbursed from pre-accession funds in order to neutralise a negative impact of actual government expenditures realised on behalf of EU. *After-accession fund* are recorded as a part of the State budget revenue and expenditure and are included in the starting line of Table 2A. The amount pointed for non-government sectors is excluded from revenue and expenditure of government units. The adjustment neutralizes an impact of actual government expenditures realised on behalf of EU. Revenue from EU for government units as final users is recorded as revenue and similarly in their expenditures, i.e. it neutralises an impact of actual government expenditures realised on behalf of EU.
- **The item military equipment includes adjustments relating to**
 - prepayment in previous year and delivery in current year (if any) are made; adjustment corresponds to a time adjustment correction: exclusion of prepayments (positive sign), inclusion of deliveries (negative sign)
 - repayment in kind of foreign debt (negative sign) against the Czech Republic .

- acquisition of Grippens (financial leasing, imputed interest, payments for the lease) - to the leasing of the aircrafts, considered to be financial leasing following the Eurostat decision: recording of the acquisition of the combatant aircrafts in 2005 (negative sign), annual interest expenditure on the leasing debt (negative sign), exclusion from the working balance of the annual payments on the lease, which is treated as financial transaction (positive sign);

- The item **return and internal transfers** (positive or negative sign): transfer return reflects a time adjustment, and represents the amounts of unspent subsidies and of unspent special-purposed transfers provided by government to other institutional unit (inside and outside of general government) in previous years and repaid back to government in the current year (i.e. transfer return). Internal transfer corresponds to amounts of unspent funds transferred from the state budget to extra-budgetary accounts.

- The item **other adjustments** includes especially

- * *transfers free of charge* (negative sign), which reflects transfers of non-residential and residential buildings from the central government to local authorities, recorded as capital transfer payable. The counterbalancing entry – disposal of GFCF with positive sign – is included in the adjustment item difference between P.5 and K.2 in cash and accrual.

- * *difference between P.5 and K.2 in cash and accrual* captures the difference between data on acquisition of non-financial assets in cash recorded in public accounts and accrual data (information is based on the statistical questionnaire).

- * *wages in kind* (negative sign) corresponds to the imputation of flows relating to expenditures (for wages in kind) not included in the working balance. These expenditures are directly financed from so-called "social and culture funds" (information is based on the labour force survey). The resources of such funds originate in the first place from *internal transfers* from the State budget.

- * *other* : capital transfers (e.g. debt forgiveness to local authorities), adjustments of social insurance (obligatory) to accrual or the impact of revenues and expenditures of the former National Property Fund, which are not included in the working balance etc.

g) Sources of information used for transactions, which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations, capital injection into public corporations, payments from the central bank.

Debt assumption and debt forgiveness: the information is obtained from the MOF; primarily it is information on claims on foreign countries (bad claims) and debt assumption due to state guarantees and from direct individual sources.

Privatisation: the information is obtained from the National Property Fund, the Land Fund. The Ministry for Regional Development and the Housing Cooperatives Association provide information on housing privatisation.

Securitisation: no information exists.

Capital injection: Basic sources of information are from the Ministry of Finance and from the annual statistical questionnaire.

Payments from the CNB: basic information is obtained from the MOF (it is a special revenue item of the budgetary classification). The State budget recorded no revenue from the CNB and the CNB reported that it has no regularly payments to the State budget.

2.2.2 Revision process

Steps in the revision process of data, for the State and for other units included in central government, after the first notification

The revision process of reported central government data is carried out regularly and gradually as integral part of the annual sector national accounts. It is connected with

- a) compilation of the national accounts as a whole especially with the half-finalised (t+18) and finalised version of national accounts (which are compiled as a total set of non-financial and financial accounts, including also balance sheet, revaluation and other volume changes accounts);*

The revised time series of the national accounts from 1995 to 2001, finalised version for 2002 and 2003 have been published in July 2006 and they are also found on CZSO's Internet.

- b) Eurostat recommendations – primarily as part of the EDP notification process.*

3. State Government data

Not applicable for the Czech Republic

4. Local Government

This section describes the availability and use of main data sources for the Local Government sub-sector (S.1313) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

4.1 Availability and use of data sources

The Local Government Sector (S.1313) includes:

A) “Municipalities, localities”: Local budgetary organizations, i.e. Regional Offices, Town Councils, Regional Councils of Regions, Municipalities and Voluntary Association of Municipalities



B) “Other local government entities”: Local semi-budgetary organizations

4.1.1 Data sources for Local Government main units: municipalities, localities


1a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 3 – Source Data Accounting ⁸

A) Local budgetary organizations (LBO) – Regional Offices, Town Councils, Regional Councils of Regions ^{*)}, Municipalities and Voluntary Association of Municipalities

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	 Budget Reporting				
	Summary				
C	(1) Current revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(2) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
C	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	A/U	A/U	A/U
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
C	(5) Current revenue and expenditure	A/U	A/U	A/U	A/U
C	(6) Current and capital revenue and expenditure	A/U	A/U	A/U	A/U
C	(3) Current and capital revenue and expenditure and financial transactions	A/U	A/U	A/U	A/U
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	 Financial Statements				
A	(9) Profit and loss accounts ^{**})	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U

⁸ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

	 Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Information on State Treasury bills and debentures held by the Local Government and information based on questioning of individual respondents and on voluntary basis	A/U	A/U	A/U	A/U

Notes:

*) Regional Councils of Regions, as new local (budgetary) organizations, were established in August 2006.

***) The budgetary organizations compile the Profit and loss statement for their secondary activities and Revenue and expenditure statement for main activities.

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All accounting reports and other basic data sources are used:

Local budgetary organizations use the same accounting system and financial statements as central budgetary organizations. It means that the information is not fully compliance with ESA95 methodology. Therefore annual statistical questionnaire (VI 1-01) is important source.

The Final state budget allows comparison of aggregated data, data from financial statements and from the annual statistical questionnaire.

The CZSO compares selected indicators from financial statements of these budgetary organizations (e.g. wages and salaries, fixed assets, financial assets, currency and deposits and claims) with data from the annual statistical questionnaire by individual local budgetary organizations and a substantial difference is examined in cooperation with the unit.

1c) Complementary codification at data source, by counterpart sector

Sector counterpart information is available only partially:

- *On non-financial transactions is available only for other current transfers, investment grants or for other capital transfers; it is based on budgetary classification and used as the basis for consolidation of items D.7 and D.9. Information on counterpart sector concerning D.41 is obtained from banking statistics and from the statistical questionnaire;*
- *On financial transactions is available for Treasury bills and state debentures held by local budgetary organizations (as a whole).*
- *Other information can be obtained only on questioning of individual respondents and on voluntary basis.*

The National Accounts Branch introduced supplement questions on stocks of financial assets split by institutional sector into the annual statistical questionnaire for government units (since 2006). Results from the statistical survey are obtained in the 3rd quarter of the current year or (for year n-1) or later.

1d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Complementary information, which is not obtained from the financial statements is especially: information on gross fixed capital formation or acquisition of non-produced non-financial assets, information on capital transfers free of charge or information on fixed capital consumption etc.;

Some information is recorded in an aggregated form, it is not separated, e.g. information on wages and salaries in kind, financial leasing, rent on land or information on stocks financial assets and liabilities split by financial instrument - which is accounted differently from ESA95.

The additional information is obtained:

- a) via the annual statistical questionnaire for government units (VI 1-01) and the survey of labour cost or other statistical questionnaires;*
- b) via questioning of individual respondents on voluntary basis.*

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units with ESA95 classifications.

A classification used in this sub-sector and in the Budget reporting is the same as in ESA95. All local budgetary organisations are classified in the local government sub-sector and in the Budget reporting.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The National Accounts Branch uses data, i.e.:

- The financial statements of local budgetary organizations and the Final state budget (Budget reporting) re-sent by the MOF. Aggregated financial statements for the group of LBO are split by individual item and NACE. Other information on activities of LBO is (in principle) not available from the MOF;*
- The annual statistical questionnaire (VI 1-01) for LBO processed by the CZSO and split by NACE and questioning of individual respondents based on voluntary basis.*

1g) Nature of the data sources – cash, accrual or mixed

Cash base: Budget reporting and revenues and expenditures statement (FIN 1-12 M) of local budgetary organizations is on cash basis.

Accrual base:

Data on secondary activities of the budgetary organizations (Profit and loss statement) is on accrual basis;

Data from the Annual statistical questionnaire (VI 1-01).

1h) Circumstances in which data available from basic sources is consolidated.

Information from the financial statements and from the Budget reporting for local SBO is not consolidated.

Consolidation of items D.41, D.7, D.9 and of the financial transactions for SBO, as well as for the local government as a whole, is based on the same sources data, which are used for consolidation in the central government- i.e. especially from the revenue and expenditure statements and from the annual statistical questionnaire. Consolidation of financial transactions is based on information from the MOF (on Treasury bills and debentures) or from central government units and especially it is based on information from the statistical survey (see the part 2, 1h and 2h).

1i) Changes in the accounting rules foreseen in the near future (if any).

The Ministry of Finance has carried out only some changes in budgetary classification (since 2007). Other information is not available.

4.1.2 Data sources for Local Government: Local Government bodies / non-profit institutions

2a) Information available/used for this sub-sector in the current year n-1 and year n-2 notified in April (n) and October (n):

Table 4 – Source Data Accounting

B) Local semi-budgetary organizations (LSBO)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	Budget Reporting *)				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
A	(9) Profit and loss accounts	A/U	A/U	A/U	A/U
A	(10) Balance sheets	A/U	A/U	A/U	A/U
	Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
M	(12) Other: Information on revenues and expenditures of	A/U	A/U	A/U	A/U

	budgetary organizations relates to semi-budgetary organizations, e.g. subsidies				
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*) Information from the Budget reporting is very limited. The report includes only information on subsidies and investment grants to semi-budgetary organizations as a whole or some (very limited) comments.

2b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All available accounting reports and statistical sources are used:

- a) *Financial statements (profit and loss statements and balance sheets) as basic sources;*
- b) *Annual statistical questionnaire (VI 1-01), which is in compliance with ESA95 methodology;*
- c) *Budget reporting, i.e. the Final state budget as supplement source (for checking).*

The CZSO compares selected indicators from financial statements of the LSBO (e.g. wages and salaries, fixed assets, financial assets, currency and deposits and claims) with data from the annual statistical questionnaire by individual LSBO. A substantial difference is examined in cooperation with the unit.

2c) Complementary codification at data source, by counterpart sector

Sector counterpart information is not available from financial statements. Information on

- *non-financial transactions is available only partially (e.g. the total of subsidies to SBO, similarly the total of other current transfers, investment grants and other capital transfers) through information on revenue and expenditure statements of budgetary organizations.*
- *financial transactions has not been available.*

The National Accounts Branch introduced supplement questions on stocks of financial assets split by institutional sector into the annual statistical questionnaire (VI 1-01) for government units (for 2005). Results from the statistical survey are obtained (earliest) in the 3rd quarter of the current year (for year n-1) or later.

2d) Complementary information which is not in the financial statements, when compiling ESA95 accounts.

Complementary information, which is not obtained from the financial statements, is especially:

- *information on gross capital formation (acquisition of non-produced assets, capital transfers free of charge etc.);*
- *separated information on wages and salaries in kind, financial leasing, rent from land or information on stocks financial assets and liabilities, which is accounted into an aggregated item or differently from ESA95 (e.g. financial leasing).*

Complementary information is obtained especially via the annual statistical questionnaires.

2e) Consistency of classifications used in this sub-sector and in the Budget Reporting of units with ESA95 classifications.

Classification of units used in the Final state budget (Budget reporting) is different from ESA95.

Local semi-budgetary organizations (as well as central SBO) are not included into “public budgets”; they are not treated as government units.

2f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

Basic data requested by the CZSO are following:

- a) Financial statements of local semi-budgetary organizations (re-sent by the MOF to the CZSO);*
- b) Final state budget (as supplemental source from the MOF);*
- c) Annual statistical questionnaires (collected and processed by the CZSO)*
- d) Questioning of individual respondents based on voluntary basis.*

2g) Nature of the data sources – cash, accrual or mixed

Data on local semi-budgetary organizations from financial and also from statistical questionnaire is on accrual basis.

2h) Circumstances in which data available from basic sources is consolidated.

Data from financial statements is not consolidated.

Basic information is based on data from the financial statement “revenues and expenditures” of central and local budgetary organizations (split by budgetary classification), which allows consolidating of items D.7 and D.9.

Consolidation of interest (D.41) is based primarily on the annual statistical questionnaire.

Consolidation of financial transactions is based on information from the MOF (only on Treasury bills and debentures held by local government), on individual information from central government units and on information obtained from the annual statistical questionnaire (Sees the part 2, 1h and 2h).

2i) Changes in the accounting rules foreseen in the near future (if any).

The CZSO has no information from the MOF on changes accounting rules (system) relating to the semi-budgetary organizations.

4.1.3 Data for the current year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the year n-1 in the first notification.

Only financial statements for local budgetary and semi-budgetary organizations and the Final state budget are common data sources for all versions.

ii) Data sources specifically used in the context of the first notification.

Financial statements for local budgetary and local semi-budgetary organizations are used (as basic source) in the context of the 1st notification - for year n-1 and also some additional (and very limited) information (e.g. on EU grants.)

iii) Estimation methods that may be used in the context of the first notification

Estimation methods – through coefficients or extrapolation - are used primarily in the context of the first notification for methodological adjustments or calculation of gross capital formation (e.g. housing privatisation) and for splitting some non-financial or financial transactions. It is used an expert guess – based on classification and development of the accounting items surveyed and recorded in previous years.

4.1.4 [Auditing Process]

I) Working balances of Local Government that were submitted to an auditing process.

- a) *Local budgetary organizations submit their financial statements to corresponding founders and also to the Ministry of Finance, which elaborates the Final state budget and which is responsible for processing of these statements. The Government takes cognizance of outcomes of the budget implementation of local budgetary organizations. It is base for working balance.*
- b) *Local semi-budgetary organizations do not have statutory duty to submit final annual reports to an auditing process. They present financial statements to their founders (to the corresponding local budgetary organizations) and to the MOF, which is responsible for processing of these statements. A final balance of revenues and expenditures of the SBO is recorded in the Final state budget only as reason for financing.*

II) Incorporation of the findings of the auditing process in the national accounts.

See par. 2.1.4, II)

The findings from the auditing process in the national accounts are implemented immediately or in the near future or as part of national accounts revision.

4.2 Data treatment

4.2.1 Half finalised and finalised data

a) Original source of data used as a starting step

- *Financial statements for*
 - *local budgetary organizations, i.e. Revenue and expenditure statement for their main activities, Profit and loss statement for secondary activities and Balance sheet;*
 - *local semi-budgetary organizations, i.e. Profit and loss statement for their main and secondary activities and Balance sheet*
- *Final state budget;*
- *Annual statistical questionnaire (VI 1-01);*
- *Data from questioning of individual these units obtained on voluntary basis.*

b) Financial transactions that may be included in the public accounts of local Government and are excluded in notification table 2.

The working balance of local budgets (i.e. local budgetary organizations) is outcome of all operations recorded on revenue and expenditure side realized during the fiscal year. It may include following kinds of financial transactions, which must be excluded from overall balance when calculating the net borrowing/net lending of local government in the table 2C:

- *Purchases or sales of shares and other equity,*
- *Expenditures related to granting loans,*
- *Revenue arising from repayments of loans.*

c) Information and the method (s) used for the adjustment cash/accrual for items other than interest.

Only budgetary organizations record and provide information on revenue and expenditure on cash basis. The following items are adjusted on accrual base:

- *Taxes - time-adjustment method is used;*
- *Gross fixed capital formation (P.51) - information on cash is adjusted according to statistical survey (information is based on accrual base).*

Data on sales, intermediate consumption, compensation of employees and social benefits is treated as accrual data and no adjustment is calculated.

Local semi-budgetary organizations keep accounting system on accrual basis; no adjustment cash/accrual has been made.

d) Sources and methods used for the calculation of interest on an accrual basis.

Local budgetary organizations record interest on cash basis and no adjustment is made; corresponding information is not available.

Semi-budgetary organizations record interest on accrual basis.

e) Information on other accounts receivable/payable that may be provided in the data sources.

According to national accounting practice, balance sheets include item “Other accounts receivable/payable”, i.e.:

- *From/to suppliers or customers;*
- *From/to employees (in respect of employee’s relationships – wages and salaries, reimbursement of travel expenses, reimbursement of damages/losses, etc.);*
- *From/to institutions and other natural persons - social contributions, interest or taxes, reimbursement of damages/losses, etc;*
- *From/to other public budgets (e.g. some transfers returned).*

According to the accounting rules, institutional units cannot forgive receivables (payables). They can write-off some receivables/payables only in some special cases (especially if creditor/debtor went bankrupt).

f) Sources and method (s) for the adjustment related to units classified within or outside local Government.

Sources and method (s) related to the classification of local government units are the same as for central government units (see the Part 2 point 2.2.1/e), i.e.

- *As sources are used the Business Register and other central registers, financial statements and statistical questionnaires and individual questioning.*
- *Methods are based on ESA95 rules; it means that local government units are institutional units, non-market producers and units, whose expenditures are fully or partially financed from local budgets.*

The Local government sub-sector covers only local budgetary organisations (Regional Offices etc.) fully financed from local budgets and also from the State budget and semi-budgetary organizations partially financed from these budgets, which meet 50% criterion.

New classification of semi-budgetary organizations was carried out in 2004. The Ministry of Finance carried out the new test on the 50% criterion based on data from financial statements (for 2003 and 2004 years) of the semi-budgetary organizations.

Some of the units were reclassified from the government sector to the non-financial corporations.

g) Other adjustments regularly implemented.

EDP table 2C

- The item ***EU grants*** (positive sign) reflects an accrual adjustment by way of recording revenue from EU grants in order to neutralise the impact of the EU flows. These EU grants finance projects of municipalities relating to the environment, cultural development etc.
- The item ***transfer of flats from local government to households*** (negative sign) represents the capital transfer expenditure from local authorities to households reflecting the difference between the sale price and the market price of sold flats. Data are based on the statistical questionnaire.
- The item ***financial leasing*** relates to the exclusion of financial leasing repayments from the working balance (positive sign) and recording of accrual interest expenditure (negative sign).

h) Sources of information used for transactions which need specific attention (in cases where they are not directly identifiable in public accounts): debt assumption, debt cancellation, privatisation, securitisations and capital injection into public corporations owned by local Government.

A specific problem relates to the privatisation of housing. The calculation is based on data on number of privatized flats (obtained from the Ministry of Regional Development), on market prices of flats etc.

Information on debt assumption, debt cancellation, capital injections or super-dividends is not available.

No capital injection has been recorded as financial transactions. Basic information is based on data on investment grants to local SBO or to other units classified in S.11001.

4.2.2 Revision process

Steps in the revision process of data, after the first notification.

The revision process of reported local government data is carried out regularly and gradually. Accounts of the local governments are integral part of the S.13 and main revisions, in the government accounts, depend on the revision process of annual national accounts as a whole and also on recommendations of Eurostat (see also point 2.2.2)

After the first EDP notification – the process of compiling national accounts continues - it is compiled "half-finalised" version of the sectors national accounts for t-2 year and "finalised" version for t-3. It means that the government accounts, can be adjusted, e.g. as for methodological adjustments (in P.1, P.2, D.11 or P.51 etc.) or due to new information.

Until the second EDP notification, the government accounts for year n-1 were not balanced with counterpart institutional sectors.

At present, when a preliminary version of sector national accounts and the second EDP notification are compiled in the same period (t+9), government non-financial accounts can be balanced with other institutional sectors.

5. Social Security Funds

This section describes the availability and use of main data sources for the Social Security Funds Government sub-sector (S.1314) by type of unit and the adjustments made in order to reach ESA95 definitions. It also covers the treatment for half finalised, finalised and current data, and the process of revision of data.

5.1 Availability and use of data sources

Social Security Funds – sub-sector (S.1314) includes health insurance companies. The companies manage of compulsory health insurance – collect health insurance contributions and purchase health services provided to households.

5.1.1 Data sources available: Social Security Funds

1a) Information available/used for this sub-sector in the year n-1 and year n-2 notified in April (n) and October (n):

Table 5 – Source Data Accounting ⁹

A) Health Insurance Companies (HIC)

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	• Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
M	(2) Current and capital revenue and expenditure	NA/NU	A/U	A/U	A/U
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
	(9) Profit and loss accounts				
A	(10) Balance sheets	NA/NU	A/U	A/U	A/U
	Other Reporting				
A	(11) Statistical surveys	Quarterly	A/U	A/U	A/U

⁹ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

		statistical data *)			
M	(12) Other:				
	Monthly data on health insurance contributions	A/U	A/U	A/U	A/U
	Data on selected revenues and expenditures of health insurance companies from the Supervisory authorities etc.	NA/NU	A/U	A/U	A/U

*) Data used for the first EDP notification, in April – for year *n-1* - is based on a quarterly survey for health insurance companies, organized by the CZSO..

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

All sources data is used.

- a) *The statistical questionnaires (quarterly ZDP 3-04; annual ZDP 1-01) are used as basic sources. Working balance is based on the information and it is on accrual basis; data is on accrual basis.*
- b) *The health insurance companies keep adjusted accounting system used by commercial insurance companies introduced by the MOF in cooperation with the Ministry of Health.*

Financial statements (accounting reports) comprise:

- *“Selected indicators of the economic activity”. Revenues and expenditures of health insurance companies are recorded in several “funds” according to special accounting rules for allocating of revenues and expenditures (as resources and use of the fund, e.g. of Basic fund of health insurance, Operating fund, Investment fund, Reserve fund etc.) and showed only in several items (e.g. health insurance contributions, wages and salaries, interest, penalties and payments for health services provided to households). The information is mixed cash and accrual. The accounting information differs from the budgetary classification and also from any “profit and loss statements”; information from the statement is insufficient as basic source for compilation of national accounts including the EDP notification tables;*
 - *Balance sheet statement as the same, as for commercial insurance companies. Data from the financial statements is basic framework and it is compared with data from the statistical questionnaire.*
- c) *Budget reporting (accounting reports in the Final state budget) for health insurance companies is used as supplementary information source. It is only a summary report, containing aggregated data (tables) and comments. The Government and the Parliament takes cognizance of the Final report.*

Data from financial statements and from the Final state budget are compared with the statistical information (see 1b) and differences between selected items are discussed with the MOF and individually with the units.

1c) Complementary codification at data source, by counterpart sector

Sector counterpart information on

- d) non-financial is available especially from the annual statistical questionnaire and partially from the revenues and expenditures statements of budgetary organizations (information on health insurance contributions paid from the State budget to insurance companies on behalf especially of children and old persons);*
- e) financial transactions is available from the annual statistical questionnaire and from the MOF, i.e. information on Treasury bills and debentures held by the S.1314 or loans provided from the State budget.*

The National Accounts Branch introduced supplement questions (ZDP 1-01) on stocks of financial assets split by counterpart sector into the annual statistical questionnaire (since 2006) for health insurance companies.

1d) Complementary information, which is not in the financial statements, when compiling ESA95 accounts.

Quarterly and annual statistical questionnaires are basic sources for compiling ESA95 accounts and financial statements are basic framework.

Complementary information is obtained via individual questioning of the respondents.

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units with ESA95 classifications.

Health insurance companies are classified into “public budgets” and into the Final state budget (Budget Reporting) as a special part. They use special accounting system, which differs from other general government units and also from ESA95 methodology.

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

All data are based on direct sources.

The CZSO collects and processes the quarterly and annual statistical questionnaires.

Monthly data on cash health insurance contributions are obtained via the Ministry of Health.

Data from financial statements are obtained via the Ministry of Finance and via the Ministry of Health.

The Final state budget is obtained from the MOF.

1g) Nature of the data sources – cash, accrual or mixed

Data from

- statistical questionnaires is based on accrual basis;*
- financial statements is mixed (on accrual and on cash basis).*

Data on monthly health insurance contributions is on cash basis.

1h) Circumstances in which data available from basic sources is consolidated.

Consolidation of items D.4, D.7 and D.9 and financial transactions is based on the statistical questionnaires. Complementary information on financial transactions is based on information on Treasury bills and Treasury bonds held by the S.1314 and loans provided from the State budget (from the MOF).

1i) Changes in the accounting rules foreseen in the near future (if any).

Information on relevant changes of accounting rules is not available.

5.1.2 Data sources available: Other entities / in Social Security Funds

1a) Information available/used for this sub-sector in the year n-1 and year n-2 notified in April (n) and October (n):

Table 6 – Source Data Accounting¹⁰

B) Association of Health Insurance Companies (AHIC) and Centre of Interstate Settlements (COIS)^{*}

Accounting Rules(C/A/M)	Source Data Accounting	April (n)		October (n)	
		Year n-1	Year n-2	Year n-1	Year n-2
	• Budget Reporting				
	Summary				
	(1) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(2) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(3) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(4) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Detailed				
	(5) Current revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(6) Current and capital revenue and expenditure	NA/NU	NA/NU	NA/NU	NA/NU
	(7) Current and capital revenue and expenditure and financial transactions	NA/NU	NA/NU	NA/NU	NA/NU
	(8) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Financial Statements				
	(9) Profit and loss accounts	NA/NU	NA/NU	NA/NU	NA/NU
	(10) Balance sheets	NA/NU	NA/NU	NA/NU	NA/NU
	Other Reporting				
A	(11) Statistical surveys	NA/NU	A/U	A/U	A/U
A	(12) Other: Individual questioning (more detail information)	A/U	A/U	A/U	A/U

^{*} The units were established as non-profit institutions serving to health insurance companies and since 2004 have been classified into S.1314. Their impact on activities of S.1314 is negligible.

¹⁰ A/U (available/used), A/NU (available/not used), NA/NU (not available/not used)
C (Cash), A (Accrual), M (Mixed Cash-Accrual)

1b) Reasons for not using the available accounting reports and criteria for choosing only one of them (consistency with data sources used in other sub-sectors, accrual basis, etc) if two different accounting reports are available for the same unit.

The annual statistical questionnaire (NI 1-01) is used as basic source and “working balance” is based on the information; it is on accrual basis; the units are not included into Budget Reporting (Final state budget) and financial statements are not available.

1c) Complementary codification at data source, by counterpart sector

Sector counterpart information on non-financial and financial transaction including on assets stocks is available especially from the annual statistical questionnaires

1d) Complementary information, which is not in the financial statements when compiling ESA95 accounts.

Complementary information is obtained via individual questioning of the units..

1e) Consistency of classifications used in this sub-sector and in the Budget Reporting of other General Government units with ESA95 classifications.

The MOF does not treat the entities as government units. Therefore, they are not included in the “public accounts” (in the Final state budget, Budget Reporting).

1f) Source (direct or indirect) of basic data requested by the National Statistical Institutes

The CZSO uses direct sources: it collects and processes the annual statistical questionnaire for non-profit institutions (NI 1-01) including the two units. Moreover, individual questioning of the units is used.

1g) Nature of the data sources – cash, accrual or mixed

Data from statistical questionnaires is based on accrual basis

1h) Circumstances in which data available from basic sources is consolidated.

Consolidation of items D.4, D.7 and D.9 and financial transactions are based on the information from the statistical questionnaire (NI 1-01) and or individual questioning of the government units.

1i) Changes in the accounting rules foreseen in the near future (if any).

The CZSO has no information on changes in the accounting systems of non-profit institutions in the near future.

5.1.3 Data for the year (n-1) notified in April (n) - detailed explanation

i) Common data sources used for finalised and half-finalised data for the current year in the first notification.

Common data sources used for the April EDP notification and for finalised and half-finalised versions are only monthly data on health insurance contributions (used for time adjustment of health insurance contributions and for other accounts receivable).

ii) Data sources specifically used in the context of the first notification.

Data sources specifically used in the context of the first notification are following:

- *Quarterly statistical questionnaire for health insurance companies (ZDP 3-04),*
- *Monthly data on health insurance contributions (receivables),*
- *Information based on questioning of individual health insurance companies and other entities classified in the subsector.*

iii) Estimation methods that may be used in the context of the first notification

Estimation methods - coefficients or extrapolation - are used primarily for methodological adjustments (e.g. for financial leasing).

Estimations methods (including individual questioning) are also used for compilation data for other entities classified in S.1314 (AHIC and COIF).

5.1. 4 [Auditing Process]

I) Working balances of each of the sub-sectors that were submitted to an auditing process.

- a) The health insurance companies submit their final statements to official auditors;*
- b) Final reports are part of the Final state budget. The health insurance companies submit their financial statements and annual final reports also to the supervisory authorities, i.e. to the special departments of the Ministry of Health and also to the special department of the Ministry of Finance. The Ministry of Finance processes the financial statements and elaborates the Final report, which is submitted to the Government and Parliament as a part of the Final state budget. These authorities take cognisance of the report;*
- c) Moreover, the health insurance companies submit their “Final reports and a Project of economic activity in the next year” to the Government and Parliament for approval.*
- d) Association of health insurance companies and Centre of Interstate Settlements submit their financial statements for approval to the official accounting auditors.*

II) Incorporation of the findings of the auditing process in the national accounts.

(See par. 2.1.4, II)

The findings from the auditing process in the national accounts are implemented immediately or in the near future or as part of national accounts revision.

5.2 Data treatment

5.2.1 Half finalised and finalised data

a) Original source of data used as a starting step

Original source of data as starting step are following:

- *Annual statistical questionnaire (ZDP 1-01; NI 1-01), which includes information on non-financial transactions (revenues and expenditures), on stocks of non-financial and financial assets, financial transactions and also information on revaluation and other volume changes in compliance with ESA95;*
- *Financial statements of HIC, i.e. data on selected indicators of revenues and expenditures and balance sheet,*
- *Final state budget,*
- *Annual final reports of health insurance companies,*
- *Monthly data on health insurance contributions.*

b) Adjustments for financial transactions in units' data sources used for units classified in the Social Security Funds sub-sector.

Adjustments for financial transactions in the health insurance companies relate to especially on improvement of the financial instruments classification (structure).

The 1st notification in April is based only on the quarterly statistical questionnaire (ZDP 3 - 04) and on estimate methods (as to other two units).

Data for half-finalised" and "finalised" versions are based on information from the annual statistical questionnaire (ZDP 1-01 and NI 1-01) or from questioning of the units. Financial statement – balance sheet of HIC – is also used; it is basic framework for national accounts of the subsector S.1314. .

c) Information and the method (s) used for the adjustment cash/accrual (excluding interest) for social contributions and social benefits.

Only health insurance contributions and benefits are showed under S.1314; other social contributions and benefits are recorded as part revenues and expenditures of the State budget.

The data from statistical questionnaires is on accrual basis. However, for purposes of national accounts is used time adjusted method based on monthly data on health insurance contributions (obtained from the Ministry of Health) with the exception of contributions paid from the state budget via S.14 - on behalf "unemployed" persons, e.g. children or pensioners. The monthly amounts of the contributions are moved backward for one month (when the work was carried out).

Since 2004, health insurance contributions (following the Eurostat decision) include also amounts paid by the central government through the households (S.14). The payments are made on behalf of natural persons who do not obliged to pay the contributions (in compliance with legislation, e.g. pensioners, children or other natural persons). The amounts are on the cash basis and no adjustment is made.

Social benefits are recorded on accrual base. They are expenditures for health services, which were provided to households by health facilities. The social benefits are recorded as social benefits in kind (within D.63).

Time adjusted method (following the Eurostat decision) is used also for calculation of penalties relate to unpaid health insurance contributions (classified in D.75) – since 2004.

d) Sources and method used for the calculation of interest on an accrual basis where units' data sources provide only information on a cash basis.

Information on interest is on accrual base. Therefore, no adjustment is made.

e) Information on other accounts receivable/payable that may be provided in units' data sources.

Receivables and payables are

- From/to employees (in respect of employee's relationships – wages and salaries, reimbursement of travel expenses, reimbursement of damages/losses, etc.);

- From/to institutions and other natural persons – health insurance contributions, interest or reimbursement of damages/losses, etc;

- From/to other public budgets (e.g. some transfers returned - taxes).

According to the accounting rules, institutional unit cannot forgive receivables/ payables; they can write-off some receivables/payables only in some special cases (if creditor/debtor went bankrupt).

An adjustment of transactions related to receivables with health insurance contributions and penalties on unpaid health insurance contributions recorded on F.79 corresponds to the applied time adjustment of the D.61 and D.75.

f) Other adjustments regularly implemented.

EDP table 2D

- The item **financial leasing** consists of the exclusion of the financial leasing payments from the working balance (positive sign) and the inclusion of imputed interest expenditure (negative sign).
- The item **capital transfer from the CKA related to the take-over of bad receivables from fines and penalties** (positive sign) captures the capital transfer revenue of the health insurance companies relating to the assumption by the CKA (Czech Consolidation Agency) of bad social contributions receivables (including fines and penalties). The counterpart of this transaction is capital transfer expenditure of the CKA.
- The item **write-off receivables** (positive sign) capture the elimination of the negative impact of write-offs relating to bankrupts of debtors. This write-off receivables is recorded as expenditure in the working balance of health insurance companies (based on accrual accounting rules), however it does not enter into the EDP B.9 calculation. Considering application of time-adjusted cash method on insurance contributions, fees and penalties; this write-off receivables is not recorded in the national account for health insurance companies in the time series since 2004.

- The item **reserve creation (+), withdrawal (-)** covers the elimination of inflows (negative sign) and outflows (positive sign) relating to creation /withdrawal of reserves, since the accrual based working balance is influenced by these flows that relate to the change of the structure of net worth components.
- The item **wages in kind (negative sign)** corresponds to the imputation of flows relating to expenditures on wages in kind not included in the working balance. These expenditures are financed from the social and culture funds and information is based on the labour force survey.
- The item **transfers free of charge, GFCF (-), book depreciation of non-financial assets (+)** relates to the inclusion of expenditures on acquisition of non-financial assets not considered in the working balance (negative sign) and to the exclusion from the working balance of depreciation expenditure on non-financial assets (positive sign).

5.2.2 Revision process

Steps in the revision process of data, after the first notification.

The revision process of data is the same as for central and local government sectors as well as for all institutional sectors – national accounts (See 2.2.2 and 4.2.2).

6. Actual data on government debt

6.1 Half finalised and finalised data

a) Adjustments to the data sources that may be needed in order to value debt according to the specific EDP rules for each government sub-sector.

Adjustments, which are needed, are based on that:

- *new information from the MOF or from other government units e.g. information on debt assumption due to called state guarantee or information on received loans; also on information on debt consolidation;*
- *annual statistical survey e.g. as to financial leasing;*
- *recommendations from Eurostat experts;*
- *revision of the Regulations of EU (Council, Parliament etc) and the Government Deficit and Debt Manual;*

b) Sources of information used for the consolidation of debt and the valuation of holdings at the level of each government sub-sector (intra-flows and positions) and at the level of general government sector (inter-flows and positions).

Sources of information used for the consolidation of debt are based on additional information obtained

- *from the MOF (Treasury bills and state debentures split by sector, etc.)*
- *from individual central government units (e.g. CKA or NPF etc), from health insurance companies on voluntary basis,*
- *from the annual statistical questionnaire (since 2005).*

c) Use of financial accounts for the implementation of table 3, concerning assets and other liabilities.

Financial account – financial transactions in corresponding financial assets (liabilities) are used as base. They are results from information on stocks of financial assets and liabilities, which are recorded in the balance sheets of general government units and from information on revaluation and other volume changes. Decomposition of financial transaction F.4 and F.5 is based only on partial information on increasing (or reduction) of the financial assets.

Decomposition of the net transaction is complicated due to lack of the source data, mainly in the case of the budgetary and semi-budgetary organizations. Estimates in the case of the budgetary organizations - of Increase (+)/Decrease (-) – are based on items of the budgetary classification (items: “3201 Income from sale of shares” and “3202 Income from sales of capital participation”, “6201 Purchase of shares” and “6202 Purchase of capital participation”). However this data is on cash bases and does not cover transactions with all instruments classified under AF.5 (classification of assets in their accounting system is not in compliance with ESA 95).

Estimates for other central government organizations are based on individual information collected and provided by the MOF.

The CZSO adjusted the annual statistical questionnaire (VI 1-01 – since 2007), which includes information on increasing and reduction of the financial assets.

d) Sources of information for the adjustments relating to transactions in debt instruments that are not valued at the nominal (face) value of the instrument, for each government sub-sector.

Basic sources of information are following:

1) for the central government:

- *Final state budget, i.e. information on state treasury bills and state bonds and on foreign received loans;*
- *Financial statements, i.e. Balance sheets for all central government bodies;*
- *Annual statistical questionnaire;*

2) for the local government:

- *Financial statements, i.e. Balance sheets for all local government bodies;*
- *Annual statistical questionnaire;*

3) for the social security funds

- *Financial statements, i.e. Balance sheets;*
- *Annual statistical questionnaire.*

e) Sources of information used for the adjustments relating to a change in nominal debt that does not result from a transaction (other change in volume), for each government sub-sector.

Data on other change in volume (K.12) – for each government sub-sector results from:

- *information on new government units classified into government sub-sectors (K.12),*
- *information on government debt, which was calculated at the end of the year n-2 in the closing balance sheet and in opening balance sheet (change in sector classification or change in financial instrument classification),*
- *information on change of method.*

6.2 Data for the current year “n” notified in April

a) Data sources that may be used specifically in the context of the first notification

The calculation of general government debt is generally based on the data included in approved State budget, state funds budgets for current year “n” and adjusted in accordance with the latest information and draft budget for financial management of regional self-governing units. As regards the other government bodies and social security funds, the forecasts of their financial performance are used (the planned profit and loss statement etc, special statistical questionnaire as regards the social security funds).

b) Estimation methods that may be used in the context of the first notification.

For calculation of state debt are used data from approved act on state budget and Financing and Debt Management Strategy for relevant year, which is in line with above-mentioned state budget. Further information is gained from quarterly information on management of debt portfolio and additional current information and Government Debt Management Unit at the Czech Ministry of Finance provides estimates. The status of data is planned and statistical

estimation methods were needed. The debt of other government bodies is calculated on the basis of its liabilities prediction for current year.

c) Steps in the revision process of data, after the first notification.

After the first EDP notification, – a process of compiling national accounts continues:

- a) “half-finalized version” of sector national accounts is compiled for n-2 , including general government accounts;*
- b) “finalised” version for of sector national accounts for n-3;*
- c) “preliminary” version of the sector national accounts (in September);*
- d) new or additional Eurostat decision are implemented;*
- e) the 2nd EDP notification is carried out;*
- f) at the same time consistency between annual and quarterly government accounts and between quarterly non-financial and financial government accounts (for year’s n-1, n-2 etc) is ensured (Moreover, quarterly non-financial and financial government accounts are compiled for current year “n”).*

New sources data are used, namely

- a) the Final state budget approved by Parliament (in April or later);*
- b) The Final reports submitted to the Government and Parliament (e.g. NPF - until 2005, LF and Health insurance companies (including also its plan for next year) in June or later);*
- c) The Final financial statements of corresponding units submitted to official auditors for approval;*
- d) The annual statistical questionnaires for n-1, whose preliminary processing is available;*

7. Specific issues

7.1 Long-Term Contracts between Government and Private Entities

7.1.1 Identification and data sources of long-term contracts between Government and Private Entities (PPPs).

In general, the PPP refer to arrangements where the private sector supplies assets and services that have been traditionally provided by the public sector. However, there is not clear agreement what is and what is not a PPP arrangement. The PPP cover a range of options in which there is some sharing between the public and private sector.

In the past no PPP has been approved and implemented in the Czech Republic. This was caused mainly due to the fact, that existing legislative framework didn't create any provisions for central government bodies to enter into the PPP contracts. Current legislation in this field was significantly fragmented and individual acts regulated more or less partial issues. Moreover, it didn't govern the relationship between private and public partners, impacts of termination of "partnership" on the public budgets etc. As a result, the projects were realized rather in the traditional way, (either as a private project with the state grant or fully financed only by the state).

In fact, we can identify in the past number of projects based on the cooperation between public and private sector. Such projects can be found in various spheres, in particular in the area of regional and urban transport, water sector or education. These investment programmes are co-financed by the central government bodies (State budget' chapters or the State extra-budgetary funds) and by the direct participants of programmes (private enterprises or non-profit institutions). However, the resources from the public budgets have a nature of capital grant for predetermined purpose or project and the asset acquired on the basis of this MODel is in the ownership of subsidies recipients. Such participation doesn't generate source of fiscal risks. The contract clearly defines the provisions for its non-performance. When the resources from the state budget are not used in the correct way in compliance with the law on budgetary rules and complementary secondary legislation, the recipients have to return the grant back (incl. penalty).

"In passed two years there were two waves of preparation of pilot projects PPP that were presented to the government. The government admitted them to the elaboration, it means that these projects are determined by the government to elaborate them but they are still not implemented as PPP projects. There were other proposals of PPP projects presented to the Ministry of Finance in conformity with new legislative acts not included in special "wave system". They are in different phases: the analysis and Outline Business Cases are developed, the operating panels are established and public tenders for advisors are prepared, in some projects the advisors are selected and tenders for the selection of private partners are prepared (see the table No. I.). They will also be presented to the government in conformity with new legislative acts (especially Concession Act No. 139/2006 Coll.)."

Table I.: Key objectives and current status of PPP pilot projects' preparation

Project	Description of projects	Estimated value ¹¹	Stage of preparation
AirCon, Prague	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ A complete upgrade of existing railroad in the urban housing area, which would ensure suburban railway transport parallel to national transport and special connection between the airport and the city centre, including operation and maintenance, ▪ The project comprises 4-5 stops and a terminus. 	CZK 15-18bn. to be specified based on the type of contract	Preparatory stage
Central Military Hospital, Prague	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ AccomMODation for CMH clients (260 beds of hotel category****+), ▪ AccomMODation for CMH staff and candidates undertaking exams to be admitted to the Czech Army (240 beds), ▪ Car-park (300 parking places). <p>Other possible outputs of the project, e.g.</p> <ul style="list-style-type: none"> ▪ New entrance gate into the premises of the CMH for pedestrians as well as vehicles, including connection to surrounding communications, ▪ Information centre for CMH patients and clients, ▪ Flexible layout conference rooms, ▪ chapel, ▪ catering and connected services, ▪ rehabilitation and wellness centre, including 25m swimming pool, ▪ demolition of unfit buildings, ▪ central park, ▪ commercial activities (depending on the results of competitive dialogue). 	Total value: CZK 1,127m. Investment/capital costs: CZK 857.3m.	Feasibility study has been produced, OBC to be approved by the Government
D3 Motorway	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ to ensure building, operation and maintenance of the sections 0307 Tábor – Soběslav and 0308 Soběslav – Bošilec (or, possibly, other connected sections) as part of the present construction of the D3 Motorway. 	CZK 11bn. – to be specified based on the results of the OBC	Advisors have been selected, at present preparation of the feasibility study is under way
Justice Courthouse, Ústí nad Labem	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ construction and operation of a justice court house for the purpose of performing judicial activities of the Regional and District Courts, Regional and District State Prosecutor's Office, Probation and Mediation Service. <p>Other possible outputs of the project, e.g.</p> <ul style="list-style-type: none"> ▪ catering, ▪ cleaning and waste management, ▪ car-pool operation, ▪ reception and related services, ▪ helpdesk, ▪ building and asset administration, ▪ telecommunications services, 	Total value: CZK 4,363.5m. Investment costs: CZK 1,484m	Feasibility study has been produced, OBC to be approved by the Government

¹¹ Nominal value, excluding VAT

	<ul style="list-style-type: none"> ▪ information technologies, ▪ security, ▪ delivery, removal and transport services. 		
High security prison, Rapotice	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ construction and operation of high security prison for approx. 500 prisoners while complying with European standards (e.g. 6 m² per person), ▪ securing employment for prisoners (min. 60% of prisoners to be employed). <p>Other outputs of the project, e.g.</p> <ul style="list-style-type: none"> ▪ a stand-alone entrance building and a gateway for vehicles + an operating centre, ▪ admission and clearance of escorts, ▪ visiting room, ▪ catering, ▪ health-care centre, ▪ room for education and culture, ▪ administration, ▪ stocks and maintenance of equipment, ▪ production zone, ▪ gym, ▪ car pool, ▪ service dogs centre. 	Total value: CZK 6,755.8m. Investment costs: CZK 1,191m.	Feasibility study has been produced, OBC to be approved by the Government
Na Homolce Hospital, Prague	Implementation by means of PPP has been abandoned		
Ponava – brownfield regeneration, Brno	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ regeneration of Ponava brown field, ▪ construction of sports and leisure time centre, ▪ creating facility for top-level sport ▪ enhancing marketing potential of the city. <p>Other outputs of the project:</p> <ul style="list-style-type: none"> ▪ swimming pool, water park, ▪ football stadium, ▪ multi-purpose sports hall, ▪ hall for ball games, ▪ commercial area, ▪ soft services, ▪ demolition of buildings. 	CZK 2bn. To be specified based on the results of the OBC	Advisors have been selected, feasibility study has been produced, the procuring authority considers detailed structure of the project as suggested in individual variants proposed by the advisor
University Campus, Ústí nad Labem	Implementation by means of PPP has been abandoned		
Regional Hospital, Pardubice	<p>Main objectives:</p> <ul style="list-style-type: none"> ▪ to ensure thorough upgrade of the hospital including design, building of a new infrastructure, and refurbishment of the existing one, maintenance, partial operation of the hospital premises and provide certain soft services, ▪ to regenerate adjacent industrial premises of the former Tesla company where operation and 	CZK 2.2bn. To be specified based on the results of the OBC	Advisors selected, preparation of feasibility study under way

	maintenance services will be located, ■ to enhance and improve operation standards and user standards of the hospital premises.		
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7.1.2 Alternative data sources in cases of lack of comprehensiveness or reliability.

The Czech Government has adopted a policy introducing public private partnership ("PPP") in January 2004 as a standard tool serving the provision of public services and public infrastructure.

The Ministry of finance established "the Division of Regulation and Methodology of PPP projects" which makes part of the State Budget Department to oversee the fiscal, legislative and transparency issue related to PPP and "PPP Centrum of the Czech Republic" to support the implementation of projects and address the project risks, good governance risks and financial risks.

The Ministry for Regional development with the Ministry of Finance prepared special Act governing Concession Contracts and Concession Proceedings (Concessions Act). *The Act is divided in more sections: Public Contracting Authority, Concession Projects, Initiation of Concession Proceeding, Request for Proposals, Negotiations about Proposals, Invitation to Participate in Concession Dialogue, Review and Evaluation of Proposals, Selection of Concessionaire, Subcontracts within Above-the Limit Concession Contracts, Concession Contract, Important Concession Contracts, Feasibility Study, Approval of Concession Projects and of Concession Contract etc. The Public Contracting Authority of the project will have to firstly demonstrate that the use of private sector finance is more cost effective than the equivalent scheme financed by the public sector (in the traditional way). Based on this analysis, it makes a decision whether the project can be implemented via the PPP or not.*

The successful implementation of PPP project depends on the comprehensive contractual framework of the project. The Concession Contract should specify the minimum terms of partnership between public sector and private partner, in particular:

- *Duration of contract (partnership)*
- *Distribution of the risks between public and private partner*
- *Mechanism for evaluating of the quality of services provided by the private partner*
- *Rules governing the ownership of assets (at the beginning of the contract, during the duration of the contract and at the end of contract)*
- *The amount of charges paid by public sector or final users to private partner and the exact manner of their determination*
- *The way of control carried out by public sector concerning the performance of the contract*
- *Measures, penalties applied in the case of breaches of contract*

7.1.3 Terminology used for PPPs in the national language(s) and correspondence in English.

Partnerství veřejného a soukromého sektoru = Public-Private Partnership

Koncesní smlouva = Concession Contract

Veřejný zadavatel = Public Contracting Authority

Koncesionář = Concessionaire

7.1.4 Agency, organisation, or association dealing specifically with PPPs.

The Ministry of finance established “**the Division of Regulation and Methodology of PPP projects**” which makes part of the State Budget Department to oversee the fiscal, legislative and transparency issue related to PPP and “**PPP Centrum of the Czech Republic**” to support the implementation of projects and address the project risks, good governance risks and financial risks.

Ministry of Finance

Department of Regulation and Methodology of PPP Projects

Letenská 15

118 10 Praha 1

Tel.: + 420 257043443

Fax: + 420 257043141

Email: katerina.helikarova@mfcz.cz

PPP Centrum, a.s.

Na Příkopě 3-5

110 00 Praha 1

Tel.: +420 234 155 343

Fax: + 420 234 155 351

info@pppcentrum.cz

7.1.5 Legal instruments, including laws, regulations, or decrees, governing or regulating PPPs.

- a) *Special Act governing Concession Contracts and Concession Proceedings (Concessions Act) No. 139/2006 Coll. and*
- b) *The Act amended the Act no. 219/2000 Coll., governing the property of the Czech Republic and its representation in legal relations, the Act no. 218/2001 Coll., governing the state budget rules and the Act no. 250/2000 Coll., governing the budget rules for local budgets related to the Act governing Concession Contracts and Concession Proceedings (Concessions Act) No.138/2006 Coll. and their*
- c) *Executing decrees that entered into effect the 1st July 2006.*
- d) *Government Resolution No. 1017 dated August 17, 2005, which has presented the second wave of pilot projects.*
- e) *Government Resolution No. 76 dated January 19, 2005, which has presented the first wave of proposals of pilot projects.*
- f) *Government Resolution No. 791 dated August 25, 2004, which has presented the evolution of the PPP procedure in the Czech Republic and the timetable of the legislative framework transformation.*
- g) *Government Resolution No. 7 dated January 7, 2004, which has adopted a policy introducing public-private partnership ("PPP").*
- h) *Government Resolution No. 536 dated May 23, 2007, which has adopted the Analysis of PPP Pilot Projects and assigned some members of government and other governmental institutions special tasks concerning transparent and professional implementation of PPP in the Czech Republic.*

7.2 Long-term contracts for military equipment

7.2.1 Contracts used by military forces for the procurement of equipment:

- Arrangements within government sector (manufacturing by government units):

The Ministry of Defence (MOD) used contracts with suppliers of military equipment, but the MOD does not provide information about it.

No manufacturing government unit, which produces military equipments or durable goods, is classified in the General Government sector. They are classified in S.11 (the Business register is managed by the CZSO).

- Sales agreed in advance with industrial suppliers, with or without government pre-financing
The MOD provides data on acquisition of military equipment and it finances in this way in particular a research.

- Long-term rental contracts

The MOD and the MOF provided data on long-term contract (2005– 2015) on acquisition of 14 fighter aircrafts (Grippens), recorded in the State budget as operating leasing. The information (from the Ministry of Defence) includes data on repayments for Grippens and payments for services.

The acquisition of the Grippens has been treated – in the national accounts – in compliance with ESA95 conception, i.e. as financial leasing (AF.42), intermediate consumption (P.2); calculated interest has been included under D.41.

- Trade credits (payments after delivery)

According to the information of the MOD,

- *the liabilities (payables) are standard and they are paid according to the signed contract (the maturity plan);*
- *military equipment is usually paid in time of delivery (some time in advance); there are no liabilities longer than is ordinary pay-off period of bill (usually no more than 14 day).*

- Purchasing through an international special agency

The MOD purchases (or uses intermediation) via an international special agency.

More detailed information is not available about it.

- Other

The MOD makes its purchases of military equipment or material via units, which can do a trade with the equipment (in compliance with the special Act No 38/1994).

Some military equipment (fighter helicopters) has been delivered as repayments of foreign debt and corresponding amounts have been included into intermediate consumption (P.2) of the central government.

7.2.2 Borderline cases regarding the classification of some goods as military goods or as other equipment used by military forces.

The MOD reported that as borderline cases could be treated, for instance software systems, equipment for training or for simulation of a fighting situation. However, the durables goods are not included into military equipment.

CZSO has no detail information about it.

7.2.3 Recording of the impact on government expenditure from the above-mentioned contracts.

The MOD reported that information on military contracts, on expenditure relating to the contract, time etc. is secret and may not be published. Therefore, CZSO has no detail information about it.

7.2.4 Available information for the treatment of the above-mentioned contracts in national accounts.

The CZSO obtains data on delivered military equipment (purchases or repayments of the foreign debt) and the available information (amounts) is recorded in accordance with methodology ESA95 and the Manual on government deficit and debt (see par. 7.2.1 to 7.2.3)

7.3 Pension Schemes

7.3.1 Definition of pensions

Pensions as a social benefit can be defined as income of natural persons due to their old-age, disability or income for survivors, etc. In the Czech Republic, pensions are mandatory expenditure of the central government (granted by the State budget), based on compulsory social insurance and also from other funded social funds based on voluntary pension insurance.

Pensions are paid in compliance with (in principle) two Acts:

a) Pensions paid under the Act No 155/1995 Coll. on Pension insurance is following:

- Disability pensions: (i) Full invalidity; (ii) Full invalidity – so-called disability from young day; (iii) Partial disability*
- Old-age pensions: (i) Full old-age; (ii) Proportional old-age; (iii) Early old-age*
- Partial pensions (old- age);*
- Survivors' pensions: widows, orphans, widowers*

b) Pensions paid under the Act No 42/1994 Coll. on supplementary pensions insurance with government allowance:

(i) Old-age pensions; (ii) Disability pensions; (iii) Survivors' pensions; (iv) Length of insurance pensions (length of insurance must be 180 months or longer).

Employers' pension schemes have not been introduced; employers pay no pensions.

7.3.2 Classification of pension schemes

The social pension schemes (compulsory and voluntary) are part of the social protections of population in the Czech Republic. They have the distinct body of rules, accounts of revenue and expenditure are kept separated and the entities administering pension insurance, i.e. collect contributions and pay pensions – social benefits, are legal persons.

Two forms of the pension schemes are introduced:

A. General social insurance – social security system

In 1993, a new social and health insurance scheme (social insurance contributions, as well as a new tax system) were introduced in the Czech Republic and revised in 1996 (social benefits). Social and health insurance systems are regulated by a number of laws and decrees.

Pensions paid since 1996 are under Act No 155/1995 Coll. on Pension insurance (and in compliance with the other legal adjustments).

Employers, employees and self-employed persons (compulsory) and other persons (voluntary) pay social contributions to the “social fund” (i.e. - pension fund, the sickness fund and the un-employment fund), which are a part of revenue of the State budget. The Czech Administration of Social Security (the special central budgetary organisation) administrates these social contributions and pays social benefits. The benefits are expenditure of the State budget.

The Czech Administration of Social Security – which collects contributions and pays social benefits - is classified in S.1311

B. Supplementary pension insurance

Supplementary pension insurance is paid under the State-contributory Supplementary Pension Insurance Act, No. 42/1994 Coll. This Act lays down the conditions for establishment and management of pension funds, stipulates the types of pensions provided under this Act, and specifies the terms under which the government contributes to the pension insurance of the participant. Insurance claims are based on policies taken out solely on the own initiative of insured and government encourages this social insurance – pays bonus (allowance) to the participant in this scheme.

Only pension funds can administer the supplementary pension insurance; they are private legal persons – joint stock companies, classified in S.125. They collect supplementary pension contributions and pay supplementary pension benefits.

The supervisory body worked within of the Ministry of Finance and since 2006 is integrated into the Czech National bank (as a special department).

7.3.3 Classification of social insurance pension schemes

General social pension insurance scheme (obligatory scheme); all population is under the scheme (according to the special Act; employers and employees, self-employment and other persons pay social contributions.

Pension insurance contributions are revenue of the State budget. No liabilities are recorded in the State budget.

Supplementary pension insurance scheme covers natural persons, which pay contributions on voluntary basis. An employer can pay contribution on behalf its (voluntary insured) employees.

At present, Social insurance schemes do not include any “employers’ schemes”, i.e. schemes organized by employers.

7.3.4 Definition of social security schemes

Social security scheme is imposed, organized, encouraged and financed by the government (i.e. from the State budget). It is organized under the special Act and covers all population.

The scheme is un-funded (no special reserves are created), based on “pay-as-you-go” rule. It is “benefits defined social scheme” – social benefits are not determined by the amounts previously paid in contributions.

7.3.5 Classification of institutional units supporting pension schemes. Borderline cases

In the Czech Republic were established two types units administrating pension schemes:

- *Czech Administration of Social Security, budgetary unit (managed by the Ministry of Labour), which collects pension insurance contributions and pays pensions (social benefits). The unit is classified in S.1311; its total revenues and expenditures are fully linked with the State budget.*
- *Pension Funds, joint stock companies, which are autonomous pension funds established as private legal corporations. The units are responsible for managing the funds and paying the social benefits; they incur liabilities (technical insurance reserves and other liabilities).; they are classified in S.125.*

No borderline cases exist.

7.4 Guarantees

7.4.1 Treatment of new guarantees provided

The Ministry of Finance reported that no new guarantee has been provided by the central government.

Information on guarantees provided by the local government is not available.

Health insurance companies must not provide guarantees.

7.4.2 Treatment of Guarantees called (and not repaid within the same year by the original debtor)

Guarantees are recorded in the government debt only if relate to debt financial instruments, i.e. standard guarantees.

- The state guarantees, which relates to debt instruments (standard guarantees) are transformed into government debt in year when called. They are recorded in the same way as a debt assumption - as a capital transfer in the same amount (-D.99 and + F.42 in the central government sector).*
- Given guarantees are recorded into the government debt and also as the capital transfer in the same year, if it is evident that the guarantee will be called (when there is high probability that the guarantee will be called).*
- The provided state guarantee to the Czech National Bank due to the case CNB/CSOB/IPB, which was called in 2003, (following Eurostat decision) is treated as non- standard guarantee. The state guarantee has been provided on behalf of the CNB to cover losses, which CNB will suffer from indemnification of CSOB (arising from unrecorded liabilities of former IPB assumed by CSOB or due to court costs).*

The state guarantee was excluded from the calculated capital transfers and from the central government debt in 2003. It is treated as contingent liability and kept out of the balance sheet of the central government. The MOF pays only legitimate and documented claims of CSOB, which are recorded as capital transfer.

7.4.3 Treatment of repayments related to guarantees called

Repayments related to guarantees called

a) Called guarantee and debt

The called guarantee is recorded as a capital transfer and as a government debt in the same time and in the same amount. The government debt then depends on repayments of the liability.

b) Called guarantee and no debt: The called guarantee is recorded only as a capital transfer if the called guarantee is paid in the total debt amount and in the same time when it was called.

7.4.4 Treatment of write-offs by government, if any, of government assets that arose from calls

No such case has been reported and recorded in the central government accounts. No information on write-offs carried out by the local government is available.