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If a whole or part of a paragraph has been amended, the date of the amending regulation appears in square brackets at the end of the paragraph. If a whole paragraph or sub-paragraph has been deleted, the date of the deletion appears in square brackets beside the deleted paragraph or sub-paragraph.

Republic of Latvia

Cabinet

Regulation No. 652

Adopted 28 September 2021

**Procedures for Preparing an Annual Statement**

*Issued pursuant to*

*Section 30, Paragraph 1.1 and Section 31, Paragraph two of the Law on Budget and Financial Management*

**1. General Provisions**

1. The Regulation prescribes the procedures by which:

1.1. budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget shall prepare the annual statement;

1.2. the Treasury shall, in addition to the statement referred to in Sub-paragraph 1.1 of this Regulation, prepare an annual report on the financial accounting of the State budget;

1.3. the State Revenue Service shall, in addition to the statement referred to in Sub-paragraph 1.1 of this Regulation, prepare an annual report on the taxes and fees administered by this Service, and other payments administered thereby that are attributable to the State budget;

1.4. the Ministry of Finance shall prepare and submit the consolidated report on the financial year.

2. The Regulation shall apply to the preparation of the annual statement or consolidated annual statement of the entities referred to in Section 30, Paragraph three of the Law on Budget and Financial Management.

3. If the last day of the time limit specified in this Regulation falls on Saturday, Sunday, or a public holiday specified in law, the following working day shall be considered as the last day of the time limit.

4. The following terms are used in the Regulation:

4.1. balance sheet date – the last calendar day of the reporting year or 31 December and also the last calendar day of the reporting period which the financial statement covers if it is prepared for a period that differs from a calendar year;

4.2. materiality level – the absolute or relative value starting at which the information provided in the financial statement may influence the opinion of the users of the financial statement and the decisions taken on the financial activity of the relevant institution. Materiality depends on the size and nature of the relevant item or error, taking into account the particular circumstances of the failure to provide or misstatement of information;

4.3. going concern basis – the principle for preparing statements according to which assets and liabilities are disclosed in a statement on the assumption that the institution will continue its operations or provide the function also in the future;

4.4. date on which the annual statement is authorised for issue – the date on which the auditor has provided, as appropriate, an opinion or a report on the fair presentation of the annual statement and has carried out the activities referred to in Paragraph 35 of this Regulation. In the absence of such opinion or report, it shall be the date on which the head of the institution or his or her authorised person signs the annual statement. On that date, the statement shall be regarded to be completed and submitted;

4.5. institution – the entities referred to in Sub-paragraphs 1.1, 1.2, and 1.3 of this Regulation;

4.6. annual report – a report on the financial accounting of the State budget and a report on the taxes and fees administered by the State Revenue Service, and other payments administered thereby that are attributable to the State budget (hereinafter also – the annual statement);

4.7. consolidated annual statement – an annual statement prepared in accordance with the procedures laid down in this Regulation as the annual statement of a single unit which aggregates information on several institutions involved in the consolidation, excluding mutual transactions and balances between the institutions involved in the consolidation;

4.8. adjusting event after the balance sheet date – an event that provides evidence of conditions that existed on the balance sheet date and relate to the reporting year;

4.9. credit risk – the risk that the other party to a financial instrument transaction will cause a financial loss for the institution by failing to discharge its contractual liabilities;

4.10. liquidity risk – the risk that the institution will encounter difficulties to discharge its financial liabilities that are settled by cash or other financial assets;

4.11. ministry – within the meaning of this Regulation, ministries and other central State institutions that prepare the consolidated annual statement;

4.12. cash basis – an accounting principle according to which transactions and other events are recognised when cash is paid or received for them;

4.13. direct cash flow method – a method for measuring cash flow of operating activities according to which the major classes of gross cash receipts and gross cash payments are disclosed using data from accounting registers;

4.14. non-adjusting event after the balance sheet date – an event that is indicative of conditions that arose after the balance sheet date, do not relate to the reporting year but could have a significant impact on the financial indicators of the institution in the future;

4.15. event after the balance sheet date – a favourable or an unfavourable event that occurs between the balance sheet date and the date on which the annual statement or consolidated annual statement is authorised for issue;

4.16. reporting period – the period for which the statement is prepared. The annual reporting period covers the financial year;

4.17. auditor – an official of the State Audit Office who gives an opinion on the fair preparation of the annual statement, a sworn auditor, or the responsible sworn auditor of a commercial company of sworn auditors who prepares a report on the audit of the annual statement;

4.18. audited statement – a statement on which an opinion of the auditor (an opinion without reservations, an opinion with reservations, or a negative opinion) or a refusal to provide an opinion has been provided;

4.19. comparative information – information on the previous reporting period which is provided for all items included in the annual statement;

4.20. sector – the institutional sector of the State or local government (except for the merchants controlled and financed thereby), both sectors combined – general government.

**2. Annual Statement and Closing Statement**

5. The institution has the obligation to prepare the annual statement on each reporting period within the meaning of the Accounting Law.

6. The annual statement as an aggregate shall consist of:

6.1. a management report;

6.2. a financial statement;

6.3. information on the implementation of the budget.

7. A financial statement shall consist of:

7.1. a statement of financial position (hereinafter – the balance sheet);

7.2. a statement of financial performance;

7.3. a statement of changes in equity;

7.4. a cash flow statement;

7.5. an annex to the financial statement. It shall consist of:

7.5.1. a description of accounting principles;

7.5.2. a description of the principles for the preparation of the annual statement;

7.5.3. a description of the management of risks inherent in financial instruments;

7.5.4. a structured explanation of the items included in a financial statement.

8. The statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation as an aggregate shall include the documents referred to in Paragraph 6 of this Regulation and certification on the veracity of the information provided in the annual statement.

9. The Treasury and the State Revenue Service shall determine the preparation of the statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation in an internal legal act. It shall include the following:

9.1. the procedures for preparing a statement;

9.2. the procedures for preparing a management report;

9.3. the procedures for preparing the description of accounting principles;

9.4. the procedures for providing certification on the veracity of the information provided in the statement.

10. When reorganising the institution, changing its subordination, or liquidating it, a closing statement shall be prepared in the extent referred to in Sub-paragraphs 6.2 and 6.3 of this Regulation and submitted to the institution specified in the legal acts in the field of reorganisation, change of subordination, or liquidation.

11. When reorganising the institution or changing its subordination, a closing statement shall include information on balances at the last date of the period when the reorganisation or change of subordination takes place.

12. When liquidating the institution, a closing statement shall include information on balances at the last date of the period when the institution is liquidated (balances of transfers) and information on the closing result (the closing balances in the balance sheet and the statement of equity are equal to zero, the cash flow statement and the statement of financial performance contain information on the reporting period).

13. If reorganisation of institutions, change of subordination, or establishment or liquidation of public agencies takes place during the reporting period, changes shall not be made in the balances of the financial statement at the beginning of the year, but the received or transferred balances shall be disclosed as a non-exchange transaction of the current period.

**3. Consolidated Annual Statement of a Ministry or Local Government**

14. The consolidated annual statement of a ministry shall include the annual statements of the State budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget which are involved in consolidation.

15. The consolidated annual statement of a local government shall include the annual statements of the budget institutions involved in consolidation and the annual statements of joint institutions (within the meaning of the Local Government Law). The annual statement of a joint institution shall be included in the consolidated statement of the local government by the local government for which such obligation has been determined in the by-laws of the joint institution.

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16. The consolidated annual statement of a ministry or local government as an aggregate shall include the documents referred to in Paragraph 6 of this Regulation and certification on the veracity of the information provided in the annual statement.

17. The annual statement of an institution shall be included in the consolidated annual statement of the ministry or local government from the date on which the relevant institution has become a subordinate institution of the relevant ministry or local government. The annual statement of an institution shall be excluded from inclusion in the consolidated annual statement of the ministry or local government from the date on which the reorganisation, change of subordination, or liquidation of such institution has taken place.

18. Annual statements of the institutions involved in consolidation shall be prepared on the same reporting date.

19. The unified procedures for preparing an annual statement, accounting procedures, and chart of accounts shall be taken into account when preparing the annual statement of an institution involved in consolidation.

20. A ministry or local government shall determine the procedures for preparing an annual statement. It shall include the following:

20.1. the procedures for preparing a consolidated annual statement, including the inclusion of the annual statement of the State security institution referred to in the law On State Security Institutions in a consolidated annual statement;

20.2. the conditions for the institutions involved in consolidation for:

20.2.1. the scope of the annual statement and information to be provided in addition to the information provided in this Regulation;

20.2.2. the deadlines for submitting the annual statement of institutions;

20.2.3. the procedures for preparing a management report;

20.2.4. the preparation of the financial statement of the State security institution referred to in the law On State Security Institutions;

20.2.5. the procedures for preparing annexes to a financial statement;

20.2.6. the procedures for providing certification to a higher institution on the veracity of the information provided in the statement;

20.2.7. the procedures for providing information on adjusting and non-adjusting events after the balance sheet date after authorisation of the annual statement of the relevant institution, ministry, or local government for issue.

21. A provider of accounting service may develop unified procedures for preparing an annual statement for all recipients of the accounting service, agreeing thereupon with each recipient of the accounting service. A recipient of the accounting service shall apply the procedures for preparing an annual statement referred to in this Paragraph.

22. Consolidation shall cover all items in a financial statement and a statement on the implementation of the budget.

23. The consolidated annual statement of the Ministry of Finance shall not include the statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation.

24. Financial statements of the institutions involved in consolidation shall be combined in accordance with the following procedures:

24.1. the amounts of assets, liabilities, equity, revenues, and expenditures (costs) -disclosed in the relevant items of the financial statement of the institutions involved in consolidation shall be combined, i.e. a summary that includes the aggregation of the same items shall be made;

24.2. the institution undertaking the consolidation shall adjust the data of the financial statements of the institutions which have been prepared using different accounting methods and different measurement bases. The value of the balance sheet items of the highest institution shall be increased or reduced accordingly by the correction amount and the relevant items shall be adjusted;

24.3. all amounts of the results of transactions between the institutions involved in consolidation and the corresponding balance sheet items shall be excluded, i.e. information on the items to be consolidated shall be produced, specifying the item and the amount to be consolidated;

24.4. the financial statement shall be adjusted for the adjusting events after the balance sheet date of the institutions involved in consolidation and information on material and significant non-adjusting events after the balance sheet date up to the date on which the consolidated annual statement is authorised for issue shall be provided;

24.5. a consolidated financial statement that covers the aggregation of data on summary, consolidation, and adjusted items shall be produced.

25. The statements on the implementation of the budget of the institutions involved in consolidation shall be combined in a single budgetary framework in the following sequence:

25.1. the amounts of revenues, expenditures, and financing indicated in the relevant items of the statement on the implementation of the budget of the institutions involved in consolidation shall be combined, i.e. a summary that includes the aggregation of the same items shall be made;

25.2. the institution undertaking consolidation shall adjust the data of the statements on the implementation of the budget of the institutions which have been prepared using different accounting methods and methods for accounting the implementation of the budget and different measurement bases. The relevant items of the implementation of budget shall be increased or decreased accordingly by the amount of adjustments;

25.3. transactions (revenues, expenditures, financing) and transfers between the institutions involved in consolidation for the reporting period shall be excluded by budget type, i.e. a consolidation statement showing the item and amount to be consolidated shall be prepared;

25.4. the ministry shall include in the consolidated statement on the implementation of the budget the data of the relevant programmes (sub-programmes) of budget unit 62 “Earmarked Grants for Local Governments”, the relevant programmes (sub-programmes) of budget unit 64 “Grants for Local Government”, and the relevant programmes (sub-programmes) of budget unit 74 “Financing to be Reallocated during the Implementation Process of the Annual State Budget” in accordance with the delegation of the programme implementer specified in the law on the State budget for the current year and the medium term budget framework (hereinafter – the State budget law);

25.5. a consolidated statement on the implementation of the budget that covers the aggregation of data on summary, consolidation, and adjusted items shall be produced.

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26. The institution undertaking consolidation shall ensure verification of the conformity of the annual statement of the institutions involved in consolidation with the requirements of this Regulation.

**4. Consolidated Report on the Financial Year**

27. The consolidated report on the financial year shall include the audited consolidated annual statements of the ministries and local governments received by the Treasury and the statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation.

28. The consolidated report on the financial year as an aggregate shall include the documents referred to in Paragraph 6 of this Regulation.

29. The financial statements of the consolidated report on the financial year shall be combined in accordance with Paragraph 22 of this Regulation in the following sequence:

29.1. the amounts of assets, liabilities, equity, revenues, and expenditures (costs) disclosed in the relevant items of the financial statement of the institutions involved in consolidation referred to in Paragraph 27 of this Regulation shall be aggregated, i.e. a summary that includes the aggregation of the same items shall be made;

29.2. the data of the financial statements which have been prepared using different accounting methods and different measurement bases shall be adjusted. The value of the balance sheet items shall be increased or reduced accordingly by the correction amount and the relevant items shall be adjusted;

29.3. all amounts of the results of transactions (except for tax transactions) between the institutions involved in consolidation referred to in Paragraph 27 of this Regulation and the corresponding balance sheet items shall be excluded;

29.4. the financial statement for adjusting events after the balance sheet date shall be adjusted in accordance with Paragraphs 103, 104, and 105 of this Regulation;

29.5. a consolidated financial statement that covers the aggregation of data on summary, consolidation, and adjusted items shall be produced.

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30. The consolidated report on the financial year shall include information on the implementation of the budget, consisting of a statement on the implementation of the consolidated general budget and its annexes:

30.1. an annex explaining the implementation of the consolidated general budget;

30.2. a statement on the implementation of the consolidated State budget which shall include the following:

30.2.1. information according to the structure specified in the annexes to Chapter II “State Budget for the Current Year” of the State budget law, supplemented by information on the implementation data for the reporting period and the previous reporting period according to the cash flow, except for the annexes regarding earmarked grants for local governments and the maximum permissible amount of the State budget long-term liabilities which shall be supplemented with information on the implementation data for the reporting period according to the cash flow;

30.2.2. a statement on the implementation of the State consolidated donations and gifts;

30.2.3. a consolidated statement on the implementation of the operational activities of the derived public entities financed partly from the State budget and institutions non-financed from the budget;

30.2.4. an annex explaining the implementation of the consolidated State budget;

30.3. a statement on the implementation of the consolidated local government budget which shall include the following:

30.3.1. a statement on the implementation of the local government consolidated basic budget;

30.3.2. a statement on the implementation of the local government consolidated donations and gifts;

30.3.3. an annex explaining the implementation of the consolidated local government budget.

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31. A statement on the implementation of the consolidated general budget, consolidated State budget, consolidated local government budget shall be aggregated by and between budget types, combining the relevant revenue, expenditure, and financing items and excluding mutual expenditure transfers, payments on borrowings, loans, and changes in cash balances in the Treasury accounts.

32. A statement on the implementation of the consolidated general budget and the explanation thereof, a statement on the implementation of the consolidated State budget and the explanation thereof (Sub-paragraphs 30.2 and 30.2.4 of this Regulation), and a statement on the implementation of the consolidated local government budget and the explanation thereof (Sub-paragraph 30.3 and 30.3.3 of this Regulation) shall include revenue, expenditure, and financing items according to code groups specified in the laws and regulations in the field of the budget classification.

**5. Signing, Authorisation for Issue, and Submission of an Annual Statement, Consolidated Annual Statement, and Consolidated Report on the Financial Year**

33. The annual statement referred to in Sub-paragraphs 1.1, 1.2, and 1.3 of this Regulation shall be signed by:

33.1. the head of the institution or a person authorised thereby;

33.2. the responsible finance employee or the person responsible for preparing the annual statement.

34. The consolidated report on the financial year shall be signed by the Minister for Finance and the Treasurer.

35. An auditor shall verify and confirm in eReports that the annual statement or consolidated annual statement (except for certification on the veracity of the information provided in the annual statement) is consistent with the annual statement or consolidated annual statement on which the auditor has issued respectively an opinion or report.

36. The consolidated annual statement of the ministry or local government and the statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation shall be submitted on the date on which the annual statement is authorised for issue.

37. The Treasury shall, on an annual basis, publish the following on the website of the Treasury:

37.1. the annual statement or consolidated annual statement of a State budget institution, a derived public entity financed partly from the State budget, and an institution non-financed from the budget, a ministry, and a local government – on 1 June;

37.2. the statements referred to in Sub-paragraphs 1.2, 1.3, and 1.4 of this Regulation on which an opinion of the State Audit Office has not been issued – within three working days after the deadline for the submission of the statement to the State Audit Office specified in the Law on Budget and Financial Management;

37.3. the audited consolidated report on the financial year – within three working days after review of the report at a meeting of the Cabinet.

38. If the institution has complied with the requirements of this Regulation, the Treasury shall ensure the submission of the file of the annual statement or consolidated annual statement submitted in the eReports system to the National Archives of Latvia.

**6. Correction of the Annual Statement and Consolidated Annual Statement after the Date on which the Statement is Authorised for Issue**

39. If the Treasury establishes any deficiencies, non-conformity of data, or errors:

39.1. in the annual statement or consolidated annual statement of the ministry or local government after receipt of an opinion or report of an auditor and approval of data in eReports, then:

39.1.1. the statement shall be transferred to the ministry or local government for correction;

39.1.2. the ministry or local government shall transfer the statement for correction to the institutions involved in consolidation in the statements of which errors were found;

39.1.3. the institutions shall make corrections in the statements, verify and repeatedly sign them electronically;

39.1.4. the ministry or local government shall repeatedly prepare, verify, and sign the statement electronically, informing the auditor thereof;

39.1.5. the auditor shall approve the data in the clarified statement and, where appropriate, provide a repeated opinion or report in the form of an electronic document and upload it in eReports;

39.2. in the statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation after the date referred to in Paragraph 36 of this Regulation, then:

39.2.1. it shall be transferred to the relevant institution for correction;

39.2.2. the institution shall, from 1 July to 10 July, make corrections in the report, verify and repeatedly sign it electronically.

40. In order to prepare the consolidated report on the financial year and to provide users of the report with a clear and fair view of the information included in the report, the Ministry of Finance (the Treasury) has the right to:

40.1. specify additional information to be provided with the annual statement;

40.2. request additional and clarifying information (including detailed calculations and justification of calculations) on the information presented in the annual statement.

**7. Preparation of the Annual Statement, Consolidated Annual Statement, and Consolidated Report on the Financial Year**

**7.1. General Principles for Preparing the Annual Statement and Consolidated Report on the Financial Year**

41. A financial statement and a statement on the implementation of the budget shall be prepared in accordance with the Accounting Law, the Law on Budget and Financial Management, the laws and regulations in the field of budget and accounting (including accounting in budget institutions) and the basic principles laid down in this Regulation, and other legal acts governing the field of accounting and budgeting.

42. A financial statement and a statement on the implementation of the budget shall be prepared according to:

42.1. the accrual basis and cash basis;

42.2. the going concern basis;

42.3. accounting data classified in accordance with the legal acts in the field of accounting and budget classification of budget institutions.

43. The financial and non-financial information of the annual statement, consolidated annual statement, and consolidated report on the financial year (hereinafter in this Chapter – the annual statement) shall be prepared in conformity with the following qualitative characteristics:

43.1. veracity – the information included is complete and neutral (free from bias) and without material errors so that users of the information can depend thereon that the entire information that had to be disclosed has been disclosed, or there are reasonable grounds to believe that such information will be disclosed. Prudence shall be exercised when deciding on evaluations so that assets and revenues are not overstated and liabilities and expenditure are not understated;

43.2. materiality – information is material if its omission or misstatement could affect the decisions of the users of the annual statement which are taken on the basis of such information. Such information confirms or modifies past or present assumptions and estimates and discloses the planned activities, objectives, sources of funds, and expenditures of the institution;

43.3. understandability – information is presented so that the users of the annual statement would comprehend how particular transactions or events affect the financial position of the institution or financial performance in the reporting year or in the future;

43.4. timeliness – the time limit for the provision of the information enables it to be used in evaluating past, present, or future events, confirming or changing the previous assumptions and evaluations;

43.5. comparability – enables the identification of similarities and differences between two sets of conditions. Accounting principles shall be applied consistently. Item listing and classification in all reporting periods shall be the same, except where the change of item listing and classification is provided for in the legal acts in the field of budget and finances. Mutually comparable data shall be consistent with each other in various statements and their annexes, including the data presented in the annual closing inventory documents referred to in Chapter 8 of this Regulation on the comparison of receivables, liabilities, and transactions between general government sector structures (except for the commercial companies controlled and financed by these structures (a list thereof is provided by the Central Statistical Bureau) (hereinafter – the general government sector structures), special economic zones, ports and freeport authorities, and State security institutions referred to in the law On State Security Institutions);

43.6. verifiability – ensures that a third party qualified in accounting matters, when verifying or repeatedly preparing the information, reaches the same conclusion as the institution when preparing the annual statement.

44. The following general information shall be provided for the identification of the annual statement:

44.1. the name of the institution and also other information and designations for the identification of the institution;

44.2. information on whether the annual statement is an aggregate of statements for one individual institution or for several institutions;

44.3. the institutions involved in consolidation shall indicate the name of the ministry or local government the consolidated statement of which includes information on them;

44.4. the date or period corresponding to the relevant component of the annual statement;

44.5. the degree of accuracy of the figures.

45. The general information specified in Sub-paragraphs 44.2, 44.4, and 44.5 of this Regulation shall be provided for the identification of the consolidated report on the financial year.

46. Ministries, local governments, State budget institutions, derived public entities financed partly from the State budget, and institutions non-financed from the budget shall use the e-service of the Treasury “eReports” (hereinafter – the eReports) for the preparation, verification, signing, approval, and submission of the annual statement in accordance with the laws and regulations regarding the procedures for ensuring electronic exchange of information by the Treasury. Local government budget institutions, local government agencies, and local government joint institutions shall use eReports for this purpose according to the decision of the head of the respective institution.

47. The consolidated report on the financial year shall be prepared and submitted in the form of an electronic document.

48. The measure of value to be used in the annual statement shall be euros.

49. Assets and liabilities, and also revenues and expenditures shall be disclosed separately and not mutually exclusive, unless otherwise provided in this Regulation.

50. An item in which there is no figure shall be indicated only if there was a relevant item with a figure in the previous annual statement.

51. Comparative information shall not be disclosed if the annual statement is submitted for the first time.

**7.2. Certification on the Veracity of the Information Provided in the Annual Statement**

52. Certification shall include a statement of the ministry, the local government, or the budget institutions referred to in Sub-paragraph 1.2 or 1.3 of this Regulation that the introduced control procedures ensure that the annual statement has been prepared in accordance with the applicable legal acts and gives a true and fair view of the operational results, cash flow, and financial position, discloses the economic substance of events and transactions, and is complete in all material respects, and also that a comprehensive and effective internal control system has been established by the ministry, the local government, or the budget institutions referred to in Sub-paragraph 1.2 or 1.3 of this Regulation to prevent material non-conformities in the financial statements caused by fraud or errors and to ensure continuous improvement and monitoring of the internal control system.

53. Certification shall include at least:

53.1. the following statements:

53.1.1. the information disclosed in the annual statement corresponds to the accounting data;

53.1.2. consistent accounting procedures corresponding to legal acts and substantiated estimates have been used in the financial statement;

53.1.3. all institutions involved in consolidation ensure the application of uniform principles in accounting and preparation of statements;

53.1.4. all transactions, events, revenues, and expenditures relating to the reporting period have been disclosed in the accounting registers and financial statement;

53.1.5. all assets and liabilities have been disclosed cautiously in the financial statement;

53.1.6. an inventory of all assets and liabilities has been taken;

53.1.7. the cash balances correspond to the information provided in the statement;

53.1.8. the financial statement discloses contingent liabilities and encumbrances, including:

53.1.8.1. pledges;

53.1.8.2. guarantees, including guarantee obligations;

53.1.8.3. contingent liabilities of legal proceedings;

53.1.9. the accounts are kept by a person competent in accounting matters;

53.1.10. the financial statement discloses any plans of the institution which could materially change the carrying amount or classification of assets and liabilities in the financial statements;

53.1.11. all conditions of contracts entered into which could affect the financial statement have been complied with;

53.1.12. the requirements of supervisory authorities which could affect the financial statement have been complied with;

53.1.13. the employees of the institution have been informed of the prevention of conflicts of interest;

53.1.14. processes/functions with assessed fraud risks have been identified;

53.1.15. measures have been implemented for the prevention of fraud risks;

53.1.16. the requirements of the legal acts affecting the financial statement have been complied with;

53.1.17. there have been no violations of legal acts which involve the management or employees and which have a material effect on the annual statement;

53.1.18. the employees of the institution have been informed of information security;

53.1.19. procedures are in place to prevent unauthorised access to documents, records of accounting registers, and assets;

53.2. the opinion of the management on the objections included in the auditor’s report/opinion and the possibilities for the rectification thereof (including time limits).

**7.3. Management Report**

54. The management report shall provide information on the operations of the institution during the reporting year and its planned operation in the upcoming years, and also information on substantial risks and unclear circumstances faced by the institution.

55. The management report shall provide at least the following information on the reporting period:

55.1. the legal acts governing the operational activities of the institution;

55.2. the main functions of the institution;

55.3. the period of operation of the institution, if limited;

55.4. the main events which have affected the operation of the institution in the reporting year;

55.5. a significant change in the operations of the institution;

55.6. the foreseeable events which could significantly affect the operation of the institution in the future;

55.7. the significant risks and unclear circumstances faced by the institution;

55.8. the research and development works;

55.9. the use of financial instruments and the financial risk management objectives if relevant to the evaluation of the assets, liabilities, and financial position of the institution;

55.10. other publicly available documents on the activity of the institution during the reporting year.

**7.4. Balance Sheet**

56. A balance sheet is a report demonstrating the amount of assets, liabilities, and equity of the institution as of a certain date. The balance sheet assets contain sections “Long-term investments” and “Current assets”, liabilities – sections “Equity”, “Provisions” and “Liabilities”.

57. Balance sheet items shall be disclosed in accordance with the chart of accounts specified in the legal acts in the field of accounting:

57.1. the institutions referred to in Sub-paragraphs 1.1, 1.2, and 1.3 of this Regulation, the second and third level of accounts;

57.2. for the statement referred to in Sub-paragraph 1.4 of this Regulation, the second level of accounts.

58. The total amount of the balance sheet asset shall be equal to total amount of the balance sheet liabilities.

59. Intangible investments, property, plant, and equipment, and investment properties shall be disclosed in the balance sheet at residual value which is calculated by deducting depreciation (amortisation) and impairment from the initial cost.

60. Biological assets intended to be used in agricultural activities shall be disclosed in the balance sheet at their fair value or at their full value as indicated in the State Forest Register.

61. Long-term and short-term receivables, financial investments, paid prepayments, and expenditures of the subsequent periods shall be disclosed in the balance sheet in net value, calculated by deducting the impairment from carrying amount.

62. Financial instruments shall be disclosed in the balance sheet at the following values:

62.1. receivables and loans and also held-to-maturity investments – in net value, calculated by deducting any impairment from the amortised cost;

62.2. financial assets and financial liabilities measured at fair value changes in the value of which have been recognised in revenues or expenditures of the reporting period – at fair value;

62.3. financial instruments categorised as available-for-sale at fair value – in net value calculated by deducting impairment from the fair value;

62.4 financial instruments categorised as available-for-sale at cost – in net value calculated by deducting impairment from the cost;

62.5. other financial liabilities (except for financial guarantee contracts) – at amortised cost.

63. Inventory (including prepayments for inventory) shall be disclosed in the revaluated or residual value which is calculated by deducting impairment from the initial cost.

64. Provisions shall be disclosed in the balance sheet at the present value of the best estimate of the resources required for the fulfilment of the obligation.

65. Liabilities (except for financial instruments) shall be disclosed at amortised cost in the balance sheet.

66. The balance sheet shall include the number of the note explaining the balance sheet item. If the explanation of items in the financial statement covers items of more than one statement, the number of the comprehensive note shall be indicated in the statement.

**7.5. Statement of Financial Performance**

67. Revenues and expenditures arisen as a result of the operations of the institution in the reporting period shall be disclosed in the statement on the accrual basis. The statement shall also disclose the impact of changes in accounting estimates, changes in the classification of transactions, and corrections of the errors of the previous reporting period.

68. Revenues and expenditures shall be disclosed in the statement by revenue groups and expenditure groups, and sub-groups, except for the following revenues and expenditures:

68.1. current expenditure items shall be indicated in the first two characters of the codes of the classification of budgetary expenditures (by economic categories);

68.2. depreciation and amortisation costs;

68.3. other revenues or expenditures not classified in the abovementioned revenue and expenditure groups;

68.4. mutually exclusive revenues and expenditures arising from:

68.4.1. changes in the fair value of financial instruments, fluctuations of a foreign currency exchange rate, disposal and derecognition, the application of hedge accounting, and also reclassification of financial instruments classified as available-for-sale to another category of financial instruments;

68.4.2. disposal of non-current non-financial assets, except for non-exchange transfers within the scope of the general government sector. The statement shall disclose the net value, i.e. profit (+) or loss (–), from the disposal of a long-term investment object, calculated as the difference between the balance sheet value of the excluded object and the revenues and expenditures for the disposal thereof.

[*6 September 2022*]

69. Revenues (except for tax revenues) and expenditures (except for remuneration, mandatory State social insurance contributions of the employer, allowances and compensation, expenditures related to training, work, and service official trips and service, work trips, taxes, fees, and fines, depreciation and amortisation costs) shall be broken down in the statement by the following institutional sector classification codes in accordance with the legal acts in the field of budget classification:

69.1. data of sector S130000 in full amount of the classification;

69.2. data of sectors S110000, S120000, S140000, S150000, and S200000 in total amount.

70. Revenues and expenditures arising from a transaction of the institution for which there is no identifiable transaction partner shall be disclosed in the statement under the institutional sector referred to in Sub-paragraph 69.2 of this Regulation.

71. The statement shall include the number of the note explaining the items in the statement of financial performance. If the explanation of items in the financial statement covers items of more than one statement, the number of the comprehensive note shall be indicated in the statement.

72. Corrections of material errors of the previous reporting periods made during the reporting period shall be disclosed separately at the value relating to the previous reporting period. If the corrections of errors relate to other periods before the previous reporting period, they shall not be disclosed in this statement.

73. If the classification of transactions has been changed in the reporting year, reclassification of the previous reporting period data according to the classification of the reporting year shall be indicated in a separate column.

**7.6. Statement of Changes in Equity**

74. The statement of changes in equity shall provide information on the increase or reduction in the net assets of the institution in the reporting period and the previous reporting period. Net assets are the difference between the total assets and total liabilities and provisions of the institution. Equity can be both positive and negative.

75. The data shall be provided in accordance with the level of the chart of accounts to the 3000 group of accounts specified in the legal acts in the field of accounting of budget institutions, detailed to the account number (except for the 3500 group of accounts which shall be detailed to the third level of the group of accounts).

76. The following shall be disclosed in the statement separately:

76.1. the corrections of material errors of the previous reporting periods made in the reporting period at the value that relates to the previous reporting period and to other periods before the previous reporting period;

76.2. changes (transfers or acceptances) in the result of the implementation of the budget resulting from the reorganisation or liquidation of the institution during the reporting period;

76.3. transfers between levels of the 3000 group of accounts.

**7.7. Cash Flow Statement**

77. The cash flow statement provides information on the sources of incoming cash flows, on the items for which cash has been disbursed during the reporting period, and on the cash balance at the reporting date.

78. The cash flow statement shall disclose the monetary amounts received and disbursed according to the revenue and expenditure groups and sub-groups determined in the legal acts in the field of the classification of budgets, except for revenues and expenditures which shall be indicated under a separate item:

78.1. current and capital expenditures shall be indicated in the first two characters of the expenditure classification code;

78.2. other revenues or expenditures not classified in the abovementioned revenue and expenditure groups;

78.3. financing transactions shall be indicated in the second character of the financing classification code.

79. Interest revenues shall be disclosed separately from non-tax revenues and indicated under a separate item.

80. Cash flow shall be classified in conformity with the operating activity, investing activity, and financing activity of the institution.

81. Changes in movements between cash and cash equivalents shall not be regarded as a cash flow as they relate to cash management and not to operating, investing, and financing activities. Cash management includes the investment of excess cash in cash equivalents.

82. Cash flow from operating activities demonstrates the ability of the institution to continue its activities, to repay its liabilities, and to make new investments without using external sources of financing. Cash flow from operating activity shall not include the cash flows attributable to investing or financing activities.

83. Transactions related to the following shall be disclosed in the cash flow from operating activity:

83.1. services provided and goods supplied by the institution, and also services received and goods acquired;

83.2. foreign financial assistance, donations, and gifts received;

83.3. remuneration of employees;

83.4. payments received and made for taxes, fees, other payments to budgets and transfers;

83.5. legal proceedings;

83.6. loans;

83.7. derivative financial instruments, if held for trading purposes or linked to financial instruments included in the operating activity;

83.8. the acquisition of investment properties, prepayments for such assets, the construction, leasing, and disposal of such assets;

83.9. payments received under public and private partnership (hereinafter – the partnership) agreements;

83.10. payments received and made under financial instruments (contracts) held for trading purposes;

83.11. other payments received and made that are attributable to the operating activity.

84. The cash flow from investing activities represent the extent to which expenditures have been made for resources intended to be used for ensuring its functions by the institution. Only transactions that result in the recognition or derecognition of non-current assets (except for investment properties) and also short-term financial investments in the statement of financial position of the institution (balance sheet) shall be classified as investing activities.

85. The following transactions shall be indicated under the cash flow from investing activities:

85.1. the acquisition (including payments made for capitalised development costs and self-constructed long-term investments) of non-current non-financial assets (except for investment properties), prepayments for such assets, and disposal of such assets;

85.2. the acquisition of non-current financial assets, prepayments for such assets, and disposal of such assets;

85.3. derivative financial instrument transactions if these are linked to the financial instruments included in the investing activity;

85.4. payments received within the scope of a finance lease contract and payments made within the scope of the partnership agreements;

85.5. other payments received and made that are attributable to the investing activity.

86. An activity that causes changes in the amount and composition of borrowings, and also derivative financial instrument transactions when linked to the financial instruments included in the financing activity, and payments made within the scope of a finance lease contract shall be considered as a financing activity.

87. The cash flow from attracted funds shall disclose the funds attracted to ensure the financial accounting of the State budget.

88. Revenues (except for tax revenues), expenditures (except for remuneration, mandatory State social insurance contributions of the employer, allowances and compensation, expenditures related to training, work and service official trips, service and work trips, taxes, fees, and fines), and attracted funds shall be broken down in the statement by the following institutional sector classification codes in accordance with the legal acts in the field of budget classification:

88.1. data of sector S130000 in full amount of the classification;

88.2. data of sectors S110000, S120000, S140000, S150000, and S200000 in total amount.

89. In order to compare cash balances at the beginning and end of the reporting period, the impact of currency exchange rate fluctuations on the amount of payments made or received shall be disclosed separately from the cash flows from the operating activity, investing activity, and financing activity.

90. Interest revenues or expenditures and other payments for the use of capital shall be assessed according to their economic nature and classified according to assessment as follows:

90.1. interest revenues or expenditures from account balances and consumer credit (overdraft) shall be attributed to the operating activity;

90.2. interest revenues or expenditures from loans shall be attributed to the operating activity;

90.3. interest revenues or expenditures from the deferral of payment for goods and services shall be attributed to the investing activity;

90.4. interest revenues or expenditures from financial investments shall be attributed to the investing activity;

90.5. interest revenues or expenditures from borrowings, debt securities issued, and finance lease (to the lessee) shall be attributed to the financing activity;

90.6. other interest revenues or expenditures shall be classified according to the assessment of its economic nature.

91. The statement shall include the number of the note which provides an explanation of the items in the cash flow statement. If the explanation of items in the financial statement covers items of more than one statement, the number of the comprehensive note shall be indicated in the statement.

92. Corrections of material errors of the previous reporting periods made during the reporting period shall be disclosed in a separate column at the value relating to the previous reporting year. If the corrections of errors relate to other years before the previous reporting year, they shall not be disclosed in this statement.

93. If the classification of transactions has been changed in the reporting year, reclassification of the previous reporting period data according to the classification of the reporting year shall be indicated in a separate column.

94. Data of the previous period shall differ from the data included in the statement on the implementation of the budget if errors relating to the previous reporting period have been identified or the procedures for the classification and presentation of transactions have been changed in the reporting period.

**7.8. Events after the Balance Sheet Date**

95. Adjusting events after the balance sheet date shall be disclosed in the financial statement by adjusting the amounts included in the items or by adding new items. At least the following adjusting events after the balance sheet date shall be disclosed in the financial statement:

95.1. changes in the progress of legal proceedings;

95.2. the receipt of information after the balance sheet date indicating that the asset value was impaired at the balance sheet date;

95.3. the determination of cost after the balance sheet date for the assets acquired before the balance sheet date;

95.4. the detection of material errors that indicate that the financial statements have not been prepared correctly;

95.5. other adjusting events after the balance sheet date.

96. The financial statement shall disclose information on non-adjusting events after the balance sheet date, i.e. their nature and foreseeable financial consequences, or describe why it was not possible to estimate the foreseeable financial consequences. The financial statement shall disclose information on at least the following non-adjusting events after the balance sheet date:

96.1. a material impairment of property if the impairment is unrelated to the condition of the property at the balance sheet date but is caused by circumstances after the balance sheet date;

96.2. the acquisition or alienation of a capital company, the receipt or transfer of a subordinate institution, or the transfer or delegation of an institutional function;

96.3. significant transactions of the acquisition of non-current assets or disposal of assets that are included in non-current assets at the end of the reporting year, except for transactions between general government sector structures;

96.4. the coming into force of the laws and regulations providing for the cancellation of loans;

96.5. significant changes in foreign exchange rates or significant changes in the value of an asset or liability as a result of changes in foreign exchange rates;

96.6. undertaking of material commitments or contingent liabilities;

96.7. the commencement of material legal proceedings in relation to an event occurring after the balance sheet date;

96.8. significant changes in the progress of legal proceedings;

96.9. other non-adjusting events after the balance sheet date.

97. If a non-adjusting event after the balance sheet date occurs after the date on which the annual statement of the institution is authorised for issue, the institution shall provide information on the relevant event to the institution which undertakes consolidation and assesses the materiality (if an estimate is known) and significance (if an estimate is not known) of the event. The institution which undertakes consolidation shall include information on material and significant non-adjusting events after the balance sheet date in the consolidated annual statement if the consolidated annual statement has not yet been authorised for issue. The materiality level shall be determined according to the information published on the website of the Treasury for the current year. If the expected financial impact of a non-adjusting event after the balance sheet date could not be estimated, an assessment shall be made as to whether the event is significant for the ministry or local government.

98. If the following events occur in relation to the borrowings classified as current liabilities at the balance sheet date between the date of the statement and the date when the financial statements are authorised for issue, they shall be disclosed in the financial statements as non-adjusting events after the balance sheet date:

98.1. refinancing of liabilities according to long-term conditions;

98.2. elimination of a violation of a long-term borrowing agreement;

98.3. reaching of an agreement to extend the time limit for the elimination of a violation of a long-term borrowing agreement that expires at least 12 months after the balance sheet date.

99. The following information shall be provided on non-adjusting events after the balance sheet date:

99.1. a description of the event, including its nature and, if possible to estimate, its foreseeable financial consequences, or an explanation why the foreseeable financial consequences cannot be estimated;

99.2. transaction record in the following periods.

[*8 August 2023*]

100. If an adjusting event after the balance sheet date has set in after the date on which the annual statement of the institution is authorised for issue, the institution shall provide information on the relevant event to the institution which undertakes consolidation. The institution which undertakes consolidation shall include material adjusting events after the balance sheet date in the consolidated annual statement if the relevant consolidated annual statement has not yet been authorised for issue.

101. The following information shall be provided on adjusting events after the balance sheet date:

101.1. a description of the adjusting event, indicating the economic nature and value in euros of the event;

101.2. the correspondence of accounts and the corresponding financial statement item, and also the institutional sector classification code of the party to the transaction.

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102. The statements referred to in Sub-paragraphs 1.2 and 1.3 of this Regulation shall include adjusting events and the financial statement shall disclose information on non-adjusting events after the balance sheet date up to the date when the statement is signed. For material adjusting and material and significant non-adjusting events after the balance sheet date, for the period from the date of signing the statement until 30 June of the financial year following the reporting year, the institution shall inform the Ministry of Finance (Treasury) and provide information from 1 July to 10 July in accordance with the procedures referred to in Sub-paragraph 39.2 of this Regulation.

103. If an adjusting or non-adjusting event has occurred after the consolidated annual statement of the ministry or local government has been authorised for issue, the ministry or local government shall, from 1 July to 10 July of the financial year following the reporting year, provide the Ministry of Finance (Treasury) with information on material adjusting and material and significant non-adjusting events after the balance sheet date for the period from the date when the statement is authorised for issue until 30 June of the financial year following the reporting year. The materiality level shall be determined in accordance with the information published on the website of the Treasury for the reporting period. If the expected financial impact of a non-adjusting event after the balance sheet date could not be estimated, an assessment shall be made as to whether the event is significant for the country.

104. If material errors which have not been corrected in the audited consolidated annual statements have been made in the recognition, measurement, presentation, or disclosure of the financial statement items (hereinafter – the item) of the consolidated annual statement referred to in Paragraph 27 of this Regulation, the consolidated report on the financial year for which the opinion of the State Audit Office has not been issued shall be adjusted by the Ministry of Finance (Treasury) from 10 July to 15 July of the reporting year following the reporting year in accordance with the materiality level determined thereby for the data provided by ministries and local governments on material adjusting events after the balance sheet date.

105. The Ministry of Finance (Treasury) shall, from 10 July to 15 July of the reporting year following the reporting year, in accordance with the materiality level determined thereby in the unaudited consolidated report on the financial year for which the opinion of the State Audit Office has not been issued, include information on the data provided by ministries and local governments on material and significant non-adjusting events after the balance sheet date.

**7.9. General Information of the Annex to the Financial Statement**

106. The annex to a financial statement shall include information in addition to that provided in the statement of financial position, the statement of financial performance, the statement of changes in equity, and the cash flow statement.

107. The annex to a financial statement shall provide an explanation of the items disclosed in the statements or disclose a more detailed breakdown of the items, and also provide information on items that do not meet the recognition criteria laid down in the legal acts in the field of accounting.

108. The institutions involved in the consolidation of the annual statement of the ministry or local government need not prepare a description of accounting principles, the principles for preparing the annual statement, and risk management of financial instruments if the institution which prepares the consolidated annual statement ensures such internal control system with the help of which it is possible to ascertain that all institutions involved in consolidation ensure the application of the same principles in accounting, preparation of statements, and financial risk management, and if this is disclosed in the procedures for preparing annual statements referred to in Paragraph 20 of this Regulation.

109. The description of accounting principles shall provide the following information according to financial statement items:

109.1. classification, initial recognition and measurement, subsequent measurement, derecognition of balance sheet items;

109.2. initial recognition, subsequent measurement, derecognition of biological and underground assets, including the methods and assumptions used in determining the fair value of biological assets for agricultural activities and agricultural products;

109.3. classification of cash equivalents;

109.4 classification, measurement, and disclosure in a financial statement of finance lease and operating lease transactions;

109.5. recognition of the revenues and expenditures arising from non-exchange transactions (including tax revenues, grants, transfers, foreign financial assistance, donations, and gifts received);

109.6. recognition of the revenues and expenditures arising from exchange transactions (including the method applied to measure revenues for determining the degree of service performance);

109.7. methods and significant assumptions applied to determine the fair value of assets or liabilities (including financial instruments);

109.8. the reasons for the impairment of assets (including financial instruments) and methods for its calculation;

109.9. a description of the categories of financial instruments and the reasons for changes in the classification of categories, the measurement principles applied to determine the initial cost and carrying amount of financial instruments, including the application of hedge accounting;

109.10. measurement and disclosure of sub-balance sheet items;

109.11. a description of the procedures for the performance of the impact assessment of the financial activities of the capital company on the expenditures of the State or local government budget in the future.

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110. The description of the principles for the preparation of annual statement shall include the general requirements for the preparation of annual statement and for carrying out consolidation as specified in internal legal acts in the field of the preparation of annual statement.

111. The description of the risk management of financial instruments shall provide information on at least the principles and methods applied to assess the credit risk and liquidity risk. If the budget institution uses hedge accounting, the description shall provide information on the type of the hedge accounting used, the financial instrument designated as the hedging instrument, the hedged item, the nature of the hedged risk, and the period during which the cash flows subject to the cash flow hedge and the related revenues or expenditures are expected to occur. Quantitative information on financial risks shall be presented in the structured explanation of the items of a financial statement.

[*6 September 2022*]

**7.10. Information to be Included in the Structured Explanation of the Items of a Financial Statement**

112. The structured explanation of the items of a financial statement shall:

112.1. indicate the reasons for material changes in each item of the financial statement (description of the transaction) and the amount during the reporting year. The materiality level shall be determined according to the information published on the website of the Treasury for the current year;

112.2. explain changes in the item of a financial statement which do not reach the materiality level referred to in Sub-paragraph 112.1 of this Regulation if a transaction has been made which could affect taking of a decision by the user of the statement on the basis of the information provided, and also to better understand the nature of the changes;

112.3. indicate any other information referred to in Paragraphs 115, 116, and 117 of this Regulation. Such information shall be indicated in the explanation of the items of financial statement of the consolidated report on the financial year only when it is material and significant.

113. Information in the structured explanation of the items of a financial statement shall be grouped according to the items of financial statements and comprehensive notes.

114. If the explanation of the items of a financial statement covers items of more than one financial statement, the financial statement shall include the number of the comprehensive note in all items of the financial statement to which it relates. Numbers of several comprehensive notes may be indicated for a single balance sheet item.

115. The following information shall be disclosed in the structured explanation of the annex to financial statements:

115.1. changes in the carrying amount of non-current non-financial assets, indicating separately increase or decrease in the initial costs, depreciation (amortisation), and impairment for the reporting period and previous reporting period;

115.2. the recognition or write-down of impairment in the reporting period, indicating the circumstances and events causing the recognition or write-down of impairment and the methods used;

115.3. the carrying amount of internally generated intangible investments and intangible investments with indefinite useful life;

115.4. the value of non-financial assets received and transferred as a result of reorganisation and without consideration within the scope of the general government sector structures, indicating separately the initial cost, depreciation (amortisation), and carrying amount and broken down by institutional sectors of the transaction partner;

115.5. the value of non-current financial assets received and transferred as a result of reorganisation and without consideration, indicating the principal amount of the asset, accrued interest, carrying amount, and reserves attributable to the asset and broken down by institutional sectors of the transaction partner;

115.6. the costs recognised in the account “Construction of property, plant and equipment and unfinished building objects” and transactions;

115.7. the investment of a capital company in the State or local government property transferred thereto for holding, indicating the value of the investment made by the capital company and the carrying amount of the property;

115.8. changes in the carrying amount of the ownership interest in the equity capital of capital companies, indicating separately the initial cost, impairment, and ownership interest (in percentage) of each investment in the capital company;

115.9. if the investment has been measured using the equity method, the following additional information shall be provided:

115.9.1. a justification if the data presented for the capital company is not the reporting year and the transactions that have been made between the balance sheet date of the financial statement of the capital company used to prepare the financial statement of the holder of capital shares and the balance sheet date of the financial statement of the holder of capital shares and materially affect the value of the institution’s investment, taking into account the information published on the website of the Treasury for the current year on the materiality level for adjusting and non-adjusting events;

115.9.2. the fair value of the stocks of the capital companies quoted on stock exchanges;

115.9.3. the share of the unrecognised losses of the institution in proportion to its ownership interest and share of profits which does not exceed the share of unrecognised losses;

115.10. changes in the carrying amount of long-term financial investments in international organisations, indicating separately the increase, decrease, revaluation, increase or decrease in the impairment, and fluctuations of currency exchange rates;

115.11. [6 September 2022];

115.12. changes in the carrying amount of inventories, indicating separately the increase, the value recognised in expenditures, and the changes (increase or decrease) in the amount of impairment. The carrying amount of inventories at the end of the reporting period and comparative information shall be presented by the inventory measurement methods applied at the end of the reporting period;

115.13. long-term investments and inventories held for disposal by the types of assets according to their economic nature, i.e. intangible investments, property, plant, and equipment, biological assets, investment properties, inventories;

115.14. immovable property tax reliefs granted;

115.15. insurance payments at the end of the reporting period which are attributable to future periods;

115.16. the location of cash balances at credit institutions, the Treasury, and the cashier’s office of the institution;

115.17. the transactions recorded in the account “Cash en route” at the end of the reporting period;

115.18. changes in provisions, indicating separately the increase, decrease, and the amount recognised in assets as expected to be recovered;

115.19. liabilities for borrowings outside the general government sector for which the interest rates charged are below market rates, indicating the principles used to determine a lower rate;

115.20. changes in the value of the assets and liabilities in the sub-balance sheet, indicating separately increase and decrease;

115.21. recognised assets received as donations and gifts;

115.22. significant voluntary activity received – service;

115.23. assets recognised as a result of the disposal of a pledge, indicating the decisions taken on the use of the pledge in the activities of the institution or disposal thereof;

115.24. for finance lease transactions – the contractual future payments and the balance of the lessor’s receivables at the end of the reporting period, except for impairment, and the lessee’s recognised assets, balance of liabilities and non-cancellable sub-lease payments at the end of the reporting period, broken down by asset accounts according to their economic nature and the institutional sectors of the transaction partner;

115.25. for operating lease transactions – the carrying amount of the leased assets and contractual future payments, the lease expenditures recognised in the reporting period, the non-cancellable lease payments at the end of the reporting period and for the following three years, and the non-cancellable sub-lease payments at the end of the reporting period, broken down by asset accounts according to their economic nature and the institutional sectors of transaction partners;

115.26. the balance of the receivables and liabilities for the taxes, fees, and other payments attributable to the State budget which are administered by the State Revenue Service at the beginning and end of the reporting period by the type of revenues and changes in receivables and liabilities broken down by their economic nature and accounting accounts, except for the impairment;

115.27. breakdown of gross receivables for the taxes administered by the State Revenue Service by the types of taxes according to the settlement periods;

115.28. receivables for the taxes administered by the State Revenue Service towards taxpayers whose current total debt exceeds EUR 1 000 000;

115.29. changes in the structure of the receivables for the taxes administered by the State Revenue Service in the financial year, indicating the total amount of receivables, including the current debts actually recoverable and extensions of deadlines by types of taxes;

115.30. the gross amount of the total receivables for the taxes administered by the State Revenue Service towards liquidated taxpayers that are legal persons;

115.31. property under jurisdiction of the State which, at the end of the reporting year, has been accounted in accordance with the procedures laid down in laws and regulations (in units of quantity) and for which the value has not been determined, according to its economic nature, broken down by groups of accounts, indicating the number and the reason why the value cannot be determined at the end of the reporting period;

115.32. current legal proceedings involving the institution in connection with its unlawful administrative act or unlawful actual actions if it is likely that an outflow of resources will be required, separating legal proceedings in foreign and international judicial authorities and other legal proceedings and indicating the financial statement item disclosing the present or foreseeable liabilities, the recognised expenditures, and the amounts of the known or estimated liabilities, provisions, and contingent liabilities;

115.33. valid public and private partnership agreements and modifications thereto, and other provisions of the partnership agreement which could affect the amount and timing of the future cash flows of the institution, and also:

115.33.1. accumulated depreciation and impairment of property, plant, and equipment that have been analytically separated as partnership assets in the reporting period;

115.33.2. the additions to the property, plant, and equipment of the partnership initially recognised in the reporting period, if resulting from the partnership agreement entered into, and the likelihood of the transfer of ownership rights at the end of the agreement;

115.33.3. assets, liabilities, and services provided by the private partner within the scope of the partnership agreement;

115.33.4. assets of the institution transferred to the private partner for generating revenues;

115.34. on the management of capital companies, the financing approved for the next three years for each capital company in which the State or local government individually or jointly owns 50 % and more of the capital shares and in which the State or local government individually or jointly owns less than 50 % of the capital shares, but the State or local government determines and controls the policies for the financial activities and operating activity of the capital company, indicating the amount by sources of financing, the ratio of the approved financing for the next reporting year to the planned expenditures of the State/local government basic budget in the next reporting year, and the purpose for the use of the approved financing in the next reporting year;

115.35. the carrying amount of financial assets and financial liabilities by categories of financial instruments as defined in the laws and regulations in the field of accounting in budget institutions and by financial instruments, and also information on financial instruments for which hedge accounting has been applied and the financial instruments disclosed in the sub-balance sheet. Financial instruments shall be classified as follows:

115.35.1 financial assets – derivative financial instruments, securities, deposits, loans, receivables that are financial instruments, hedging instruments, other financial instruments;

115.35.2. financial liabilities – derivative financial instruments, issued securities, borrowings, accepted deposits, hedging instruments, other financial instruments;

115.35.3. financial instruments included in sub-balance sheet items, including the issued guarantees;

115.36. the carrying amount of financial instruments (assets) reclassified between categories of financial instruments during the reporting period;

115.37. the carrying amount of the financial assets pledged as a security for liabilities or contingent liabilities and information on the provisions of pledge, broken down by financial instruments and balance sheet account groups;

115.38. borrowing agreements the provisions of which have not been fulfilled during the reporting period, information on the financial authority which issued the borrowing and the purpose of the borrowing classified according to the agreement, applying the classification of budget expenditures according to functional categories, a description of the non-settlement of liabilities, the provisions of the borrowing agreement revised after the end of the reporting period until the financial statement is authorised for issue, the amount of the borrowing liabilities settled and not settled during the reporting period, the carrying amount of non-settled borrowing liabilities at the end of the reporting period;

115.39. the information referred to in Sub-paragraph 115.38 of this Regulation on the failure to fulfil the provisions of a borrowing agreement without any financial impact shall be disclosed in total amount. Information on the failure to fulfil the provisions of a borrowing agreement with a financial impact shall be broken down as follows: principal outstanding amount, unpaid interest, other unfulfilled borrowing liabilities;

115.40. the carrying amount of the financial instruments recorded and disclosed in the statement at fair value, the method for determining the fair value in accordance with the laws and regulations in the field of accounting in budget institutions, and the change of the method, broken down by categories of financial instruments and financial instruments. Methods shall be classified as follows: Method 1 – price of the financial instrument, Method 2 – price of similar financial instruments, Method 3 – other method;

115.41. for financial instruments measured at the fair value in accordance with Method 3, changes in the fair value during the reporting period recognised in the revenues, expenditures, or reserves, acquisition, disposal, issue, settlement of accounts, change of the measurement method – the carrying amount on the day when the measurement method of the financial instrument is changed, and changes in the value of the financial instruments indicated at the end of the reporting period which are recognised in the revenues or expenditures of the reporting period;

115.42. the carrying amount of such financial instruments which bear maximum exposure to credit risk consisting of both non-current and current receivables for the principal amount, accrued interest, other payments for the financial instrument, and impairment, without taking into account the security received or other contractual securities, broken down as follows, taking into account the groups of missed settlement deadlines specified in the laws and regulations in the field of accounting in budget institutions: not missed, but impairment both has not been and has been calculated for financial instruments; missed, but there is no impairment of financial instruments; missed and there is impairment of financial instruments, financial instruments included in the sub-balance sheet items which bear credit risk – guarantees received;

115.43. the carrying amount of hedged financial assets bearing credit risk, broken down by financial instruments and institutional sector of the transaction partner, as follows: S130000 classification codes in full amount and data of S110000, S120000, S140000, S150000, and S200000 in total amount;

115.44. the fair value of the security received broken down by financial instruments for which a security has been received and the provisions for the use of the security, additionally indicating if the hedging assets received cannot be readily converted into cash and the intended management of such assets. The received security shall be classified as follows: non-financial assets other than immovable property, immovable property, financial assets, other security not mentioned above;

115.45. the maturity structure of the undiscounted future cash flow (contractual amount plus interest) of financial liabilities broken down by financial instruments and types of financial liabilities – derivative financial liabilities, non-derivative financial liabilities, and payment deadlines – within a year after the balance sheet date, within one to five years after the balance sheet date, later than five years after the balance sheet date until contract expiration date;

115.46. the institutions involved in consolidation and the consolidation principles;

115.47. corrections of prior period errors, indicating the amount of the relevant item before the correction is made, the increase or decrease before the previous reporting period and for the previous reporting period, the change of classification, the balance at the beginning of the reporting period with the correction of error or change of classification included, and the description of the indication and reclassification of items;

115.48. the reasons for changing the method for the preparation of estimates in the reporting period and the effect of such changes on the balances of assets and liabilities at the end of the reporting period, indicating the value of items according to the previous method and the method used in the reporting year;

115.49. the gross and net carrying amounts of non-current and current receivables and prepaid expenditures and the created impairment broken down by institutional sectors. Requirements for the tax revenues administered by local governments shall not be indicated broken down by institutional sectors;

115.50. non-current and current loans broken down by original maturity and institutional sectors;

115.51. the carrying amount of liabilities broken down by institutional sectors. Liabilities for the tax revenues administered by local governments shall not be indicated broken down by institutional sectors;

115.52. other information that is relevant to the users of the statements and that is likely to influence decision-making, and information which the institution wishes to disclose, indicating a description and amount of the transactions.

[*6 September 2022 / The new wording of Sub-paragraphs 115.14, 115.49, and 115.51 shall come into force on 1 January 2024. See Paragraph 147.1*]

116. The structured explanation of the cash flow statement shall reveal information on the transactions indicated in the items of other revenues and expenditures and disbursement of monetary amounts uncharacteristic to the institution.

117. The structured explanation of the statement of financial performance shall reveal information on the following indicated in this statement:

117.1. tax revenues, interest revenues (with separate disclosures for interest revenues calculated for financial instruments with recognised impairment), and interest expenditures;

117.2. revenues from the write-down of the impairment of assets and expenditures from the recognition of the impairment of assets;

117.3. revenues and expenditures from financial instruments that are not included in the determination of the interest rate of the financial instrument;

117.4. the results of the use of financial instruments – the amounts recognised in revenues, expenditures, or reserves – broken down by categories of financial instruments and by the following types of transactions: changes in the fair value, changes in foreign exchange rates, disposal and derecognition, reclassification between categories, changes in the assessment of other financial liabilities;

117.4.1 financial instruments subject to the cash flow hedge accounting:

117.4.11. changes in the effective fair value recognised in the reserves in the reporting period;

117.4.12. changes in the ineffective fair value recognised in the revenues or expenditures of the reporting period;

117.4.13. the reclassification of the amount recognised in reserves to the revenues and expenditures of the reporting period;

117.4.2 for financial instruments subject to the fair value hedge accounting – changes in the carrying amount recognised in the revenues, expenditures, or other item of the reporting period;

117.5. other revenues and expenditures.

[*6 September 2022*]

**7.11. Disclosure of Corrections of Prior Period Errors, Changes in the Accounting Principles, and Changes in Estimates**

118. Prior period errors are the omission of information or provision of inaccurate information in the annual statement in one or more previous periods.

119. Prior period errors shall arise from the failure to use or the misuse of reliable information that was available when the annual statement of the previous periods was authorised for issue. Such errors shall include mathematical errors, errors in the application of the accounting principles or misinterpretations of facts, and fraud.

120. If material prior period errors are corrected in the reporting period, the financial statement shall include adjusted comparative information. Corrections of immaterial prior period errors shall be included in the data of the reporting period.

121. If the accounting principles have been changed during the reporting period, the relevant comparative information for the previous reporting period shall be adjusted in accordance with the laws and regulations regarding accounting in budget institutions.

122. If the method for the preparation of the estimation has been changed during the reporting period, an explanation of the effect of the change in estimation method on the balances of balance sheet items at the end of the reporting period or information that such effect cannot be calculated shall be provided in the annex to the financial statement.

123. For each case where the data are incomparable or the data of previous reporting periods have been adjusted, an explanation shall be provided in the annex to the financial statement.

**7.12. Information on the Implementation of the Budget**

124. Information on the implementation of the budget shall consist of:

124.1. a statement on the implementation of the budget;

124.2. an annex to the statement on the implementation of the budget.

125. A statement on the implementation of the budget shall be prepared according to the cash basis for the following types of budget:

125.1. basic budget;

125.2. special budget;

125.3. donations and gifts;

125.4. funds of other budgets.

126. A statement on the implementation of the budget shall disclose information on the initial law/plan, the law/plan with modifications, implementation of the budget during the reporting period, and comparative information.

127. State budget institutions shall prepare the following statements:

127.1. statements on the implementation of the basic budget and special budget disclosing:

127.1.1. information on the institution as a whole and on each programme (sub-programme) in accordance with the law on the State budget for the financial year (if the law on the State budget for the financial year does not specify a programme (sub-programme) which was included in the law on the State budget for the previous financial year. Comparative information on the implementation of this programme (sub-programme) in the previous reporting year in accordance with the law on the State budget for the previous financial year shall be included in the reporting year);

127.1.2. information on the implementation of revenues and expenditures broken down by economic categories and on financing in full amount in accordance with the laws and regulations in the field of the classification of budgets;

127.1.3. information on the indicators of the law, in the detail approved in the law on the State budget for the financial year;

127.2. a statement on the implementation of donations and gifts where:

127.2.1. revenue and financing section shall be completed, providing information on the institution as a whole in full amount in accordance with the classifications specified in the laws and regulations in the field of budget;

127.2.2. expenditure section shall be completed, providing information on each functional category and sub-category broken down by economic categories in full amount in accordance with the laws and regulations in the field of the classification of budgets;

127.2.3. provide information on the planned revenue, expenditure, and financing indicators according to the approved estimates;

127.3. a statement on the implementation of other budgets, providing information on the implementation of revenues and expenditures broken down by economic categories and on financing in full amount in accordance with the laws and regulations in the field of the classification of budgets. Information on planned indicators shall not be provided;

127.4. a statement on the implementation of earmarked grants for local governments, providing information in accordance with the structure laid down in the State budget law and supplementing it with information on the implementation data for the reporting period according to the cash flow.

[*8 August 2023*]

128. Derived public entities financed partly from the State budget and institutions non-financed from the budget shall prepare statements on the implementation of the operating activity and the implementation of donations and gifts where:

128.1. revenue and financing section shall be completed, providing information on the institution as a whole in full amount in accordance with the classifications specified in the laws and regulations in the field of budget;

128.2. expenditure section shall be completed, providing information on each functional category and sub-category broken down by economic categories in full amount in accordance with the laws and regulations in the field of the classification of budgets;

128.3. information on planned revenues, expenditures, and financing indicators at least in the detail approved in the annexes to the State budget law shall be provided.

129. Local governments shall prepare statements on the implementation of the basic budget, the budget of donations and gifts, and other budgets where:

129.1. revenue and financing section shall be completed, providing information on the local government as a whole in full amount in accordance with the classifications specified in the laws and regulations in the field of budget;

129.2. expenditure section shall be completed, providing information on each functional category and sub-category broken down by economic categories in full amount in accordance with the laws and regulations in the field of the classification of budgets;

129.3. information on the indicators of the budget plan at least in the detail approved in the annexes to the State budget law shall be provided. Data shall not be provided in the statement on the implementation of other budgets.

130. State budget institutions and local governments shall disclose additional information in the statement on the implementation of other budgets on the purpose for which funds from other budgets were received. This statement shall not include funds of other budgets temporarily held by the institution.

131. The following information shall be disclosed by the institutions in the annex to the statement on the implementation of the budget:

131.1. the principles for the drawing up and classification of the budget;

131.2. the implementation of the budget. The explanation shall be prepared in free form and it shall include, according to the opinion of the head of the institution, information useful to the user of the statement or shall indicate where information on the analysis of the implementation of the budget or the operational results achieved by the institution and their performance indicators is publicly available;

131.3. preparation of the estimates of the reliefs of the taxes, fees, and other payments administered by the State Revenue Service that are attributable to the State budget for the preparation of the draft State budget and analysis of the implementation of the budget, or publicly available information on such estimates. The explanation shall be provided by the institution referred to in Sub-paragraph 1.3 of this Regulation.

[*6 September 2022*]

**8. Comparison of Balances of Accounts and Transactions**

132. Chapter 8 of this Regulation shall apply to comparisons between transaction partners of the general government sector structures (except for merchants controlled and financed by these structures the list of which is provided by the Central Statistical Bureau and the administrations of special economic zones, ports and freeport authorities).

133. Chapter 8 of this Regulation shall not apply to:

133.1. the State security institutions specified in the law On State Security Institutions;

133.2. the account balances of the State Revenue Service (as a structure of sector S130190 “State budget”) and its transactions with the taxpayer, payer of a fee or other State budget revenues for the taxes, fees, and other payments administered by the State Revenue Service that are attributable to the State budget;

133.3. administration of immovable property tax.

[*6 September 2022 / Sub-paragraph 133.3 shall come into force on 1 January 2024. See Paragraph 147.1*]

134. During the preparation of the annual statement, in taking an inventory, account balances of the transaction partners on the last day of the reporting period and transactions (cash and non-exchange) in the reporting period shall be compared.

135. In the period between 1 January and 31 January, comparison statements shall be prepared electronically, using eReports, on the following:

135.1. balances of receivables, prepaid expenditures, prepayments, and liabilities in accordance with the chart of accounts scheme laid down in the laws and regulations in the field of accounting of budget institutions;

135.2. cash transactions according to the codes determined in the laws and regulations in the field of budget classifications in the reporting period;

135.3. non-exchange transactions, except for cash flow transactions, in accordance with the chart of accounts scheme laid down in the laws and regulations in the field of accounting of budget institutions and the codes laid down in the field of budget classifications in the reporting period, indicating the details of the transaction.

[*8 August 2023*]

135.1The budget institutions which are payers of the immovable property tax shall perform the comparison (inventory) of receivables and liabilities of immovable property tax by using the e-service solutions for the immovable property tax calculated and paid.

[*6 September 2022 / Paragraph shall come into force on 1 January 2024. See Paragraph 147.1*]

135.2Sub-paragraph 135.1 of this Regulation shall not apply to:

135.2 1. receivables and liabilities of immovable property tax;

135.2 2. liabilities against the State budget;

135.2 3. cash balances in the Treasury and liabilities for these balances the comparison of which is performed in accordance with the laws and regulations regarding the procedures by which the Treasury shall ensure the provision of payment services.

[*8 August 2023*]

135.3Sub-paragraph 135.2 of this Regulation shall not apply to:

135.3 1. transactions with immovable property tax;

135.3 2. pension payments to residents of social care institutions;

135.3 3. transactions with the State budget which are not applicable to the financial accounting of the State budget.

[*8 August 2023*]

136. The comparison statement referred to in Sub-paragraph 135.1 of this Regulation shall be prepared in accordance with the corroborative documents which relate to the reporting period and are prepared until 21 January of the following reporting period. The results of the inventory (comparison statement) shall be recalculated taking into account the data which are provided in the corroborative documents for the reporting period and which are prepared between 22 January and 31 January of the following reporting period, and the information shall be added to the result of the inventory. The results of the inventory (comparison statement) shall be recalculated until the annual statement has been authorised for issue.

[*8 August 2023*]

137. [8 August 2023]

138. Accounts, classification codes, and amounts disclosed in the comparison statement shall correspond to the data indicated in the annual statement and annex to the financial statement.

139. The comparison statement shall be signed by the responsible finance employee of the institution or the authorised person thereof who is responsible for the preparation of the annual statement.

140. A transaction partner shall respond to the request to approve the comparison statement within 10 days, but no later than by 31 January.

[*8 August 2023*]

141. In the event of a dispute or no response, the balances of receivables and liabilities shall be indicated in the balance sheet in accordance with the accounting data of the institution.

142. If the liquidation of the institution takes place during the reporting period, comparison shall be made by the institution which is the lawful successor to the rights, liabilities, funds, property, and record-keeping of the liquidated institution.

143. If the reorganisation of the institution takes place during the reporting period, comparison shall be made by the institution which is the lawful successor to the rights, liabilities, funds, property, and record-keeping of the reorganised institution.

144. If change of subordination of the institution takes place, comparison for the period until the change of subordination shall be made by the higher institution under the subordination of which the relevant institution was until the change of subordination, but comparison after the change of subordination – by the higher institution under the subordination of which the institution is after the change of subordination.

**9. Closing Provisions**

145. Cabinet Regulation No. 344 of 19 June 2018, Procedures for Preparing an Annual Statement (*Latvijas Vēstnesis*, 2018, No. 129; 2021, No. 159), is repealed.

146. The entities specified in Sub-paragraphs 1.1, 1.2, and 1.3 of this Regulation shall apply the Cabinet Regulation No. 344 of 19 June 2018, Procedures for Preparing an Annual Statement, when preparing the annual statement for 2022.

147. This Regulation shall be applied for the first time in 2024 when preparing a statement for 2023.

147.1 Amendments to Sub-paragraphs 115.14, 115.49, 115.51, 133.3, 135.1, and Paragraph 135.1 of this Regulation shall come into force on 1 January 2024 and information in the structured explanation of the annex to a financial statement shall be provided according to them for the first time in the statement of 2024.

[*6 September 2022*]

148. The Regulation shall come into force on 1 January 2023.

Prime Minister A. K. Kariņš

Minister for Finance J. Reirs