

Accounting and accountability in public sector asset management: the role of central asset register in consolidating, reporting and utilizing fixed assets in Croatia

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Abstract

It is generally understood and often emphasized in the literature on governments that they are accountable for managing a diversified public sector asset portfolio. The purpose of this paper is to point out that to manage the entrusted assets governments need to be able to keep a sound record of them, and that most central and local authorities, or public institutions that have appeared to play the roles of either supervisors or custodians of certain assets in Croatia have performed asset management practise prioritizing financial assets, with some not even knowing what fixed assets they own, manage or use. Thus, this paper seeks to provide the audience with the information on the need for sound accounting and reporting for fixed government assets in Croatia, and how that information needs to be linked with the existing asset management regulatory framework, budgetary accounting regulatory framework, and the ongoing asset management practices.

The paper researches reasons for the necessity of setting a sound (centralized, comprehensive and transparent) asset register as crucial precondition for assuring transparency in consolidating, reporting on and utilizing fixed assets. It argues that the lack of reliable information on public sector fixed assets in place obscures determining assets' value, budgeting for asset management activities, and measuring public sector asset management outcomes. In addition, asset coverage/classification shows considerable diversity across regulatory frameworks, assets are managed on an ad-hoc, often reactive basis and asset-related data are scattered, being recorded, if recorded at all, in balance sheets, off-balance sheet and analytical records of budgetary and extra-budgetary users.

The paper further attempts to facilitate better understanding of public sector asset management as an integral part of public sector financial management reforms, and proposes preconditions necessary for commencing proper public sector fixed asset management practice in Croatia. The findings of this study are of interest to policy-makers and regulators in Croatia but also in countries that are currently pursuing public sector asset management and accounting reform.

Keywords: fixed assets management, asset register, governmental accounting, financial reporting, public sector, Croatia

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1. Introduction

Since the 1980s, many developed and developing countries have been embarking on public sector management reforms. Main reasons for commencing public sector reforms were public sector inefficiency and ineffectiveness. Governments have been constantly under pressure to improve public services quality while containing costs and enhancing public accountability at the same time (Barret, 2004). In addition, governments started to constrain public spending, sell off public sector assets², outsource many services that were previously provided exclusively by the public sector to private companies, develop public sector asset performance measurement, output and outcomes-based budgeting and business-type accounting (Guthrie et al., 1999). Overall, those reforms, widely recognised under the concepts New Public Management (NPM) and New Public Financial Management (NPFM), have been directed to improve efficiency, effectiveness and accountability in the public sector. Encouraging efficient public sector management has become one of the prevailing issues in the international literature and public sector practice.

The importance of public sector financial management reform implications on fiscal consumption is well articulated by Ball et al. (1999). Their study refers to encouraging efficient control over public resources and expenses and to strengthening the level of accountability for managing public resources proactively. Tanzi and Prakash (2000) argue that the habit of relating efficiency to public spending, as is generally done, may give wrong results when, as is often the case, public institutions use public sector assets (land, buildings, etc.) without imputing a cost for their use.

Even though there have been certain efforts to perform sound public sector asset management in Croatia, it is our understanding that public sector asset management has not been properly considered as an integral part of public sector reforms. Considerable disorder in property rights enforcement combined with unawareness of public authorities that public sector assets belong to the public, resulted in unfulfilled public expectations regarding better use of public sector assets. Some public sector assets have not been used at all, while some assets have often been claimed as being unproductive without questioning the adequacy and real cost-benefit ratio of their usage. Some public sector assets used to be sold to cover budgetary gaps, or to gain the sympathies of the electorate for carrying out certain projects. Also, substantial government fixed assets have been used for everyday working (administrative) activities of some central and local government institutions or departments, with a lack of a sound record of them and with no capital charge imposed for properties and their contents use, payable to the Treasury.

The setup of the Government Asset Management Agency (hrv. Agencija za upravljanje državnom imovinom) and State Property Management Administration (hrv. Državni ured za upravljanje državnom imovinom)³ thereafter, has generated some of the key institutional

² Croatian budgetary accounting and public sector asset management are research fields where domestic literature is dominated by foreign terminology that is often a subject of various authors' interpretations and use of their own free translations from English to Croatian and vice versa. Thus, terminological framework and sound definitions as necessary tools for the unification and standardization of public sector accounting glossary is at the moment very much characterized as diverse and dependent on each author own free translation. This study therefore uses terms state asset, state property, government asset and public sector asset as synonyms, interchangeably, depending on the literature and authors we are referencing to, though in this study authors prefer terms public sector assets or government assets.

³ Since government accounting system framework in Croatia has been set up as a law – based system and there is no official translation to English for most of the acts and provisions that form a part of the Croatian legislative framework, or for certain authorities and administration bodies' titles, most of the terms in this paper are free translations of the authors. This paper uses titles Government Asset Management Agency and State Property Management Administration (Agency's legal successor) as the official English translations for the former and existing state central administration bodies/entities entitled to pursue public sector asset management in Croatia. However, authors find Public sector (Governmental) Asset Management Office to be a more suitable title for the later, since the Administration/Office is entrusted with both, financial and non-financial assets, and not only with the property.

preconditions and strategic documents for a more quality asset management. This, however, posted additional dilemmas concerning the following: the ongoing central asset register structure setting, bridging the differences between asset management and budgetary accounting regulatory frameworks provisions (i.e. asset coverage/classification), assets' accounting recognition and valuation enhancement processes, making decisions regarding asset usage, and analyzing the possibilities of assets' potential marketability, both in short and long term.

Many of the advanced countries have used asset registers as the first step in getting a handle on the fixed assets that should be brought into the government records. In our opinion, in small countries there is no need for a number of decentralised public sector assets registers that might provoke data redundancy and contribute to unnecessary fixed costs pile-up for data recording and updating. Applying transparency principles in centralised and complete public sector asset register maintenance and in entire public sector asset management process would serve as a much better solution than having multiple databases on public sector assets scattered around numerous local governments. However, having a centralised public sector asset register would not exclude possible decentralisation of the outcomes resulting from putting public sector assets in best use, but prevent ignorance or malpractice in dealing with public sector assets and misappropriation of public sector assets' outcomes for private benefits. Some public institutions and local authorities have managed and disposed of certain public sector fixed assets in irresponsible manner, because there have been no centralised and complete records on those public sector assets and the probability of public scrutiny has been very low.

Rather than viewing asset register in Croatia purely as a simple spreadsheet or database of assets, the overall objective of this study is to set government asset register in more complex scenario where asset register is regularly reconciled to the balances in the general ledger providing accurate information for inclusion in the financial statements and ensuring effective financial but also non financial asset management. Firstly, we draw together some of the important qualitative features of actual government asset management regulatory framework and practice in Croatia. This is intended to highlight current thinking about the issues involved in the government asset management processes, to focus on some of the unresolved aspects of the asset management reform (e.g. asset coverage/classification showing considerable diversity across regulatory frameworks) and to suggest areas for further consideration to help resolve these. Secondly, we discuss the methodology for a comprehensive governmental fixed asset valuation and recording in asset register, budgetary users' balance sheets and whole government balance sheet. Thirdly, we address local property management applications. Finally, we define minimum information we believe an effective asset register should contain and we propose the manner in which the State Property Management Administration should gradually receive and seek data from the asset owners/users for the purpose of making entries to the register needed to make the State Treasury General Ledger an integral unit.

2. Government asset management system in Croatia

2.1. Regulatory framework review

According to The Budget Act effective as of 1 January 2009, all Government-owned financial and non-financial assets fall under the notion of Government Assets. Pursuant to the provisions contained in the Budget Act, the Government Balance Sheet must mandatorily contain a financial statement indicating the government asset status broken down by

economic classification (GFS 2001), in pursuance with the prescribed accounts from the Single Chart-of-Accounts. This implies that total government assets comprise the following:

- 01 Non-produced fixed assets;
- 02 Fixed assets produced;
- 03 Precious metals and other stores of value;
- 04 Small inventories;
- 05 Fixed non-financial assets in preparation;
- 06 Current assets produced;
- 11 Cash in bank and on hand;
- 12 Deposits, security deposits and accounts receivable from employees and for excess taxes, etc.;
- 13 Accounts receivable for loans extended;
- 14 Securities;
- 15 Shares and stakes.

According to the Article 62 of The Budget Act (hrv. Zakon o proračunu) “the central state and local and regional self-government assets shall be financial and non-financial assets owned by the state and local and regional self-government units”.⁴

For financial statements purpose and in accordance with the provisions contained in the abovementioned Act, a central state administration body that is in charge of managing government assets is tasked with compiling list of government assets. According to the law the list is to be supplied to the Ministry of Finance by 15 February of the current year indicating the state-of-play as at 31 December of the relevant reporting year. However, in the last 15 years, insufficient attention has been given to institutional setup for efficient state assets management and accounting recognition and valuation estimates of the financial and non-financial state assets in Croatia. The need for developing accountable and responsible state asset management has often remained in the shadows of privatization processes and ownership rights enhancement. Asset management organisational setup in 2010/2011 has generated some of the key institutional preconditions for quality asset management. This, however, posted new additional dilemmas concerning the following: assets’ accounting recognition and valuation enhancement processes, making decisions regarding asset usage, and analyzing the possibilities of assets’ potential marketability, both in short and long term.

The Government Asset Management Act which entered into force in early 2011 provided for the government asset management principles, as well as the establishment and organisation of the Government Asset Management Agency. The Agency was competent for setting up and keeping the Government Asset Register. The Agency was a legal successor of the Croatian Privatisation Fund and the Central State Office for Government Asset Management. Pursuant to the provisions of the Government Asset Management Act, the term “Government Assets” includes shares and stakes in companies and property whose owner or a holder is the Republic of Croatia, i.e. institutes and other legal persons founded by the Republic of Croatia.

Due to the fact that government assets in the Republic of Croatia are being classified, recorded and valued in an insufficiently adequate manner, the State Budget General Ledger fails to incorporate the full data on assets owned by the Republic of Croatia, a fact also pinpointed by the State Audit Office in its report on audit of the 2010 Republic of Croatia’s State Budget Execution Annual Report. Asset-related data are being recorded in balance

⁴ The Budget Act is authors' free translation for Zakon o proračunu (NN 87/08; 136/12). Government accounting system framework in Croatia has been set up as a law – based system and there is no official translation to English for most of the acts and provisions that form a part of the Croatian legislative framework. All legislative acts are published in Official Gazette (free translation from Croatian - Narodne novine, in this paper abbreviated as NN).

sheets, off-balance sheet and analytical records of competent budget and extra-budgetary users, which has to an extent been presented in the consolidated Balance Sheet. While documentation on government assets has been dispersed among various records of the government institutions, records are either non-existent or incomplete for certain types/classes of government assets.

For the purpose of consolidating the asset records in the State Treasury General Ledger and on the basis of a proposal of the Ministry of Finance, the Government Asset Register Decree (hereinafter referred to as the Decree), adopted in 2011 on the basis of the Government Asset Management Act, emphasise that the Agency uses data included in the Government Asset Register as the foundation for listing government assets presenting the state-of-play as at 31 December of a relevant reporting year. The Agency submits the list to the Ministry of Finance no later than by 15 February of the current year. The list classifies assets following the distribution of items in the budget accounting Chart-of-Accounts and presents them in material terms in line with the regulations governing budget accounting. All this is in line with the provisions contained in the 2009 Budget Act.

On December 22nd 2011, the date of entering into force of the Act on the Structure and Scope of Ministries and other Central State Administration Bodies⁵, the duty of setting up and keeping the Government Asset Register is given to the State Property Management Office which is the legal successor of the Agency. In April 2013, State Property Management Office produced the first four year Strategy for managing the state assets⁶ (hrv. Strategija upravljanja i raspolaganja imovinom u vlasništvu Republike Hrvatske) that should be used by the government to create plans for privatization, and especially for the creation of a new Public Debt Management Strategy for the period 2013-17. The Strategy was then followed by the new law on state asset management named Act on the management and disposal of assets owned by the Republic of Croatia⁷ that is to define and encompass all types of state assets (excluding however local government assets), principles of state property management, the way and terms for disposing of shares and interests in companies, as well as to define the coverage of the government assets, scope and authority of the State Property Management Administration (whose operations are financed from the state budget) as the central body of management, regulate the establishment and maintenance of the Government asset register⁸ and the set up of the new Centre for the restructuring and sale (hrv. Centar za restrukturiranje i prodaju) that is entrusted with managing companies in which the government holds minor shares and stakes and is supposed to operate on a self financing basis.

Prior to year 2013 Croatian government developed a number of strategies and strategic development plans, but unfortunately all strategies were brought without firstly conducting detailed analysis, assessment or evaluation of financial and non-financial assets owned by the state government agencies, local government units, companies, institutions and other institutions set up by the central or local government. Privatization carried out in 1990es further complicated the insight into the value of state assets. Furthermore, the priority was given to the financial asset management over the non-financial asset management. The absence of non-financial assets records (and fixed assets in particular) resulted in unclear profiled role of the government in the economy, and the absence of a clear vision and mission of fixed assets (mostly property) management and assets economic use. Public sector asset would only occasionally gain importance and capture interest of general public, i.e. when the

⁵ Authors' free translation to English for Zakon o ustrojstvu i djelokrugu ministarstva i drugih središnjih tijela državne uprave (NN 150/11, 22/12, 39/13).

⁶ Authors' free translation to English for Strategija upravljanja i raspolaganja imovinom u vlasništvu Republike Hrvatske za razdoblje od 2013. do 2017. godine (NN 76/2013).

⁷ Authors' free translation to English for Zakon o upravljanju i raspolaganju imovinom u vlasništvu Republike Hrvatske (NN 94/2013).

⁸ In this study we use terms Government asset register and Central asset register interchangeably, as synonyms.

privatization of state financial asset resulted in much needed money for public debt principal and interest repayment.

Starting from the concept that public authorities have to be fully accountable to the public in managing the assets, and that most central and local authorities, or public institutions that have appeared to play the roles of either supervisors or custodians of certain assets in Croatia have performed asset management practise prioritizing financial assets, with some not even knowing what fixed assets they own, manage or use, in this paper we discuss the preconditions necessary for commencing proper public sector fixed asset management practice in Croatia, that would better enable and encourage the authorities to assess the knowledge and performance of their assets and integrate these into the management processes so that they are used most productively.

Based on the aforementioned and on the regulatory framework analysis, issues related to current government fixed asset management in Croatia can be summarized as follows:

- The existing government asset register in Croatia is still incomplete, for certain assets redundant, while for others non-existent or scattered in various places or institutions.
- There is general misunderstanding of government asset definition and lack of proper government assets' classification.
- There is a mixed authorization for owning, managing and using public sector assets.
- Means of managing public sector assets are limited to administrative use, privatization, sometimes concessions and just recently public private partnerships, while alternative means of asset usage are barely reckoned and implemented in practice.
- There is a considerable lack of valuation principles and qualified people to manage the valuation processes of the public sector fixed assets.
- The State Budget General Ledger fails to incorporate the full data on all asset items (types of assets) owned by the Republic of Croatia. This is due to the fact that: (1) documentation on government assets has been dispersed among various records of the government institutions that use the assets and/or have been assigned by special government or parliament decrees to manage, utilize or dispose of the assets, (2) asset-related data are scattered, being recorded, if recorded at all, in balance sheets, off-balance sheet and analytical records of competent budget and extra-budgetary users, (3) the legislation in force does not refer to local government assets but to central government assets exclusively.
- Greater emphasis and priority is put on financial asset management. Non-financial asset items are perceived as non-realizable and in many circumstances as asset items which do not generate revenue; they generate only outflows of cash in order to preserve them. In addition, public sector capital charges representing a charge on the net assets employed by public sector entities that use fixed asset for the administration purposes are not imputed.

Table 1 presents the differences in the coverage of assets in terms of budgetary accounting regulations in relation to how asset items are defined and classified by the existing government asset management regulatory framework.

Table 1. Coverage of the assets according to former and existing regulative frameworks

<p><i>Zakon o upravljanju državnom imovinom (145/2010; 70/2012)</i></p> <p><i>In Engl. The Government Asset Management Act</i></p> <p><i>*was in force till 2013</i></p>	<p><i>Zakon o upravljanju i raspolaganju imovinom u vlasništvu Republike Hrvatske (94/2013).</i></p> <p><i>In Engl. The Act on the management and disposal of assets owned by the Republic of Croatia</i></p>	<p><i>Uredba o registru državne imovine (55/2011)</i></p> <p><i>In Engl. The Government Asset Register Decree</i></p> <p><i>*still in force; new Decree is set to be drafted in January 2015</i></p>	<p><i>Zakon o proračunu (87/08; 136/12)</i></p> <p><i>In Engl. The Budget Act</i></p>
<ul style="list-style-type: none"> - Shares and participating interests in companies whose holder is the Republic of Croatia, - Property owned by the Republic of Croatia, except for those properties whose management and disposal is regulated by a special law, - Shares and participating interests in companies whose holder is Croatian Pension Insurance Institute, - Shares and participating interests in companies whose holder is the State Agency for Deposit Insurance and Bank Rehabilitation, which had been acquired in the process of rehabilitation and privatization of banks, - Shares and participating interests in companies, and property owned by, or owners institutes and other entities established by the Republic of Croatia, and that the Agency enter into a management contract for the property, and - Other assets administered by the Agency on the basis of special regulations. <p>* Note:</p> <ul style="list-style-type: none"> - State property refers to: residential and commercial buildings, building land, buildings and associated land - The Act does not refer to local government assets 	<p>Asset definition and classification:</p> <ul style="list-style-type: none"> - Defines specifically all types of financial and nonfinancial long term and short term assets - Still constrained to central government asset - Defines 36 assets items, not complying to the Government Balance Sheet classification of assets - Asset Register is a central register of shares and stakes and property in State ownership or in the ownership of other institutions and legal entities founded by the State. - Central Asset Register contains a list of state assets in the form of shares and stakes in companies; real estates, including the property management and disposal of which is regulated by a special law, and whose holder or owner is the Republic of Croatia, or institutions and other legal entities founded by the Republic of Croatia; concessions, cultural goods, agricultural and woodland <p>*Note:</p> <ul style="list-style-type: none"> - Separates and defines terms: asset ownership, management and usage. - The Act does not refer to local government assets 	<ul style="list-style-type: none"> - Register is a list of assets in the form of shares and stakes in companies, and property whose owner is the Republic of Croatia, public institutes or other legal entity which is the founder of the Republic of Croatia. - Register of state property encompasses: building land and buildings, agricultural land, forests and woodland, public water, housing; business premises, property used by government bodies, residential buildings and villas 	<ul style="list-style-type: none"> - Asset of central and local (regional) governments, according to this Act, encompasses financial and non-financial assets owned by the central, local and territorial (regional) governments. - Asset classification acknowledges 15 asset items groups: <ul style="list-style-type: none"> ✓ Non-produced fixed assets; ✓ Fixed assets produced; ✓ Precious metals and other stores of value; ✓ Small inventories; ✓ Fixed non-financial assets in preparation; ✓ Current assets produced; ✓ Cash in bank and on hand; ✓ Deposits, security deposits and accounts receivable from employees and for excess taxes, etc.; ✓ Accounts receivable for loans extended; ✓ Securities; ✓ Shares and stakes.

Source: Authors' systematization

The systematized comparison presented in Table 1 proves that incomplete records on government asset might be due to:

- years of having the inconsistent asset management regulatory framework which assured that assets were often, sometimes unconditionally, entrusted to various asset users who were granted the ownership rights (i.e. forests and woodland are still “owned” by Hrvatske Šume plc., the company entrusted to manage the assets),
- differences in asset coverage and classification in asset management regulatory framework compared to budgetary accounting and financial reporting regulations.

2.2. Central asset register data

In mid-January 2014 Central asset register, though incomplete and comprising of two asset groups/types – shares and property, was made publicly available for the first time, and was published on the State Property Management Administration website, in accordance with the provisions in the existing government asset management regulatory framework on making the register available for the public. Register’s content was structured in accordance with the guidelines of the Government Asset Register Decree (hrv. Uredba o Registru državne imovine), still in force.

In July 2014 (July 24th), the Register comprised of 403328 property items, divided in several categories: land to build on and buildings (2%), agricultural land (1%), forests and woodland (76%), public water (11%), housing (7%); business premises (2,5%), property used by government bodies, residential buildings and villas⁹. Small percentages of certain categories are due to the fact that majority of users are not keen on reporting on assets, even though they have been obliged to by legislation.

3. Comprehensive asset register as the path to a sound government asset management practise

Government asset management policies differ due to cultural and historical heritage, the size of the government assets portfolio, the organization of general government, the level of democratization, the perceptions of the public management role and public sector accounting practices. Despite these differences, there are some common preconditions that are considered necessary for conducting government asset management activities efficiently, the most important being - setting up a comprehensive asset register. New Zealand, Australia, the United Kingdom and France are known for the establishment of fairly complete public sector assets’ databases (Tanzi and Prakash, 2000). The public asset registries in Australia and New Zealand are developed in the course of the public sector reform (Bavin, 1999; Tanzi and Prakash, 2000). The UK is also a good example of a public asset register development. The National Asset Register that represents a comprehensive list of assets owned by the UK Government departments and governmentally sponsored bodies is considered to be an international landmark in transparency and accountability. The role of the National Asset Register has been to achieve greater transparency and better decision making in managing public resources, manage maintenance and opportunity costs of public sector assets, make the best use of everything the nation owns, and control the plans to dispose of non-cash generating assets by ensuring that resources are allocated to where they can be used most productively.

⁹ <http://podaci.duudi.hr/>

The practical solutions for establishing government asset management differ across the countries. Basically there has been a worldwide trend of establishing special institutions entitled to manage government assets. They are mostly in state or central or municipal government ownership and the degree of their accountability to the top-level public management structures and to the public differs as a result of cultural and historical backgrounds.

Common features of the companies/institutions that manage government assets worldwide: they are established in a founding law, charter or contract; they manage the assets owned by the public that may not be used for private benefit; they operate with some degree of autonomy from political direction; they manage its budget autonomously, but within a framework of rules set by the government; they are financed through a combination of own source revenues, earmarked contributions and transfers from the state budget; they are accountable to the public, as defined by the law and tradition.

Even though there have been certain efforts to perform public asset management in Croatia, it is our understanding that public asset management has not been properly considered as an integral part of public sector reforms. Common preconditions that we considered necessary for conducting government asset management activities efficiently, are as follows:

- asset register establishment
- assets classification
- assets recognition and measurement
- assets portfolio construction
- institutionalization and professionalism in asset management, and
- cost and outcomes measurement.

The first precondition for employing public sector assets for generating public revenues is to clearly determine what types of assets constitute the public asset portfolio and to determine the components of property rights that can be enforced on public sector assets. It also means that ultimate ownership rights need to be separated from control rights (Grubišić et al., 2008). In Croatia certain public sector assets were neither properly classified, neither recorded nor valued. Considerable disorder in property rights enforcement combined with unawareness of public authorities that public sector assets belong to the public, resulted in unfulfilled public expectations regarding better use of public sector assets. Some public sector assets have not been used at all, while some assets have often been claimed as being unproductive without questioning the adequacy and real cost-benefit ratio of their usage. Some public sector assets used to be sold to cover budgetary gaps, or to gain the sympathies of the electorate for carrying out certain projects. Overall, efficient public asset management has not been the matter of concern for public authorities.

Public sector assets' classification and public asset register creation would enhance public sector assets recognition and valuation and encourage professional public asset management development. We systematize guidelines (suggestions) for further government asset management development in Croatia, as follows:

- defining a comprehensive government assets portfolio,
- determining the State as the single owner of the government assets,
- defining all assets features regarded as relevant, namely: physical, financial, legal, and economic features. Register structure is currently based on data from the cadastre and land register (physical and legal information). However it assumes the coverage of the so called "other information" so there is no reason not to upgrade the existing Register structure.
- defining terms and means of listing all the assets,

- define criteria for determining the value of particular asset items/groups,
- defining and implementing a complete, clear and standardized reporting on the status of the asset and its value,
- defining the system of monitoring the use of assets and enabling financial reporting on the outcomes from using the asset,
- drafting proposals on the manner of receiving and collecting data from entities that use the assets and the manner of recording all types of government assets of the users, the Government Asset Management Agency and the State Treasury.

Asset classification within the government asset register is crucial to establishing manageable government asset portfolio. Such a portfolio would be a solid base for implementing valuation methods necessary for efficient utilization of government assets. Just as it is the case with private sector assets, all government assets can be referred simply as either tangible or intangible. All government assets need to be accounted for in the central government asset register, regardless of who has been in charge of them and regardless of what the possibilities and ways to determine their real value may be. Taking the stance that it is preferable that each country's government asset database at least includes the most important government assets, various asset classifications are possible. The variety of classifications across countries exists because certain countries are in doubt what types of government assets to include in their government asset portfolios and how to value them. Based on the use of assets, government assets can be classified as vacant, those occupied by governmental authorities and those serving to provide public services.

Creation of central government assets register would increase public sector efficiency, and could serve the following purposes:

- provide the value of the assets owned by the government that could help rating agencies in determining the credit rating of that government (central and municipal)
- facilitate the calculation of the balance sheet or the net worth of the government
- reduce the possibility that some public sector assets "disappear"
- permit a government to impute capital charges to public agencies or institutions that use these assets, to force them to use these assets efficiently, and
- become an important building block for an extension of accrual accounting to include the use of capital charges.

Even though the extent to which a government asset register can contribute to more efficient government asset management can be debated, it is obvious that without a database that includes all financial and other data on government assets, making final decisions on certain public management actions is not possible. The incomplete record of all government assets makes the process of monitoring and controlling assets' use rather difficult and enables the use of government assets without prior valuation and without scrutinizing public needs. However, achieving the level of accountability, in terms of assuring that government knows what it owns, where it is and what it has been used for is a precondition for government asset recognition and measurement for the accounting purposes. Thus, while, to a certain point, achieving the level of accountability for managing government assets can be met without any valuation of the assets and without consolidating the assets financially, making decisions regarding the new and different means of assets' use shall not be enabled.

Since information is the most important resource in the managing process, a comprehensive accounting information system is crucial for public revenues' and expenses' planning, performance measurement and asset management control (Likierman, 1994). It assures having general ledger records and financial statements on a daily basis.

4. The development of Croatian government accounting and financial reporting system and its role in government asset management reform

Since its gaining of independence, a new public expenditures' financing model was established in Croatia and accounting and financial reporting systems were changed. The governmental accounting reform started in 2001 and shortly after a modified accrual accounting as a gradual transition from cash to accruals was implemented. More importantly, several rather unique and theoretically and scientifically interesting practical solutions were implemented to assure pursuing public expenditures using cash and accrual basis simultaneously.

New governmental accounting system was established in Croatia in 2002, on the path of acknowledging the modern international trends of public expenditures' comparability and transparency, which started worldwide in recent decades and on the path of integral modern governmental accounting information system development.

Since governmental activities have been financed through the Budget, the legislative frame regarding governmental accounting development was determined by the Budget Act¹⁰ and other additional set of regulations.¹¹ Those additional regulations, decrees, instructions, policies, define and analyse certain parts of the main Act more precisely and thus enable faster and easier qualitative adoption of regulated solutions.¹² In addition, since accounting framework in Croatia has been set up as a law – based system, national public sector accounting standards have not been developed.¹³ Despite the non-existence of national public sector accounting standards, the appliance of IPSASs has not been enacted as obligatory, though the implementation of certain accounting solutions defined by IPSASs has been recommended by aforementioned Croatian regulations.

The distinguished qualitative features of the existing Croatian governmental accounting system are as following:¹⁴

- all general government entities (central and local government and their component entities) are obligated by the law to apply governmental accounting and financial reporting model.¹⁵ The fact that all entities within general government are obligated to do so, assures complete accounting and reporting on general government activities;

¹⁰ Zakon o proračunu (Nar. nov. 96/2003), poglavlje IX – Proračunsko računovodstvo (čl.114-132) / Croatian Official Gazette, No. 96/2003., chapter IX – Governmental accounting (article 114 – 132).

Since governmental activities are financed through budget execution, governmental accounting is sometimes in Croatian literature referred to as „budgetary“ accounting. If so, the term budgetary accounting does not address accounting for the budget only but also it addresses the financial reporting for governmental entities that are also financed through the budget. In this paper however, the term budgetary accounting refers to accounting that serves the function of budgetary control in the sense of comparing spending against the budget.

¹¹ Pravilnik o proračunskom računovodstvu i računskom planu (Nar. nov. br. 27/2005.), Pravilnik o financijskom izvještavanju u proračunskom računovodstvu (Nar. nov. br. 27/2005.), Pravilnik o utvrđivanju korisnika proračuna i o vođenju registra (Nar. nov. br. 80/2004.).

¹² Set of regulations include the following: Zakon o proračunu (Nar. nov. 96/2003), Pravilnik o proračunskom računovodstvu i računskom planu (Nar. nov. br. 27/2005.), Pravilnik o financijskom izvještavanju u proračunskom računovodstvu (Nar. nov. br. 27/2005.), Pravilnik o utvrđivanju korisnika proračuna i o vođenju registra (Nar. nov. br. 80/2004.). All regulations enacted are published in Croatian Official Gazette.

¹³ As for the financial reporting standards for private sector are concerned, a final draft of National financial reporting accounting standards for private sector/ HSFI – Hrvatski standardi financijskog izvještavanja, has been developed in the beginning of 2008, primarily as a support for small and medium entrepreneurs that find it hard to follow the IFRS – International Financial Reporting Standards. Prior to 2008, the appliance of IFRSs had been enacted as obligatory for big companies listed on the Stock Exchange, and just optionally for all the others.

¹⁴ Adopted and adapted from Vašiček, V, 2004 „ Stanje i pravci razvoja računovodstva proračuna“, XXXIX simpozij HZRFD, Financijski i računovodstveni aspekti korporativnog upravljanja u profitnim i neprofitnim subjektima, Pula, svibanj 2004.

¹⁵ The term „component entities“ refers to departments, boards, agencies, commissions etc.

- unified chart of accounts and consistent appliance of rules for recording cash transactions and economic events are regulated by the law as well. This assures standardized information base for conducting additional data analysis when needed;
- as regards information on budget (budget planning and budget execution), accounting and financial reporting, the appliance of organizational, economic, functional, location and program classifications of the budget is obligatory;
- existing accounting information system of a general government has been regulated to be based on modified accrual accounting basis and the historic cost principles regarding balance sheet items, as a gradual transition towards accruals implementation and compliance towards the IPSASs. Generally, modifications of accrual accounting basis vary. This allows governments that have not yet applied full accrual basis to model their own accounting system by adjusting it according to their particularities (e.g. with respect to quality of an existing accounting system, the willingness and qualifications of the public sector accounting staff, taking into account the priorities in conducting reforms, the level of political will to introduce changes, international requirements and level of necessity to complete the reform etc.). Even though actual amounts and financial statements are prepared on modified accrual accounting basis, budget amounts are still prepared on cash basis. However, we find this consistent with the international trend that reform of implementing accrual accounting for financial reporting comes first and budgeting follows;
- the most important features of Croatian governmental financial reporting model based on modified accrual accounting basis are as follows:¹⁶
 - ✓ revenues are generally recognized on cash basis with only certain revenues recorded on accrual basis;
 - ✓ regular expenditures and liabilities are recognized on accrual basis;
 - ✓ expenditures regarding the fixed assets supply are not capitalized but rather treated as an expense in full when obtained. This further implies that assets are not being depreciated yearly based on the estimated assets usage period;
- consistent appliance of internationally recognized and comparable analytical framework of financial and statistics reporting has resulted in establishing contextual and functional linkage concerning financial and statistics reporting. Precisely, one of the reasons for directing accounting information system reform towards accruals implementation is the fact that Government Finance Statistics (GFS 2001) are accrual based;
- obligation to make periodical and annual financial reports; obligation for consolidated semi annual and annual settlement of budget accounts of the Republic of Croatia.
- Taking into account all abovementioned features, it is inevitable to articulate that the transformation from cash accounting basis to modified accrual accounting in 2002., enabled Croatian governmental accounting system to make a valuable step further towards international public sector accounting reform trends. The reform has so far resulted in implementing quality solutions that represent a good basis for further adjustment and development of Croatian governmental accounting information system towards accruals appliance in government accounting and budgeting, and towards a more comprehensive appliance of accrual based IPSASs.

The transformation from cash accounting basis to modified accrual accounting in 2002, enabled Croatian governmental accounting system to make a valuable step further towards international public sector accounting reform trends. The reform has so far resulted in implementing quality solutions that represent a good basis for further adjustment and

¹⁶ More detailed in Grupa autora (redakcija Vašiček, D.), 2003 „Primjena računskog plana proračuna, 2003/2004“, HZRF, Zagreb, pp. 118-120.

development of Croatian governmental accounting information system towards more comprehensive accrual based IPSAS appliance.

As for government asset management is concerned, full accrual basis enables better information needed for sound and efficient asset portfolio management, in terms of a more comprehensive recognition of public sector asset. This would further result in a broader definition of the total government asset, its classification and coverage in the asset Register and State Treasury General Ledger. Accrual accounting basis assures transparency of the total cost incurred when performing a certain activity, enables the government entity to calculate the price of a certain good or service it provides so that activity controlling process is more efficient as for the cost-benefit analysis is concerned. Being able to measure financial costs enables one to decide whether to continue with providing certain activity or to outsource it and yield greater efficiency.

Croatian governmental accounting reform has so far resulted in implementing quality solutions that represent a good basis for its further adjustment and development towards more comprehensive appliance of IPSASs'. Even though the appliance of IPSASs in Croatia has not been enacted as obligatory, the implementation of certain accounting solutions defined by IPSASs has been recommended by certain Croatian regulations. Further adjustments and developments of Croatian government accounting system need to be related to the country recent accession to EU and the guidelines of the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States¹⁷, and to applying accruals in public sector accounting and financial reporting practice (partially in the adjusted sectors of local and central government – i.e. healthcare sector). As for public sector accounting standards are concerned further changes and adjustment are possible and are two hold, as follows:

- ✓ significant improvements of the existing national accounting and financial reporting framework as for public sector accounting specific issues are concerned, or
- ✓ obligatory IPSAS appliance (The Budget Act, Article 98, states that Budget accounting is to be based on the International Public Sector Accounting Standards).

Given the initiated reforms of the Croatian government accounting and financial reporting system, which is currently founded upon a modified accrual principle, and its alignment against the recommendations and guidelines provided in the International public sector accounting standards (IPSAS) as a path towards the full accrual accounting concept, the valuation and measurement of overall government assets and its coverage and recognition in the State Treasury General Ledger, is deemed highly important.

5. Development of standard methodologies and procedures for an adequate government fixed asset recognition and measurement

Even though the setup of the Government Asset Management Agency and State property management administration has generated some of the key institutional preconditions for a more quality asset management, new additional dilemmas emerged, namely concerning the recognition and valuation enhancement processes, making decisions regarding asset usage, and analyzing the possibilities of assets' potential marketability, both in short and long term.

¹⁷ Official Journal of the European Union, L306/41-47, Volume 54, 23.11.2011. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:306:0041:0047:EN:PDF>

The habit of relating efficiency to public spending, as it is generally done, may give wrong results when, as it is often the case, public institutions use public sector assets (land, buildings, etc.) without imputing a cost for their use. The fact that the use of asset acquired or inherited in the past does not affect the current budgetary costs, should not be the reason for treating these assets as if their value were zero or to leaving them as being unrecorded.

In order to encourage accounting for the government assets, an array of accounting boards and associations have been intensively working on preparing and perfecting public sector accounting standards being accrual based, that in addition supports the need of recognizing and reporting for all the government asset items. In that manner, International Public Sector Accounting Standards Board (IPSASB) has been publishing on regular basis standards that serve as the guidelines and recommendation for asset recognition and valuation, as well as certain studies that deal with helping solving some major questions in the field of government accounting, with an aim of transferring and converging the experiences of some countries that are up to dated with public sector accounting trends and already have almost finished the reform processes, to the ones that have just started or have been in the process of performing government accounting reforms.

Asset management activities should encompass: asset register establishment, assets classification, assets recognition and measurement, assets portfolio construction, institutionalization and professionalism in asset management, and cost and outcomes measurement (followed by reporting on the outcomes). Therefore prior to proceeding with asset valuation and measurement, one must understand that valuation is regarded as being one of the important features of the asset management process and reform.

Deciding about the model (mean) of the asset use is regarded as the precondition for valuation. Purpose and use of the assets is defined depending on the economic characteristics of the asset: marketability of the assets and service potential of assets.

Government fixed assets can be employed in:

- ✓ Non-profit-oriented use (administrative business use, transfer of ownership and use)
- ✓ A profit-oriented use (as in Table 2 below)

Table 2. Alternative use of public sector fixed asset classes

IPSASs			
Land, forests, fields, vineyards	Constructions	Infrastructure assets, mineral resources	Heritage Asset
<ul style="list-style-type: none"> ▪ concession ▪ investment ▪ sale ▪ lease 	<ul style="list-style-type: none"> ▪ concession ▪ investment ▪ sale ▪ lease 	<ul style="list-style-type: none"> ▪ concession ▪ investment ▪ partial sale ▪ lease 	<ul style="list-style-type: none"> ▪ investment ▪ lease

Source: authors' selection

Valuation/measurement of non- financial assets shall encompass the following:

- records on asset acquisition - the initial recognition:
 - ✓ Property: acquisition value, accumulated depreciation, the current book value, estimated (market) value
- subsequent valuation of the asset:
 - ✓ Fair value, depreciated cost
 - ✓ the revenues/income expected to be generated from assets use
 - ✓ the value set for another asset that holds similar features

- reporting on the structure and dynamics (accrued value: nominal, discounted, capitalized);
- reporting on the asset use outcomes:
 - ✓ profit-oriented use: income and expenses on the property (capital gain / loss from rental fees, concession fees, dividends, shares in the business result)
 - ✓ non - profit oriented purpose: administrative use, transfer of ownership rights, and donation (one monetary unit (1 HRK), asset replacement cost, the value of alternative use of assets)

Recognition and measurement of the so called specific government (public sector) groups of asset encompass the following:

- Infrastructure assets, military assets: fair value, mostly determined as the current replacement cost less accumulated amortization and adjusted for losses from assets impaired at the time of the last asset revaluation the fair value as the estimated value of the alternative use of the assets
- Heritage assets: one monetary unit (1 HRK); the economic value of the quantified sum of the following values: "option value", "Existence of non-use value" and "user value"; valuation depends whether property regarded as being heritage assets is used for everyday operational activities of the governmental units, or is not used at all (deciding between full, semi or zero capitalization of the assets).
- Natural resources and biological assets: income generated from their use, market prices / contracted sales price (biological assets), the method of transaction costs, replacement costs, present value, and the method of the current rent (mineral reserves).

Currently there are two main Government Asset Registers in Croatia: the register that relates to property as the only non-financial assets, and the register that relates to financial assets (shares and stakes), both kept and maintained by the State property management administration under the Central Asset Register¹⁸ information system. Thus, the Register as such is treated as the first step in building a comprehensive government asset base (gathering all other asset groups and items). The Register mainly encompasses the data on physical and legal features of an asset item. The Register should contain a more detailed data on economic and financial features of the asset, as well as on the mean of current use of asset.

Identification of the necessary changes to the existing manner in which the State property management administration receives and seeks data on government fixed assets from the users for the purpose of making entries to the Register needed to make the State Treasury General Ledger an integral unit, is therefore dependent upon:

- ✓ developing guidelines on who should keep own records of non-financial assets held or owned by the Republic of Croatia, and other legal entities founded by the Republic of Croatia, in the context of an option to manage and use such assets;
- ✓ further asset Register development (in terms of ensuring the data for the Ministry of Finance - State Treasury General Ledger)

¹⁸ Besides Central asset register, government fixed assets are also recorded in Register of agricultural land, register of cultural heritage, etc.

6. Local government fixed asset management

Local governments are among other issues, responsible for managing a diversified public asset portfolio (regardless of whether local authority/unit owns the asset or it has been given the right to possess and utilize the asset). Recent research shows that most local authorities in target transition countries started from a low base with some not even knowing what assets they owned. The lack of reliable information on public sector assets in place obscures determining assets' value, budgeting for asset management activities and evaluating public asset portfolio performance. As a result, assets are managed on an ad-hoc, often reactive basis. In addition, the regulation (laws, decrees, etc.) regarding the asset management most often refer to asset management at the central government level, therefore not addressing the issues concerning local government assets management. The absence of an integral and comprehensive institutional and legal framework to support local asset management applications, multiple jurisdictions involved in the public asset management processes and the complexity of local government objectives results in managing public sector assets efficiently and improving the way in which local governments manage their assets is therefore regarded being a great challenge.

Three main issues drive the need for improved local government asset management, as follows: local governments have to provide an increasing number of services with limited financial resources, the real estate (property) assets of the local governments are often very significant in value compared to their annual budget revenue or expenditures, local governments usually have much more freedom of choice over handling their assets and liabilities than they do over local government revenues from raising taxes and fees, etc.

As aforementioned, broad scope of mandatory functions for local governments in target countries is general administration. However, the standards and norms of carrying out these functions are not explicit. This provides significant opportunities for local governments to comply with global trends and ones that are more based on market solutions for income generating, such as transformation of treating its real property as a productive asset as opposed to a public good. Such management practices should be aligned with the practices of the private sector.

7. Proposal on the manner of receiving and collecting data from entities that use government assets and the manner of recording all types of government assets of the users, the management authority (State Property Management Administration) and the State Treasury.

The establishment of a centralized record on government assets and liabilities and asset rational use should, among other issues, address primarily the following:

- ✓ defining the scope of state property portfolio
- ✓ distinguishing among the owners, managers and users of the assets

Final goal of government asset management reform in Croatia over the mid and long term period should be as follows: government asset entrusted to be managed or used by an entity must not form an integral part of the entity's balance sheet. All other interim, temporal decisions, arrangements or decrees that differ from the abovementioned one can be allowed but only as the transition period and must lead to the final goal eventually.

Currently in Croatia, many state owned enterprises (government business enterprises -GBEs) and state institutions (agencies, ministries, other legal entities founded by the Republic of Croatia) own, and/or use and/or manage state asset. Besides them there are many institutions that were established by various local authorities to manage the public sector assets of local

importance. As pointed out they all act like owners, users and managers of governmental assets (for they were assigned to govern such assets) and in that manner they do not distinguish/ separate such assets from their own property, mostly because they use governmental assets in performing their everyday activities. Thus, government asset has been the subject of the accounting recognition and recording in the balance sheets of its user.

Considering that the overall process of assets recording and valuating is rather complex (e.g. in the UK, the government asset register as the information base that is to assure a comprehensive asset data in the State Treasury General Ledger has been developing over a ten years period), it needs to be conducted gradually over years, and therefore it requires a gradual phase to be implemented.

Such a gradual phase shall encompass the following: the existing budgetary and extra-budgetary funds and state owned companies (government business entities - GBEs) should continue to conduct management activities entrusted to them regarding the government asset use but only if those activities are aimed at providing adequate public services. It would be good, however, that their activities are supervised by a particular head institution entitled to manage government assets as a whole (State property management administration) and which is thought to eventually take over the management processes of all government assets in register, regardless of the means of asset use.

Two interim phases for financial reporting of the government assets that shall lead toward the abovementioned final goal (the third and final phase), are suggested:

- (1) Financial reporting on the government assets is not entirely separated from the financial reports of entities that manage the asset: government assets forms part of the budgetary and extra-budgetary users balance sheet regardless of whether the users act as owners, enacted managers or only users of the assets. Thus, government assets results in being consolidated in the State balance sheet. State owned companies (government business entities - GBEs) account for and report for such assets exclusively as off-balance sheet items.
- (2) Redefining government assets as central + local government asset and applying the phase one guidelines to encompass the assets that are currently under local and regional government authority. This refers to centralizing the data on asset but decentralizing the asset usage.

Both aforementioned phases shall also encompass the following:

- ✓ Certain government entities do not have the adequate data concerning government assets that they have been using and /managing, and will require, for example, the help from the Land Register, Bureau of Surveying and Courts
- ✓ All entities that currently use, manage and keep records of certain government asset items, should have the access to the asset Register (IT system located and maintained at the State property management administration) so that they are able to update the database with new information regarding the asset, on a regular daily basis.
- ✓ As for the manner in which the State property management administration receives and seeks data on government assets from the users, budgetary and extra-budgetary users and State owned companies (government business entities - GBEs) shall be obligated to prepare additional reports (forms) on the assets they own/manage/use. Such reports shall be legally prescribed and adjusted in such way that they gather the data needed to be included in the central asset register and partially in the State Treasury General Ledger. The reports shall consist of the legal, physical, financial and economic data. Also, besides legally prescribing the forms of collecting the data, the deadlines and means of electronic transfer of the data should be enacted too.

As emphasized, phases 1 and 2 should refer to the interim phases and shall last until the asset register results in encompassing the adequate data needed for the state treasury reports.

The final - third phase refers to having records (financial reporting) on the government assets entirely separated from the financial reports of entities that currently own, manage or utilize the asset,. The prerequisites for entering the third phase are as following:

- ✓ A process of expropriation of all current owners of government financial and non-financial assets. Such assets shall be recognized in their off the balance sheet. All budgetary and extra-budgetary users and State owned companies (government business entities - GBEs) shall continue to be obligated to prepare additional reports (forms) on the assets they own/manage/use.
- ✓ Certain agencies, institutions and organizations have been misusing their asset rights by misunderstanding and mixing the terms ownership and governance or they have been enacted with the right to own, manage and use the asset, so they might not be keen on accepting the reduction of their current rights and accept new responsibilities.

Eventually, such an integral government asset model should also address and encompass the system of state-owned enterprises entrusted with the government fixed assets.

Concluding remarks

The need for public asset recognition and efficient public asset utilisation in many countries, both at the central and local authorities' level, has been mainly driven by the idea that the Government and the public need to have a complete picture of the country's assets and that a Government is responsible for managing public resources on behalf of all its citizens. Therefore, for rational decision-making and assurance of better control over public sector activities, a promptly updated information database on all public sector assets is necessary. Thorncroft (1965) describes public asset management as "the direction and supervision of an interest in landed property with the aim of securing the optimum return. This return need not always be financial, but may be in terms of social benefit, status, prestige, political power or some other goal or group of goals". While the individual must accept some responsibilities for the ownership of private property, in the public sector, such ownership and associated responsibility have much wider social implications (Dent, 1997).

In its simplest form, the asset register may be a simple spreadsheet or database of assets. The lack of reliable information on public sector assets in place obscures determining assets' value, budgeting for asset management activities and evaluating public asset portfolio performance. The objective of the study is to set government asset register in Croatia in more complex scenario, where asset register presents a system that directly supports consolidating asset records of both central and local government entities, and of the state owned companies, and evaluating if government assets have been employed most productively, rather than being managed on an ad-hoc, often reactive basis.

Quality recording, available and prudent management of state property is necessary for the development of the property market, to meet the requirements of the EU regarding the identification and protection of property rights. In Croatia, there is no single state register of assets, and especially questionable is the list of non-financial assets¹⁹. The state Treasury and Treasury Ledger have long been functioning without complete information on non-financial

¹⁹ In year 2011 financial assets of the general government was worth 33.6 billion Euros (76% of GDP), and financial liabilities were 37.8 billion euros (85.2% of GDP). This indicates a negative net financial value in the amount of 4.2 billion euros (-9.2% of GDP), Bajo (2013).

assets to ensure consolidated balance sheet (assets and liabilities) of the state. The Ministry of Finance is interested in making a single register of state assets (that is to become an integral part of the Treasury) and has already prepared the instructions for budgetary and extra budgetary users referring to recording and evaluating the assets. Estimate of the total value of assets and a balance sheet (assets and liabilities) would increase the credibility and reputation of the state to the domestic and foreign investors and creditors, which would further have a significant effect on the change in the investment climate and would result in more favourable conditions for government borrowing in the financial markets²⁰.

Public sector asset register set up is being internationally interpreted as the first step in a series of public financial management reforms. In keeping with the intended use, data from the register create the groundwork for making decisions on the possible types of asset management. The implementation of the accrual principle in government accounting should be a starting point in doing so, since its application allows the recognition of all asset groups in accounting terms. Another element refers to the need for an efficient public sector asset management, as something that can and must take place. These are some of the directions of the new public management concept aimed at ensuring better quality of public services and wellbeing of the citizens.

Croatian literature and regulatory framework refer to several asset registries depending on different types of state assets and the mean of its use, such as the Central asset register (under construction), Concessions Register, Register of agricultural land, Register of cultural heritage, etc. Recent institutional setup for a more efficient state assets management is regarded as a good step in consolidating of government finances and improves the credibility of the state of the financial market. This is particularly important in terms of the financial crisis, because it shows not only the responsibility of the state to the present but also the future financial outcomes and results of operations. State Property Management Administration entrusted with asset management has provided the State asset management strategy as the document that encompasses and elaborates on all relevant economic, legal and political issues referring to the long-term sustainable development of the Croatian public sector assets. It should, however, refer to systematizing all possible means of using/employing the assets as well.

Our analysis of the government asset management regulatory framework and practice provides findings as follows: current government asset register in Croatia is still incomplete, for certain assets redundant, while for others non-existent or scattered in various places or institutions; there is a general misunderstanding of government asset definition and lack of proper government assets' classification; there is a mixed authorization for owning, managing and using public sector assets; there is a considerable lack of valuation principles and qualified people to manage the valuation processes of the public sector assets; asset register is not regularly reconciled to the general ledger so that general ledger fails to incorporate the full data on all types of assets and asset items.

Therefore, in this paper we argue that asset register should be regularly reconciled to the balances in the general ledger. Even more, once an asset register has been compiled to provide accurate information for inclusion in the financial statements and to ensure effective asset management it is important that the asset register is subject to continuous and effective validation. We propose the manner in which the State property management administration should gradually receive and seek data from the asset owners/users (initial status and asset value correction) for the purpose of making entries to the central asset register needed to make the State Treasury General Ledger an integral unit.

²⁰ Uputa o priznavanju, mjerenju i evidentiranju državne imovine, Ministarstvo financija, 2012.

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