



CORTE DEI CONTI

The Italian Court of Auditors

The Italian Court of Auditors SMART project – a pioneering initiative in the public sector based on XBRL standard protocol



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The legislative framework - Italian public accounting and finance reform

In 2009 Italy has launched an ambitious and vast reform process of the public sector accounting and financial statements.

The reform involves more than 11,000 institutions, with many different legal forms and with a very diversified legislative framework, including different accounting rules and financial statements.

Nowadays, the reform is in a **very advanced stage of implementation at local government level** (20 regions, 110 provinces, 8,000 municipalities).



After a 3 year pilot phase (2012-2014), that has involved about 400 of local government institutions, and a period of transition (2015), it will be fully operational from the fiscal year 2016.

Italian public accounting reform - MAIN GOALS

1. Improving **transparency and accountability** in budgeting, accounting and financial reporting in the Italian public sector at all levels (*Ministries and other central government institutions and agencies, municipalities, regions, provinces, local agencies and authorities, public health institutions, public social security institutions, etc*).
2. **Harmonising the accounting and financial statements framework** in use in approximately 11,000 Italian public sector institutions, reducing the numerous inconsistencies and differences among them.
3. Setting up a new common framework **consistent with the recently updated European System of National and Regional Accounts (ESA)**, used by the European Union to collect and consolidate the information related to the EU Member States economies (including public sector).



Italian public accounting reform – What opportunities are there to exploit and what is the role of Court of Auditors?

The reform creates a great opportunity to increase the availability of detailed, standardised, transparent financial and accounting information regarding the whole public sector. This will benefit all the stakeholders, particularly the national and international institutions in charge of coordination, control, study, and analysis of the public finance of the country.

Among these institutions, the Italian Court of Auditors (Corte dei Conti), the supreme and independent "guardian" of the Italian public finances, plays a crucial role.

Corte dei Conti, among its important duties, controls and reports to Parliament on the financial situations and budgetary balances of all the public sector institutions, in order to guarantee a comprehensive and consistent control of public spending.

It is important, particularly for the budgets of territorial public bodies, to adopt the highest standards of transparency, to provide ease of access and reporting, in order to avoid corruption.



Corte dei Conti HQ in Rome

Italian public accounting reform - MAIN INSTRUMENTS

The reform requires the use of the following:

1. a dual accounting system (a.s.), with a full **ACCRUAL** double-entry a.s., alongside the traditional single-entry cash modified (or legal accrual) a.s., in use since 1923
2. a **set of common mandatory standard codes** and classifications to be applied to the budgets, the financial statements and to the underlying accounting entries:
 - a detailed integrated common **chart of accounts**, (3 modules, up to 6 hierarchical levels and several thousand items), in order to identify the nature of transactions
 - a 2-level classification to identify the destination of expenses, composed by **Missions** (*the main public functions*) and **Programs** (linked to services actually delivered by each entity), inspired by the French reform of 2001 and linked to the international classification of the functions of government (COFOG) in use in the EU
 - a set of **additional common standard codes**, to identify any other information of interest (*e.g. the investment project' codes, the expenses supported by EU funds, the recurrent or occasional incomes, etc*)



Italian public accounting reform - MAIN INSTRUMENTS



3. common financial **statements**, including consolidated ones to represent the financial situation of each institutions together with its companies, foundations and participating organisations;
4. use of a set of simple **performance indicators** related to the financial statements and based on common rules and principles

The SMART project – a pioneering initiative in the public sector based on XBRL protocol

Corte dei Conti has recently launched an ambitious project whose aim is to implement a brand new information system to collect all the data related to the financial statements and to the underlying detailed accounting data, transmitted by the **local Government Bodies** (Regions, Provinces, Municipalities) and coded in electronic form, using the standard XBRL protocol.



The SMART project – a pioneering initiative in the public sector based on XBRL protocol

The project intends to exploit the opportunities arising from:

- accounting and financial statements standardisation (harmonisation)
- the soon to be operational state reached by the reform at local Government level
- the powers of Corte dei Conti over local Government bodies
- the previous experience of Corte dei Conti in the use of XBRL, although not on such a large scale → **SICE**, The Information system for the Control of (Central) public bodies



The project (and also the new system) acronym **SMART** stands for the Italian *Sistema Monitoraggio ARmonizzazione Territoriale*, that can be translated as *Local Government Harmonized Monitoring Control System (LGHMCS...!)*

Focus: previous application of XBRL

The Information system for the Control of (central) public bodies (SICE)

The Italian Court of Auditors has already experienced the use of XBRL: the related project is called “SICE” (that stands for “**Sistema Informativo Controllo Enti**”, that can be translated as *Information system for the Control of (central) public bodies (SICE)*).

This system has a smaller scale than the SMART project and it is out of the framework of the accounting and harmonisation reform (for now).

In 2013 the Court launched a project to create a new system to manage the transmission, in XBRL, of the financial statements (pre-reform) by the Central Government bodies and public companies.

5 different taxonomies

- 5 different kinds of accounting rules and financial statements used within these group of bodies

Focus: previous application of XBRL

The Information system for the Control of (central) public bodies (SICE)

The main differences between the SICE and the SMART projects:

DIFFERENCES	SICE	SMART
Number of public bodies involved	200 central Government bodies (out of the Ministries and the Constitutional bodies)	> 8,000 Local Government bodies (20 Regions, 110 provinces and 8,000 municipalities)
Type of data transmitted	Financial statements only (pre reform and pre harmonisation)	. Harmonised financial statements . Harmonised analytical accounting data
XBRL specification used	2.1	2.1
No. of taxonomies	5 (one for each kind of financial statement used by the SICE bodies), one of which is the official XBRL taxonomy already used by Italian private firms	2 taxonomies (one for each type of data) for the actual data 2 for the budget 1 for the consolidated fin. statements
No. of items defined	< than 2,000	> than 26,700 (for the first 2 taxonomies)

The SMART project – a pioneering initiative in the public sector based on XBRL protocol

Corte dei Conti is well aware that the success of a such an important and pioneering project also depends on the **sharing of information** and decisions with all the main stakeholders. Approval is crucial in our experience. Therefore, many initiatives have been taken since the beginning of the project to involve:

- Italian institutional bodies



- Court of Auditors' partners



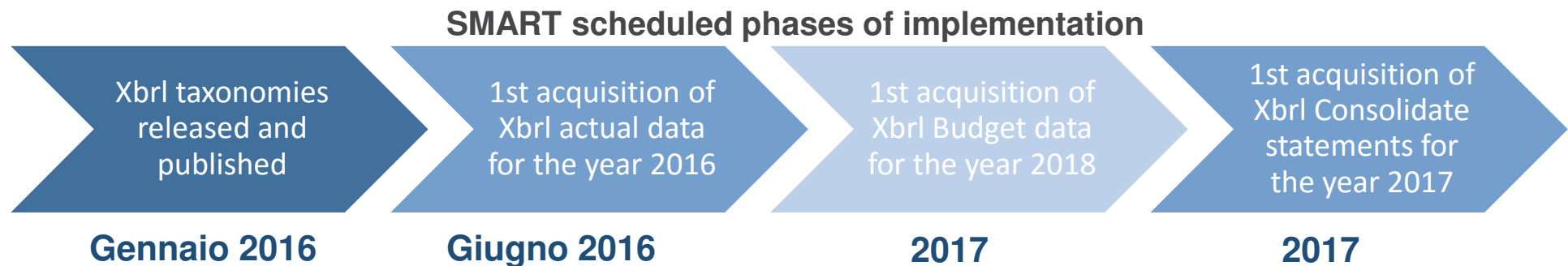
- The Professional Association of Italian IT firms developing managerial and fiscal application solutions



The SMART project – a pioneering initiative in the public sector based on XBRL protocol - Roadmap

The project will be implemented with a **gradual approach**:

- the first step is the issuing of the taxonomies (published on the Corte dei Conti website and approved by Corte dei Conti official decree on December 2015)
- by June 2016, the SMART system will be ready to acquire the XBRL instances
- in 2017, the taxonomies for the Budget data will be released and the functionalities to acquire the XBRL instances related to the 2018 Budget will be running
- in 2018, the taxonomies for the consolidated financial statements will be released and the functionalities to acquire the related XBRL instances for the 2017 data will be running



The SMART project – a pioneering initiative in the public sector based on XBRL protocol

SMART will manage two groups of data, that will be transmitted by each local government entity by accessing the system portal via Internet and uploading XBRL instance files. The **http** protocol will be used for the transmission.

For each of the two groups of data, an **XBRL TAXONOMY** has been implemented.

Financial statements

This taxonomy represents the set of financial statements that each local Government institution has to prepare and approve.

According to the new «harmonised» rules, a complex set of 27 statements has to be delivered.

Accounting and analytical data

This second taxonomy contains all the transactions underlying the information included in the financial statements (revenues, costs, disbursements, receipts, liabilities, fixed assets, etc), grouped according to the standard codes required by the new «harmonised» accounting rules.

The SMART project – Xbrl taxonomy for financial statements

Defines all the accounting «concepts» contained in the 27 different financial statements required by the law for the Local Government entities

Allegato n.10 - Rendiconto della gestione

CONTO DEL BILANCIO - GESTIONE DELLE SPESE

In the example beside:

The main statement of expenses according to the legal accrual accounting system, classified by Mission, Programs, Titles (=2nd level of the Chart of accounts) and kind of value. For each combination of Mission/Program/Title, there are 13 different expenditure values that have to be showed (initial assignments, final assignments, initial expenditure arrears, commitments, disbursements, etc...).

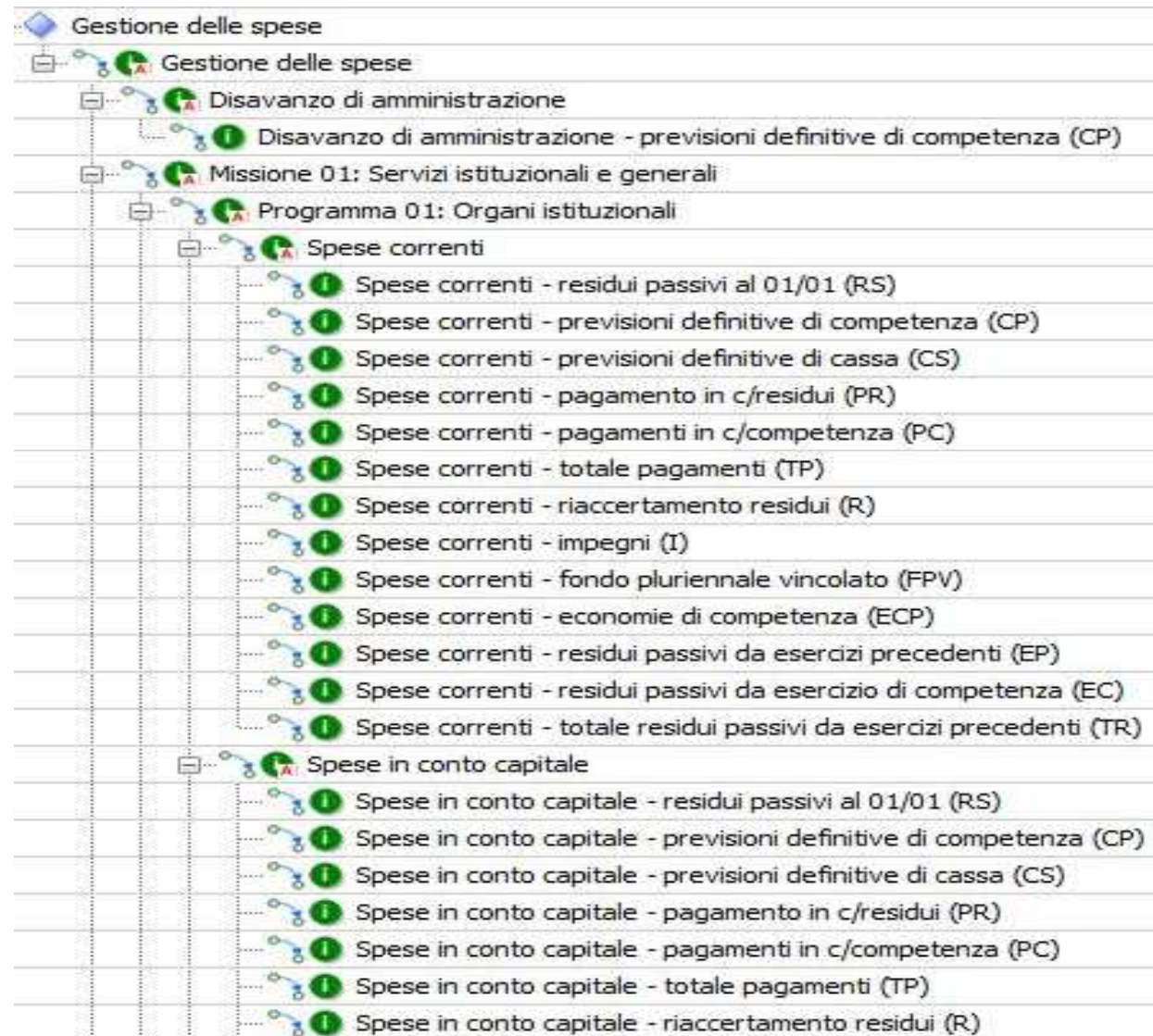
MISSIONE, PROGRAMMA, TITOLO	DENOMINAZIONE	RESIDUI PASSIVI AL 1/1/20.. (RS)		PAGAMENTI IN C/RESIDUI (PR)		RIACCERTAMENTO RESIDUI (R) ⁽¹⁾		RESIDUI PASSIVI DA ESERCIZI PRECEDENTI (EP=RS-PR+R)			
		PREVISIONI DEFINITIVE DI COMPETENZA (CP)		PAGAMENTI IN C/COMPETENZA (PC)		IMPEGNI (I) ⁽²⁾		ECONOMIE DI COMPETENZA (ECP= CP- I -FPV)		RESIDUI PASSIVI DA ESERCIZIO DI COMPETENZA (EC= I - PC)	
		PREVISIONI DEFINITIVE DI CASSA (CS)		TOTALE PAGAMENTI (TP=PR+PC)		FONDO PLURIENNALE VINCOLATO (FPV) ⁽³⁾		TOTALE RESIDUI PASSIVI DA RIPORTARE (TR=EP+EC)			
	DISAVANZO DI AMMINISTRAZIONE	CP	0,00								
MISSIONE	01 Servizi istituzionali, generali e di gestione										
0101	Programma 01 Organi istituzionali										
	Titolo 1 Spese correnti	RS	0,00	PR	0,00	R	0,00			EP	0,00
		CP	0,00	PC	0,00	I	0,00	ECP	0,00	EC	0,00
		CS	0,00	TP	0,00	FPV	0,00			TR	0,00
	Titolo 2 Spese in conto capitale	RS	0,00	PR	0,00	R	0,00			EP	0,00
		CP	0,00	PC	0,00	I	0,00	ECP	0,00	EC	0,00
		CS	0,00	TP	0,00	FPV	0,00			TR	0,00
	Totale Programma 01 Organi istituzionali	RS	0,00	PR	0,00	R	0,00			EP	0,00
		CP	0,00	PC	0,00	I	0,00	ECP	0,00	EC	0,00
		CS	0,00	TP	0,00	FPV	0,00			TR	0,00
0102	Programma 02 Segreteria generale										
	Titolo 1 Spese correnti	RS	0,00	PR	0,00	R	0,00			EP	0,00

The SMART project – Xbrl taxonomy for financial statements

- Based on XBRL specification 2.1, the Xbrl taxonomy expresses all the possible rows-columns combinations of the financial statements.
- More than **26.700 items** have been defined.
- All the «concepts» present in more than one financial statements have been analyzed and identified, to allow the Local Government institutions providing Xbrl data to deliver these values once and to avoid data redundancy
- All the relationships between different financial statements have been identified to define the calculation relationships
- The differences in the financial statements due to the different kind of entity using it (regions, provinces, municipalities) have been analyzed and will be managed defining specific entry points
- The accounting values of the statements have been distinguished by the other elements, that have been defined as abstracts.

The SMART project – Xbrl taxonomy for financial statements

Example of Presentation Linkbase



The SMART project – Xbrl taxonomy for financial statements

Example of Calculation Linkbase (on columns values)

+	1	Totale generale delle spese - previsioni definitive di competenza (CP)
+	1	Totale Missioni - previsioni definitive di competenza (CP)
+	1	Totale Missione 01: Servizi istituzionali e generali - previsioni definitive di competenza (CP)
+	1	Totale Programma 01: Organi istituzionali - previsioni definitive di competenza (CP)
	1	Spese correnti - previsioni definitive di competenza (CP)
	1	Spese in conto capitale - previsioni definitive di competenza (CP)
+	1	Totale Programma 02: Segreteria generale - previsioni definitive di competenza (CP)
	1	Spese correnti - previsioni definitive di competenza (CP)
	1	Spese in conto capitale - previsioni definitive di competenza (CP)
+	1	Totale Programma 03: Gestione economica
	1	Spese correnti - previsioni definitive di competenza (CP)
	1	Spese in conto capitale - previsioni definitive di competenza (CP)
	1	Spese per incremento di attività finanziarie - previsioni definitive di competenza (CP)
+	1	Totale Programma 04: Gestione delle entrate tributarie e servizi fiscali - previsioni definitive di competenza (CP)
+	1	Totale Programma 05: Gestione dei beni demaniali e patrimoniali - previsioni definitive di competenza (CP)
+	1	Totale Programma 06: Ufficio tecnico - previsioni definitive di competenza (CP)
+	1	Totale Programma 07: Elezioni e consultazioni popolari - Anagrafe e stato civile - previsioni definitive di competenza (CP)
+	1	Totale Programma 08: Statistica e sistemi informativi - previsioni definitive di competenza (CP)
+	1	Totale Programma 09: Assistenza tecnico-amministrativa agli enti locali - previsioni definitive di competenza (CP)
+	1	Totale Programma 10: Risorse umane - previsioni definitive di competenza (CP)
+	1	Totale Programma 11: Altri servizi generali - previsioni definitive di competenza (CP)
+	1	Totale Programma 12: Politica regionale unitaria per i servizi istituzionali

The SMART project – Xbrl taxonomy for financial statements

Example of Calculation Linkbase (on rows values)

Totale Missioni - economie di competenza (ECP)	1	1.0
Totale Missione 01: Servizi istituzionali e generali - economie di competenza (ECP)	1	1.0
Totale Programma 01: Organi istituzionali - economie di competenza (ECP)	1	1.0
Spese correnti - economie di competenza (ECP)	1	1.0
Spese correnti - previsioni definitive di competenza (CP)	1	1.0
Spese correnti - impegni (I)	2	-1.0
Spese correnti - fondo pluriennale vincolato (FPV)	3	-1.0
Spese in conto capitale - economie di competenza (ECP)	2	1.0
Spese in conto capitale - previsioni definitive di competenza (CP)	1	1.0
Spese in conto capitale - impegni (I)	2	-1.0
Spese in conto capitale - fondo pluriennale vincolato (FPV)	3	-1.0
Totale Programma 02: Segreteria generale - economie di competenza (ECP)	2	1.0
Totale Programma 03: Gestione economica	3	1.0
Totale Programma 04: Gestione delle entrate tributarie e servizi fiscali - economie di competenza (ECP)	4	1.0
Totale Programma 05: Gestione dei beni demaniali e patrimoniali - economie di competenza (ECP)	5	1.0
Totale Programma 06: Ufficio tecnico - economie di competenza (ECP)	6	1.0
Totale Programma 07: Elezioni e consultazioni popolari - Anagrafe e stato civile - economie di competenza (ECP)	7	1.0
Totale Programma 08: Statistica e sistemi informativi - economie di competenza (ECP)	8	1.0

The SMART project – XBRL taxonomy for analytical accounting data

For the analytical accounting data, the following data structures have been identified:

- **Legal accrual (*cash modified*) expenditure data**, with two substructures :
 - actual data (commitments and disbursements) classified by 5th level items (leaf nodes) of the common integrated Chart of Accounts (CoA)
 - data coming from the Budget (assignments, initial expenditure arrears) classified at 4 th level items of the common CoA
- **Legal accrual (*cash modified*) receipt data**, with two substructures:
 - actual data (receipt assessment and cash receipts) classified by 5th level items of the common chart of accounts (CoA)
 - data coming from the Budget (receipt foreseen, initial income arrears) classified by 4 th level items of the common CoA
- **ACCRUAL income statement data (*revenues, costs*)**, at 5th level of the common CoA
- **ACCRUAL balance sheet data (*debts, credits, assets, etc*)** at 6th level of the common CoA

The SMART project – XBRL taxonomy for analytical accounting data

Example of **Legal accrual** (cash modified) **receipt data structure – actual data**

Anno	Codice Ente	voce del Piano dei conti finanziario - sezione Entrate dati gestionali (V liv)	codice identificativo delle transazioni riguardanti risorse dell'Unione europea	codice identificativo dell'entrata ricorrente e non ricorrente	codice identificativo del perimetro sanitario (solo per le regioni)	Accertamenti (A)	Riscossioni c/competenza (RC)	Riscossioni c/residui (RR)
2015	XXXX	E. O. 00. 00. 00. 000	N	N	N	€ 8.000,00	€ 8.000,00	€ 1.000,00
			Può assumere i valori 1 o 2	Può assumere i valori 1 o 2	Può assumere i valori 1 o 2	>= 0	>= 0	>= 0

Qualificatore sezionale (E=entrate)

1° livello

2° livello

3° livello

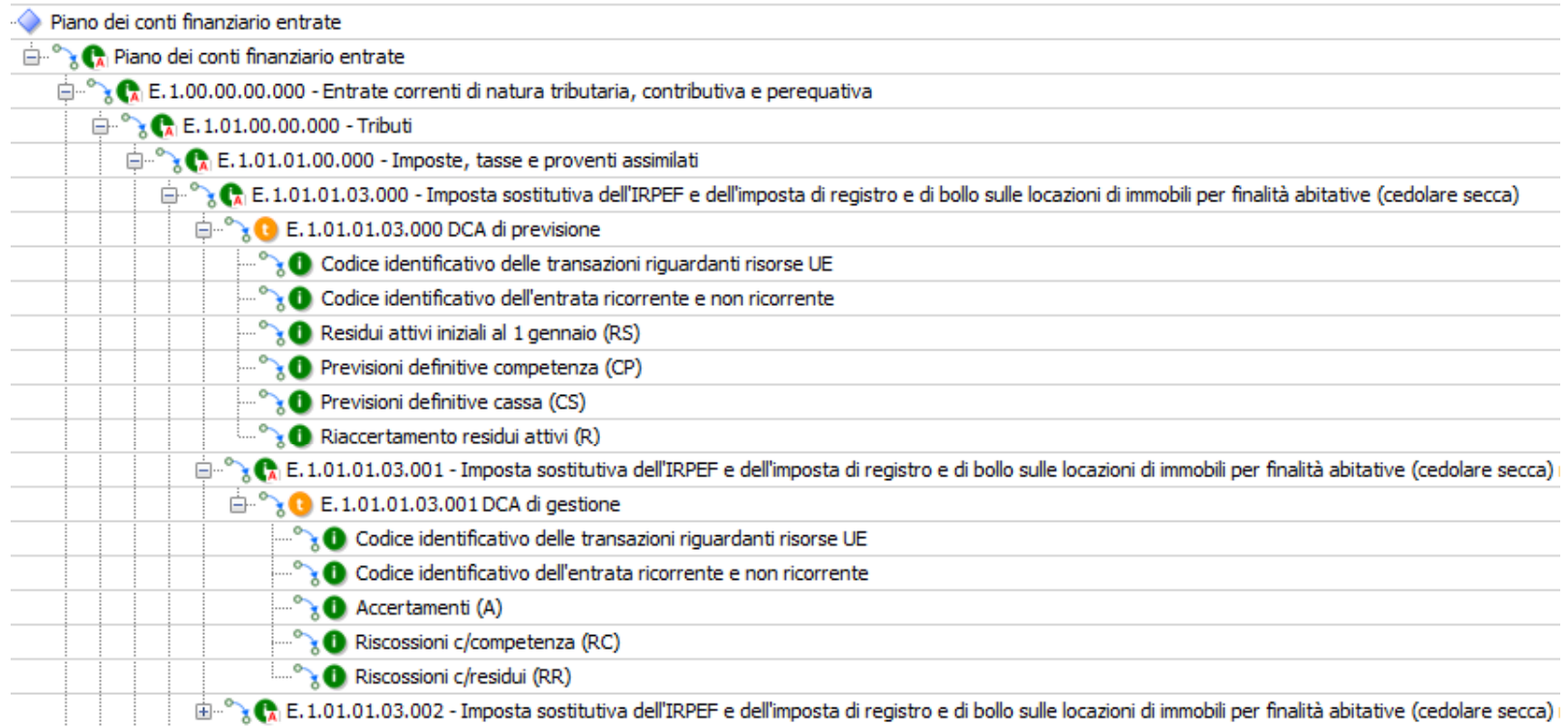
4° livello

5° livello

- The Xbrl taxonomy here expresses the different identified data structures by using **TUPLES**
- Chart of Accounts (CoA) items are the main taxonomy items, organized according to their own hierarchical structure
- each CoA leaf node (the items of the CoA to be used for the accounting entries) are linked to a TUPLE whose structure is defined according to a proprietary layout (XSD complex type)
- More than **12.700 items** and more than **7.800 tuples** have been defined

The SMART project – XBRL taxonomy for analytical accounting data

Example of Presentation Linkbase



The instance contains as many occurrences as the combinations of the mandatory codified information actually used for the accounting entries.

No balancing controls and no calculation relationships in the Calculation linkbase are applicable to the taxonomy for analytical accounting data.

The SMART project – XBRL taxonomy for analytical accounting data



Two different types of validation checks were implemented:

- **Integrated Chart of Accounts:**
 - optimized by using one single *namespace* and designing specific entry-points for each type of public sector entity
 - use of more complex XML types outside of core schema for better taxonomy maintenance
- **Financial statements:**
 - An “acid test” validation tool was built in order to ensure the exact presentation of the 27 templates of the financial statements

The SMART project – The road ahead



The following steps will enable the nation-wide implementation of the SMART project:

- **Completion of linkbases**
 - Reference, definition, etc.
- **Involve relevant software firms in the construction of a unique data set to populate XBRL schemas in all public sector entities**
- **A comprehensive training programme to disseminate XBRL competencies and knowledge**



Thanks for your attention!