How to Issue Financial Statements under the IPSAS Cash Basis

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Over the last decades, the Government of Jordan implemented a number of important financial management reforms aimed to enhance financial and economical stability.

Therefore, the Ministry of Finance has implemented many national financial reform programs or in coordination with international institutions of which:
Tax Reform Program

- This program based on:
  - tax legislation reform by accumulating all the tax laws in an easy and understandable single tax law.
  - technical framework reform by reviewing:
    - all the number of tax categories,
    - the tax percentages imposed and the exemptions, and
    - canceled the laws of some fees and merged them within the tax percentages.
Results-Oriented Budget

• Results-oriented budgeting (ROB) is a process for determining the best use of funds by connecting the cost of each program or subprogram with the results it achieves through SMART key performance indicators.

• The end goal of the budget process is not simply to make a budget, but rather to make good policy through the tool of the budget.
Advantages of ROB

• Enhance the efficiency of planning and decision making,
• Assure achieving national goals and priorities,
• Optimal use of resources and increase the efficiency of expenditures by following the progress of executing projects compared to plan,
• Determine the responsibility levels, and
• Transparency and accountability.
New Chart of Accounts

• Apply new chart of accounts according to Government Financial Statistics Manual 2001 which aims to:
  – Provide comprehensive detailed data for financial management,
  – Enhance transparency for revenue management and control expenditure, and
  – Support ROB and unify the classification of budget with the general ledger.
Structure of Chart of Accounts

- Fund (current and capital)
- Program
- Vocational
- Organization
- Geographical
- General ledger (revenue, expenditure and balance sheet)
Special Data Dissemination Standard

- Adhere to the Special Data Dissemination Standard (SDDS) after identifying a common concept for the public sector:
  - general government,
  - central government,
  - local government, and
  - public financial and nonfinancial institutions.
Treasury Single Account (TSA)

• It is a mechanism for cash management:
  – *has all cash contained in a single account* and
  – *simplifies liquidity management and reconciliation.*
Benefits of TSA

• Cash management
• Payment processing
• Budget execution control
• Revenue monitoring
• Accounting
• Internal control
• Audit
Cash Management

• All funds are in one account,
• Full and immediate information about inflow and outflows,
• Facilitates good cash planning,
• Optimize cash balance levels,
• Maximize returns on liquid assets, and
• Minimize net budget funding costs.
The Government Financial Management Information System (GFMIS)

GFMIS is a comprehensive integrated government financial management and accounting system that consolidates the financial and accounting information of all ministries, government departments, and regional financial centers through the connection with the Ministry of Finance.
GFMIS’s Most Important Features

• Provides accurate, comprehensive and reliable information that helps improve the efficiency of financial management,
• Comprehensive coverage of all budget management and financial management processes,
• Ability to exchange financial information easily and quickly,
• Transparency of financial data,
• Enables the financial control functions, and
• Supports decision-making at appropriate time.
GFMIS Facilitates the Requirement of:

- Budget preparation.
- Budget allocation.
- Position management.
- Project management.
- Procurement management.
- Payment management.
- Receipt management.
- Cash management.
- Accounting and reporting.
Implement Part 1 of Cash Reporting IPSAS

• The final account (financial statement) has been prepared in accordance with the Cash Reporting IPSAS for budgetary entities.
• The accounting policies have been applied consistently throughout the period.
• The financial statement includes all the entities in the budget law.
  – Contains the allocated resources as in the budget law, the added allocations if needed in supplementary budget law, the transfers between items within the chapters during the financial year, the actual revenues and expenditures, the cash position, the balances of some accounts, and the beginning balances.
  – Contains a budget to actual comparative statement.
• The Ministry of Finance must issue its final account based on the chart of account consistent with the Government Financial Statistics Manual 2001 before the end of June of the next financial year according to the audit bureau law.
Actions Needed to Follow Part 1

• Add a column for original budget.
• Develop a Cash Receipts and Cash Payment Statement with the information required including cash payment made by third party.
• Collect information for the prescribed footnotes.
• Prepare a management discussion and analysis as a preface to the prescribed financial statement (not required by IPSAS).
The Incentives

- Higher management support.
- Qualified staff.
- Information technology support.
- Qualified technical aid missions.
- Applying of government financial information system.
Challenges

• Small number of qualified staff.
• Collecting data for payments made by third parties.
• Administrative arrangements or decisions.
Future Plans

- Include requirement for adopting International Public Sector Accounting Standards (IPSAS) in national legislation.
- Establish a steering committee to set policies and a working group to develop procedures for IPSAS implementation. Assign working group members specific IPSAS for which they will be responsible to implement (recently established).
- Identify controlled entities by applying the power and benefit indicators of IPSAS 6 and break them out into categories (budgetary entities, Government Business Enterprises, and all other controlled entities). Hereafter, the "all other controlled entity" category will be referred to as "Component Units".
• Prepare unified Chart of Accounts for the accounting system to meet the needs of accounting and budget departments considering requirements specified in the IPSAS. Also, be able to eventually extract financial information from the accounting system to report accrual information in the Government Finance Statistics Manual (GFSM) for accrual accounting.

• Coordinate roadmap with GFMIS to assure that deadlines can be met.

• Coordinate roadmap with Audit Bureau and advise pertinent university professors.