

IPSAS Implementation

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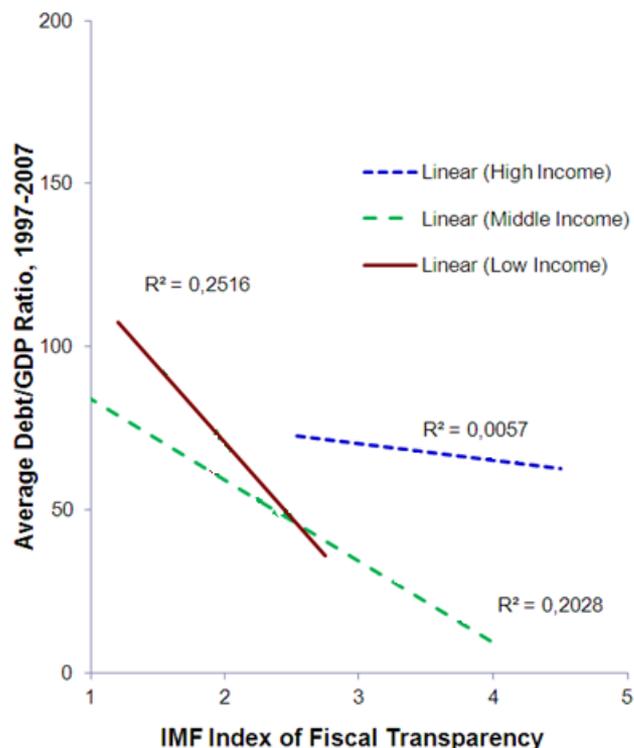
ICGFM
December 2, 2014

Importance of accrual to strong PFM: Recognition from G20 Leaders

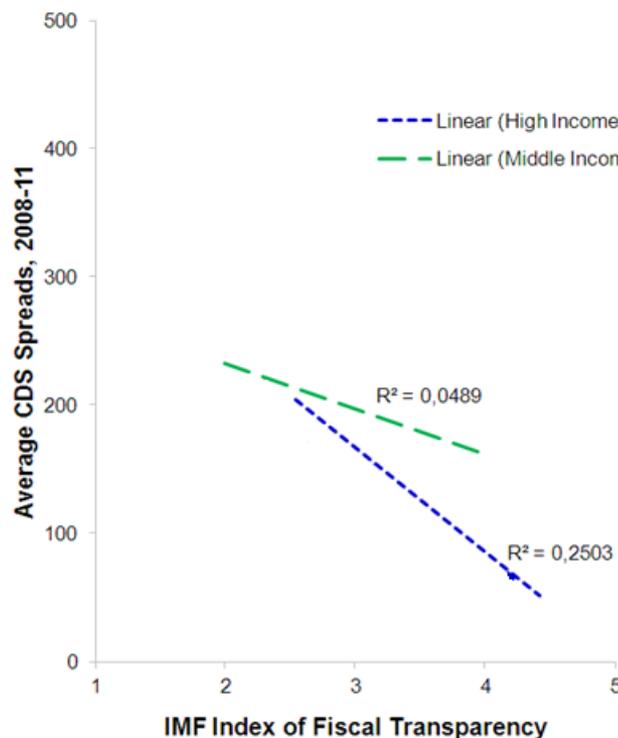
‘In pursuit of our goal of strengthening the public sector balance sheet, work is needed to better assess risks to public debt sustainability. This includes, inter alia, taking into account country-specific circumstances, looking at transparency and comparability of public sector reporting, and monitoring the impact of financial sector vulnerability on public debt.’

IMF Report on Fiscal Transparency, Accountability and Risk

Fiscal Transparency & Fiscal Performance



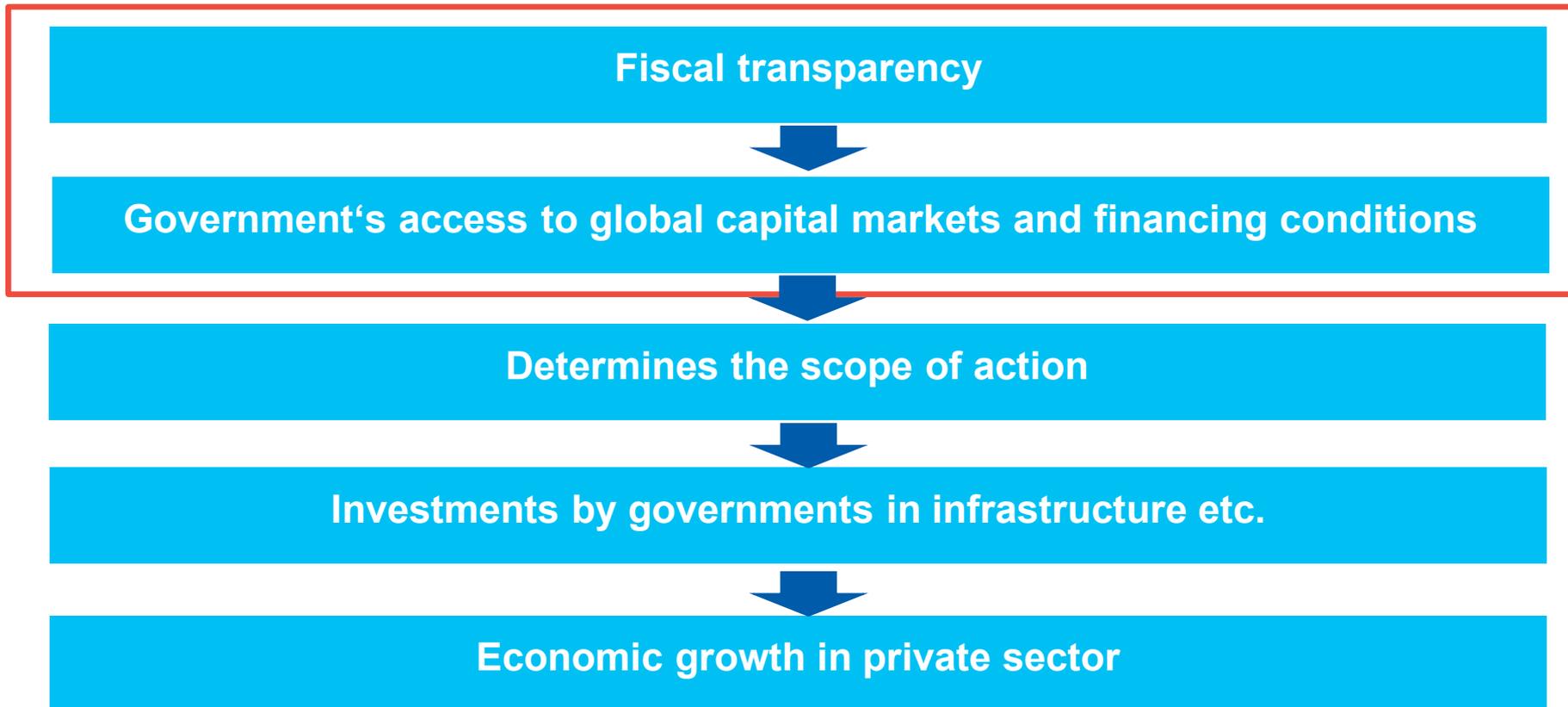
Fiscal Transparency & Fiscal Credibility



Source: INTERNATIONAL MONETARY FUND paper: "Fiscal Transparency, Accountability, and Risk", Prepared by the Fiscal Affairs Department in collaboration with the Statistics Department August 7, 2012

“The degree of fiscal transparency has been shown to be an important predictor of a country’s fiscal credibility and performance.”

Relationship between Fiscal Transparency and Economic Growth



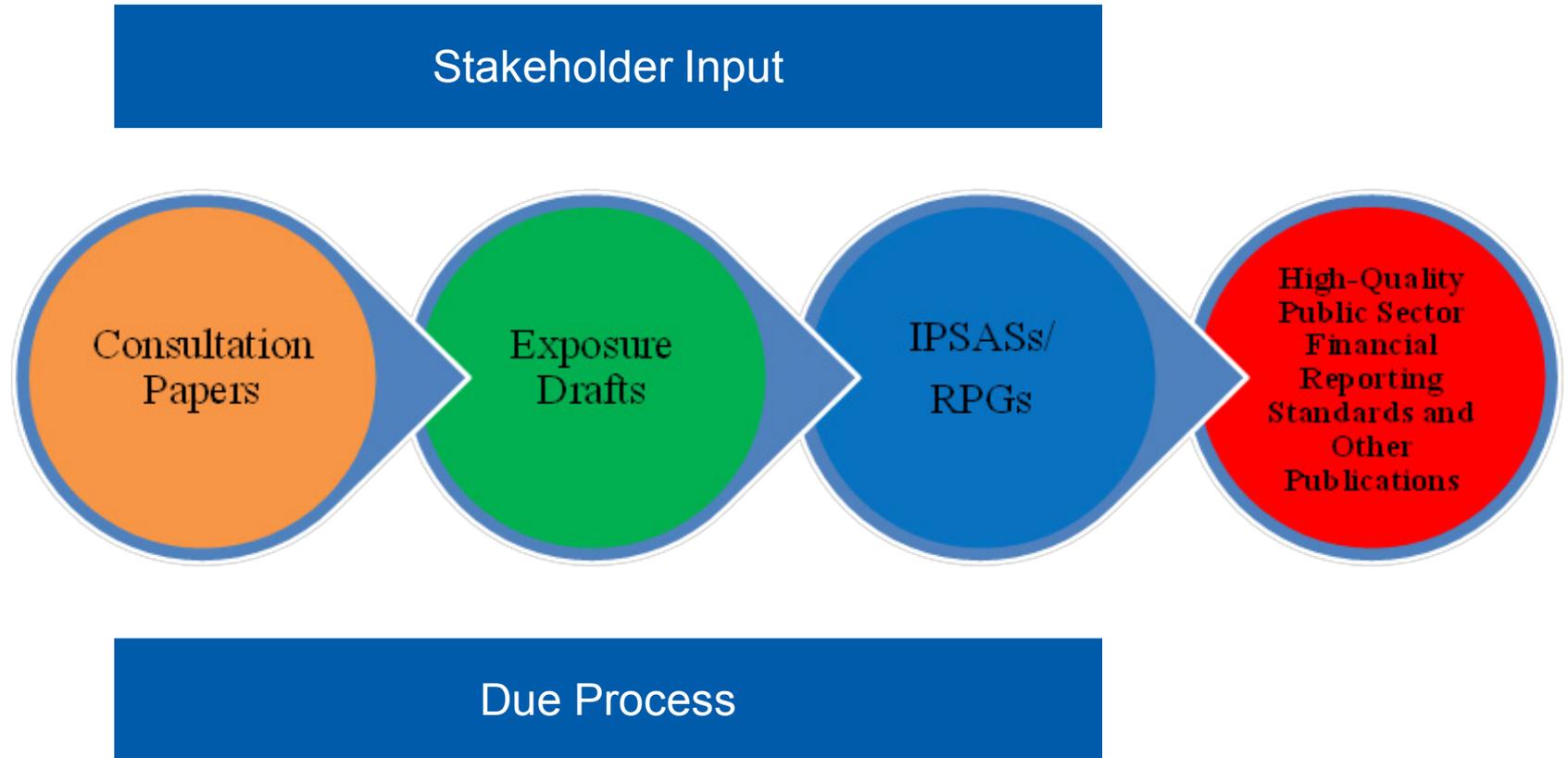
Who is IPSAS Board?

- Independent accounting standards setter under IFAC
- Setting standards for Public Sector Entities except for Government Business Enterprises (GBE)
- 18 members
- 10 international organizations with formal observers status, including IMF, World Bank, EU
- 8 staff, mainly based in Toronto/Canada
- Funding by IFAC (approx. 50 percent) and various voluntary contributions from governments and observers

Objective of IPSASB

- To serve the public interest by developing high quality accounting standards for the public sector
- This will enhance the quality and transparency of public sector financial reporting and strengthen public confidence in public sector financial management
 - IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate

Rigorous Standard-Setting Process



Overview of IPSASs

“IPSASs are high quality global financial reporting standards for application by public sector entities other than Government Business Enterprises (GBEs)”

- IPSASs set out
 - recognition,
 - measurement,
 - presentation and disclosure requirementsdealing with transactions and events in general purpose financial statements
- IPSASs on the accrual basis are mainly based on IFRSs but adapted to the public sector context where appropriate

IPSASB has created a full suite of standards...

- 32 Standards approved (accrual basis) covering main areas of government activity, 1 cash basis standard
- Substantial convergence at December 31, 2009 with IFRSs at December 31, 2008
 - All relevant IFRS converged
 - 2009 IFRS improvements incorporated at 1 January 2011
- Standards include sector specific standards
 - Impairment of non-cash generating assets
 - Disclosure of Information about the GGS (Financial Statistics)
 - Revenues from Non-Exchange Transactions (Transfers and Taxes)
 - Presentation of Budget Information
 - Service Concession Arrangements: Grantor

...and provides additional guidance!

- Adoption and implementation guidance
 - Study 14
 - Non-authoritative
 - Practically oriented («How to do it»)
 - Including hints for project management
 - Current project: First time adoption
 - ED providing relief published – IPSAS expected December 2014

Relevance of accrual accounting

- Allows overview of all assets and liabilities of an entity
- Shows service potential embodied in public infrastructure
- Provides a complete financial overview of an entity through consolidated financial statements
- Forms the basis for the GFS analytical framework
- Decision makers need a reliable basis for their decisions
- Research findings:
 - Higher levels of fiscal transparency are associated with lower levels of debt and with better fiscal solvency (see IMF 2012)

What is the value added of using harmonized accrual accounting standards/IPSAS?

- Better national/international comparability and consistency of financial information
- Transparency in government financial reporting which influences government's cost of refinancing
- Increased level of confidence in gov. financial reporting
- IPSAS allows for mobility of resources/know-how
- Basis for improved decision-making, e.g. through focus also on assets/non-financial liabilities and performance
- Enhances cost efficiency
- Convergence with GFS => Improvement of the quality of statistical data

Relevant issues and work program of the IPSASB

Relevant Issues

- Public sector specifics
- Conversion to accrual-based systems
- Output-orientation
- Need for whole-of-government perspective
- Restructuring to increase efficiency
- Harmonization with GFS
- Social policy obligations
- Environmental aspects

Work Program of the IPSASB

- Conceptual Framework
- First Time Adoption
- Service Perf Reporting
- Update of IPSAS 6 to 8
- PS Combinations/GBEs
- GFS Alignment
- Social benefits
- Emissions trading schemes
- Public Sector Financial Instruments

Work Program 2015-2019

- Direction after completion of Conceptual Framework?
- Existing commitments identified
- Potential projects – prioritize:
 - Public Sector specific issues
 - Maintaining existing IPSASs
- IPSASB will make some decisions in December

Cash Basis IPSAS

- Adoption low
- Review in 2008 – Task Force reported in 2010
- Challenges: consolidation and applying “pure” cash model
- Further work deferred – accruals more “urgent”
- Strategy consultation sought views
- Responses split:
 - Complete review
 - Keep cash basis IPSAS but no further work
 - Withdraw
- Current thinking *NOT* to withdraw; discuss in December

Global adoption and implementation of IPSASs

Completion of projects:

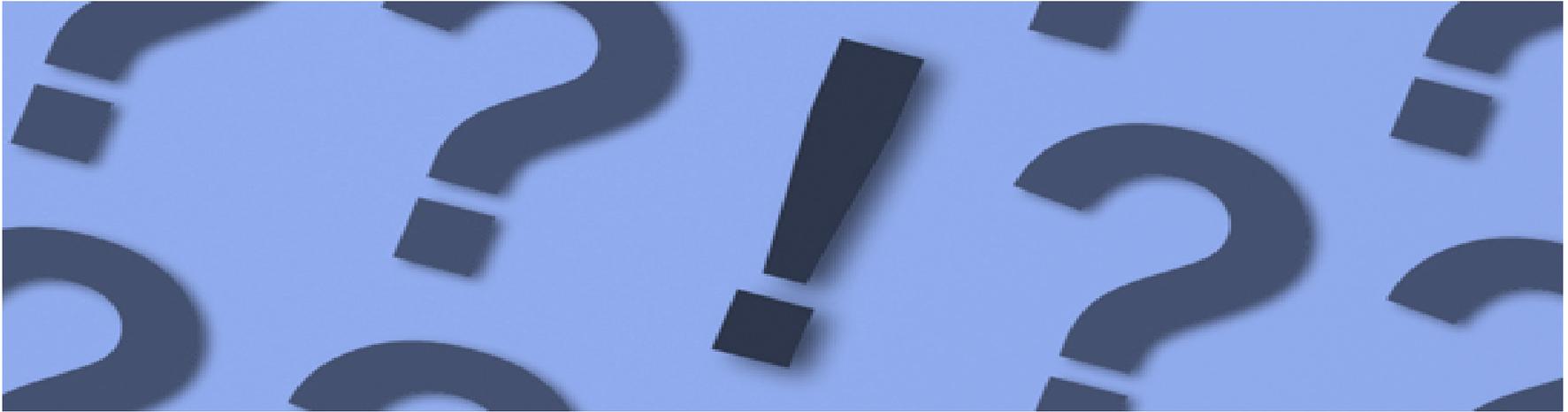
- A number of implementation projects reached milestones or were fully completed in 2013 (e.g. Austria, Kazakhstan, Spain,)
- UN system has now completed all but two entities

Good progress in others - aiming for completion within the next 2 to 3 years:

- Strong development in Latin America (e.g. Chile, Colombia, Brazil, Panama, Costa Rica...)
- ...and South-East Asia (e.g. Indonesia, Malaysia, PR of China – rollout beyond pilot entities...)

EPSAS development in the EU

Questions Discussion & Further Information



- Visit our webpage <http://www.ipsasb.org/>
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