



Accountability. Now. A Caribbean Perspective

Alta Prinsloo
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Chief Operating Officer

ICAC Conference
Port of Spain, Trinidad
26 June 2015

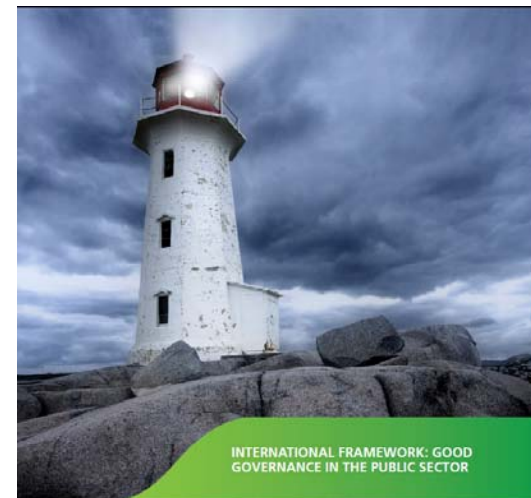
An Integrated Approach

- Good public sector governance
- Sound public financial management (PFM)
- High-quality decision-useful information
- “Built in” not “bolt on”



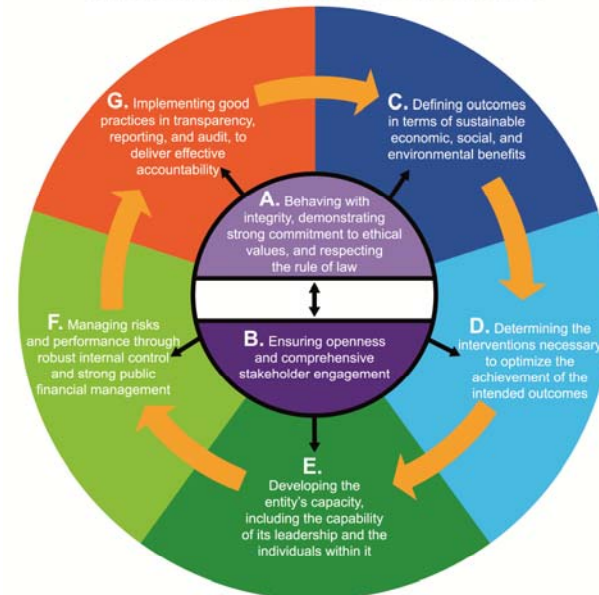
Good Governance in the Public Sector

“The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.”



International Framework: Good Governance in the Public Sector

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Sound Bar Continues to Rise

Citizens' raised expectations
+
Pressure on national budgets
+
Additional demands as a result of GFC
=
Greater need for sound PFM

Source: *Applying CIPFA's Whole System Approach for Better Public Financial Management*

Making the Case for Sound PFM

- Drives performance
- Promotes effective and efficient use of public money
 - Ensures public money is used well
 - Ensures public money is made to stretch as far as possible
- Provides leaders and managers with information ...
 - to raise finance
 - to know if they are using resources effectively
 - to make decisions

Source: *Applying CIPFA's Whole System Approach for Better Public Financial Management*

Making the Case for Sound PFM

- It is more than accountancy ... it is integral ...
 - to a country's financial health
 - to making critically important services available to people
- It can change the lives of poor people

Source: *Applying CIPFA's Whole System Approach for Better Public Financial Management*

The Eight Key Elements of PFM Success

1. Climate for reform
2. Legal and institutional framework
3. Value system
4. Capacity & capability
5. Fiscal & policy framework
6. Performance management
7. Reporting
8. Scrutiny & assurance



High-Quality Decision-Useful Information— The Cornerstone of Sound PFM

The current situation ...

- Accrual reporting is the benchmark
- Increasing IPSAS adoption
- Accrual budgeting gains support
- Financial management still weak
- Integrated reporting on the horizon

IMF: “IPSAS are the only international standards designed for the public sector”
January, 2014

• Austria	• Russia
• Brazil	• Slovakia
• Chile	• South Africa
• Columbia	• Spain
• Costa Rica	• Switzerland
• Estonia	• Thailand
• Indonesia	• European Commission
• Kenya	• North Atlantic Treaty Organization
• New Zealand	• Organisation for Economic Co-operation and Development
• Panama	

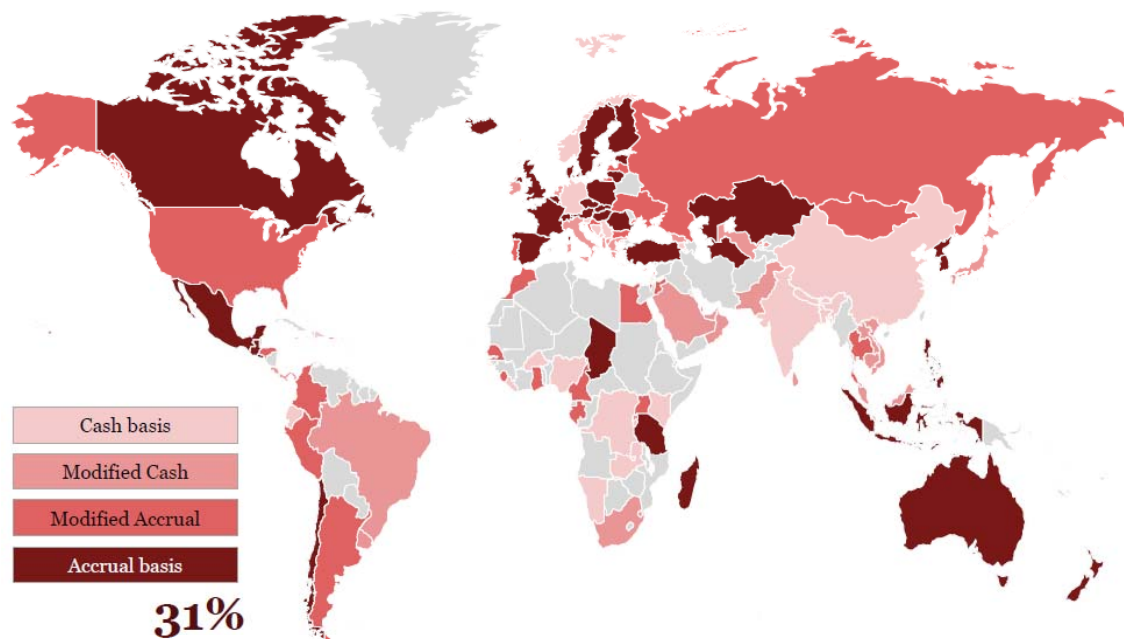
Government debt fears spook global markets

FINANCIAL TIMES
October 28, 2012 11:34 am
€133bn in gold says take federal auditing seriously

From Mirjan Ball.
Sir,
Even for someone like me, who believes that the current crisis in Europe is caused by poor accounting and auditing by governments, it is difficult to learn that the German government's auditors had checked the Bundesbank's gold reserves since at least October 2011. Put that finding alongside the €35bn waste product accounting error a year ago and the assistance to nursing away from its archaic cash-accounts, and you might begin to wonder if the German proper balance sheet - under cash accounting you do not know. Governments and regulators around the world are demanded that auditors exercise more professional judgement and be fully satisfied about the sufficiency and appropriateness of assets. It is difficult to imagine a scenario that would concern an auditor more than being unable to confirm the physical existence of an asset. This situation again draws attention to the dangerous inadequacy of accounting and auditing by many governments. How bad does the situation have to be before they will take their own accounting, auditing and financial management seriously?

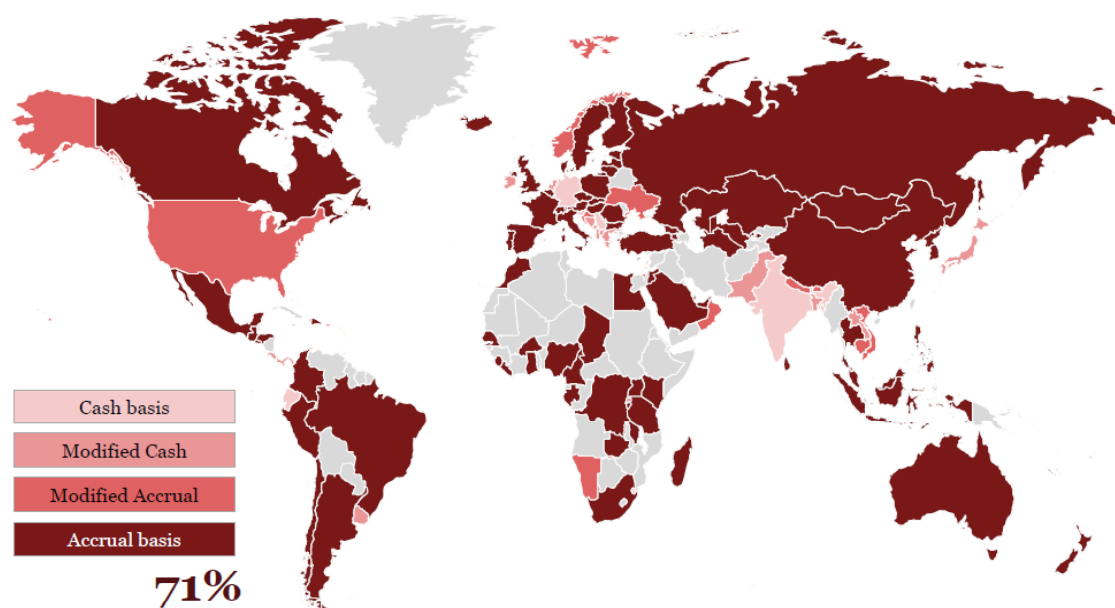
Jan Ball
Chief Executive
International Federation of Accountants
New York, NY, US

Current state of play



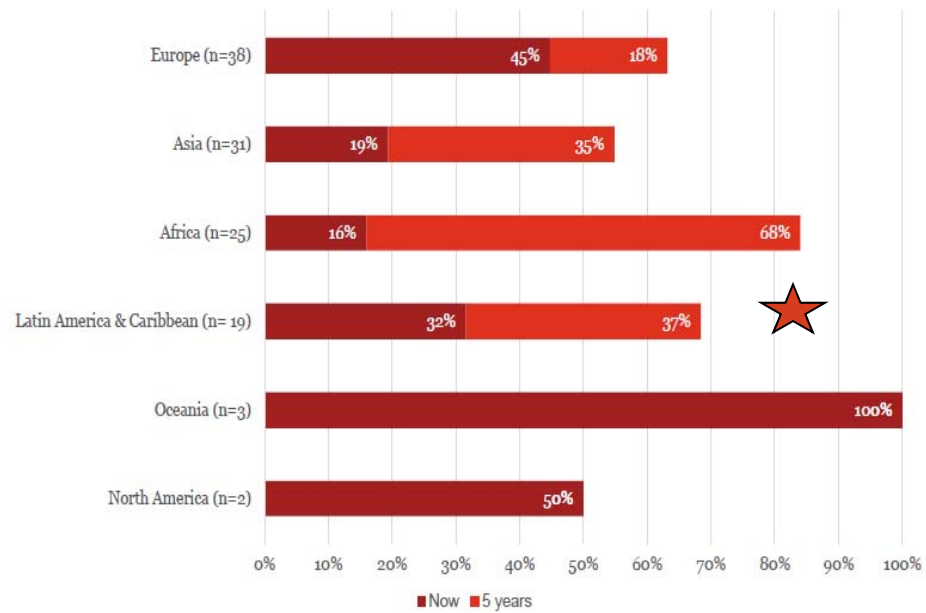
Source: Forthcoming PWC Global Survey on Accounting and Reporting by Central Governments (2015)

Expected in 5 years time



Source: Forthcoming PWC Global Survey on Accounting and Reporting by Central Governments (2015)

The Caribbean in the World



Source: Forthcoming PWC Global Survey on Accounting and Reporting by Central Governments (2015)

Kingston Declaration – June 4, 2015

Caribbean Parliamentarians and others resolved:

- Caribbean states should be encouraged to adopt and implement International Standards
- Professionalization of the Accounting and Auditing Staff in government
- Properly finance the Accounting and Auditing functions
- Resource independence as it relates to funding, human capital, and structuring
- Regional PAOs should be strong advocates in the implementation of all of the above



*“Cash accounting is simply not fit
For the 21st century.”*

*Brian Quinn, Director Loan Department,
World Bank*

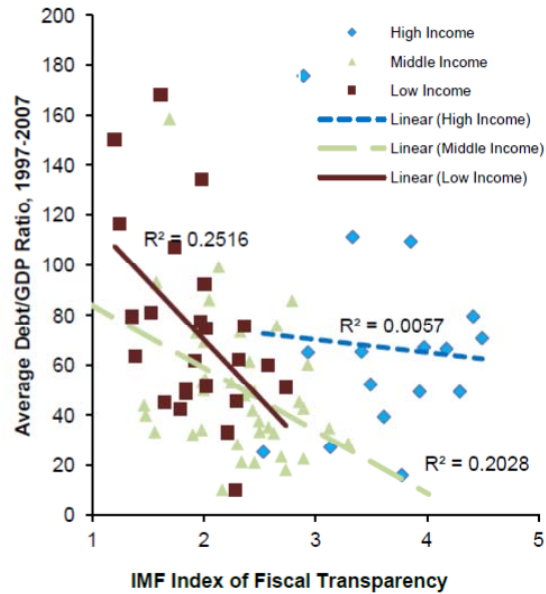
Accrual-based Financial Reporting

- You have taken the first step
- It is a journey
- The accountancy profession has an important role



Evidence Is Clear—Accounting Makes a Difference

a. Fiscal Transparency & Government Debt



b. Fiscal Transparency & CDS Spreads

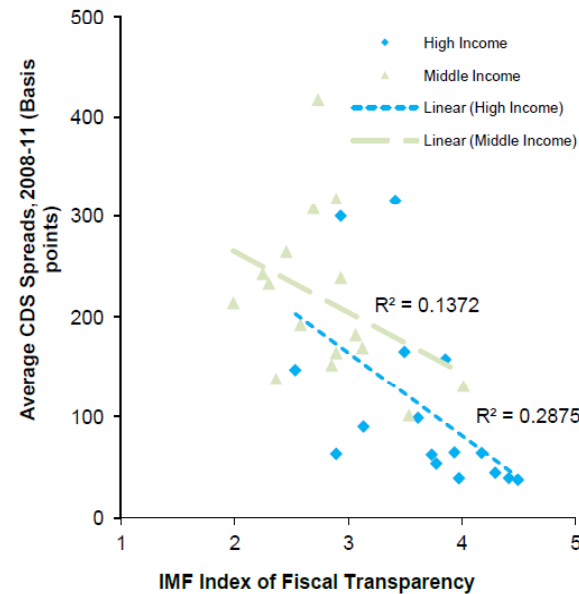
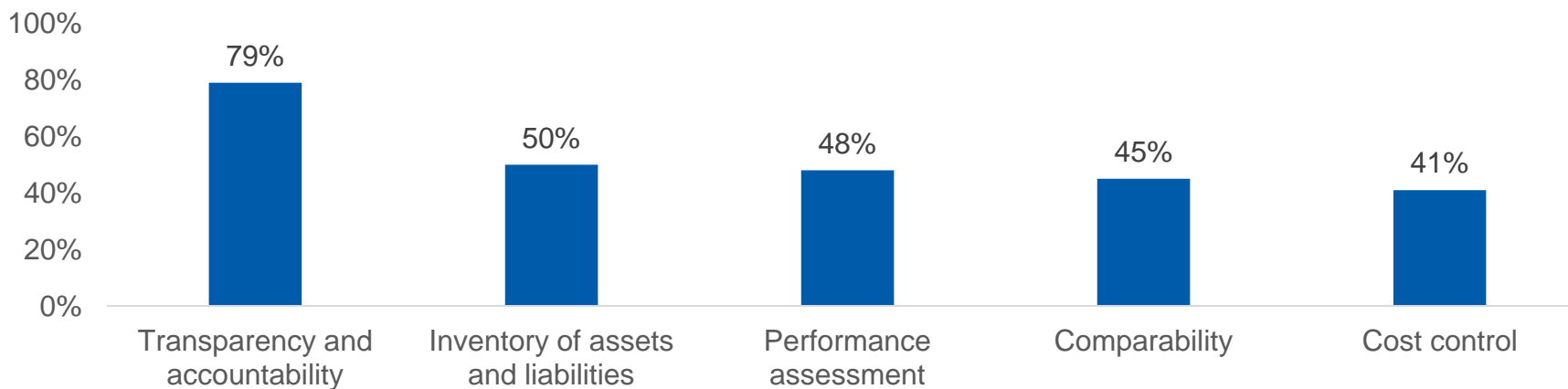


Figure 10: Benefits of accrual-based financial statement



Percentage ranked in top 3 benefits of adopting IPSAS or similar standards

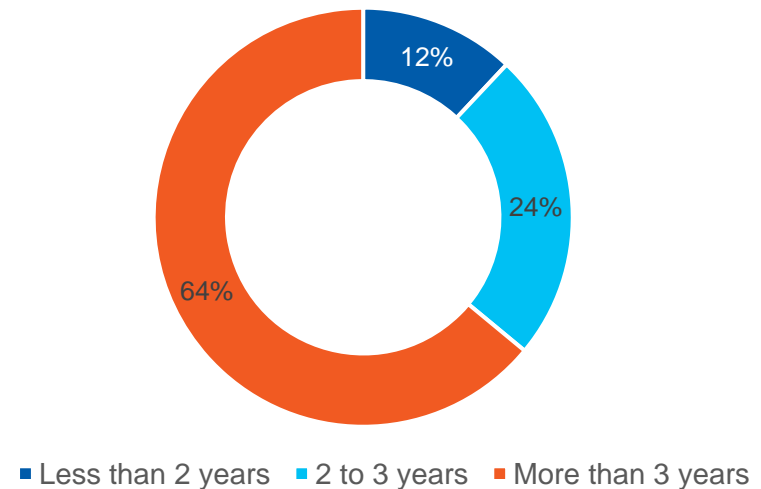
Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*

The Relationship Between IPSAS Adoption and Perceived Levels of Corruption


- Accounting literature suggests ...
 - High-quality accounting standards = High-quality financial reporting
 - High-quality financial reporting = Improved accountability
 - Improved accountability = Reduction in perceived levels of corruption
- Study concluded ...
 - Perceptions of corruption differ significantly between developing countries that have announced IPSAS adoption and those that have not adopted IPSAS; the same is not true for developed countries

More than three years is required on average to transition to accrual-base IPSAS (or similar)

Figure 12: Length of the conversion process



Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*



“Action at the international, regional, and national level is required to accelerate the shift from cash to full accrual-based recording of transactions and to capture other economic flows in fiscal reports.”

IMF Paper: Fiscal Transparency

The Accountancy Profession

“PFM reform is the ultimate public interest issue for the accountancy profession.”

Warren Allen, IFAC Past President

The Accountancy Profession

- Global
 - IFAC
 - International Public Sector Accounting Standards Board (IPSASB)
- Regional
 - Institute of Chartered Accountants of the Caribbean (ICAC)
- National
 - Professional Accountancy Organizations



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Accountability. Now.

Every day, governments spend money on a range of services and infrastructure for their citizens. Given the large sums involved, good financial management is essential.

But what happens when a government doesn't produce reliable, comparable information on which to base its spending decisions from one year to the next?

What if the financial information was incomplete and, for example, didn't account for promises made today that need to be paid for in the future, such as pension programs for its citizens and employees, or repaying debt over time?

When a government bases its spending decisions on inadequate financial information, the results can be disastrous. Poor services. Erosion of trust in government to do the right thing. Economic instability.

Accountability. Now. represents a coalition of organizations that believe there's a better way forward for governments of all sizes.

It starts with equipping governments with the foundation for good financial management: transparent, accountable financial information that:

What people are saying ...

"**Accountability. Now.** is a campaign to change the way governments think about financial reporting. A change for the better. A change that promotes transparency and openness as the instrument for accountability to citizens. A change to help strengthen economies." **Fayez Choudhury, Chief Executive Officer, IFAC**

Getting involved

Interested in learning more or would you like to assist our campaign calling for governments around the world to embrace **Accountability. Now.**? Return for regular updates, contact us, and follow us on Twitter (look for #AccountabilityNow).

#AccountabilityNow **twitter**

Government Gearing Towards Accrual Accounting
http://t.co/nGA0MJZfER
#AccountabilityNow (1 day ago)

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Integrated Reporting Needs a US Strategy
by Jeffrey C. Thomson, CHA, CAE, IFA President and CEO | March 24, 2015

With the release of the International Integrated Reporting Council (IIRC)'s Framework in December 2013, many global organizations are realizing the value of integrated reporting. Yet, many corporations in the US are hesitant to adopt it without a clear value strategy for internal users, investors, and other market constituents.

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Corporations, Sustainability, and Innovation: Early Results a Mixed Bag
by Robert G. Eccles, Professor of Management Practice, Harvard Business School | March 10, 2015

I have spoken and written extensively on the role of the modern corporation in society, reflecting on the reality that expectations from society on the role and responsibilities of corporations are rapidly changing.

Perspectives of the Accountancy Profession over the Next Decade – A Scenario Analysis
by Kees Boekmans, University of Münster, Institute of Business-to-Business Marketing; Hans-Jürgen Kirch, University of Münster, Institute of Accounting and Auditing; and Christina Rosanelli, University of Münster, Institute of Business-to-Business Marketing | February 24, 2015

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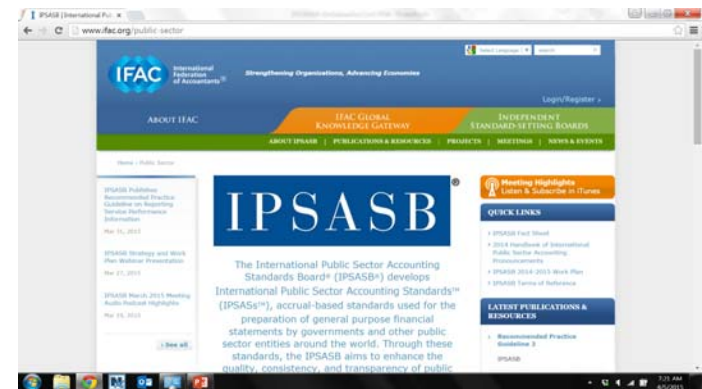
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IPSASB—Implementation Support

- "A Closer Look at:" series
- Resources
 - IPSAS 33, First-time Adoption of Accrual Basis IPSAS
 - The Importance of Accrual-based Financial Reporting in the Public Sector
 - Study 14—Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities (Third Edition)
- Introduction to IPSAS Train-the-trainer
- IPSAS and Accrual Accounting News



Regional Organizations



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Institute of Chartered Accountants of the Caribbean

Get Your Game On

The Institute of Chartered Accountants of the Caribbean
33rd Annual Caribbean Conference of Accountants
Building and Innovating Caribbean Businesses
June 25 - 27, 2015

WE ARE
With a network of approximately 3,700 professionals, the ICAC is the region's leading organization dedicated to advancing the

PRESIDENT
 **Frank Myers**
FCCA
ICAC President
2013 - 2015

REGIONAL EVENTS
33rd ICAC Caribbean Conference of Accountants-
June 25-27, 2015, Hyatt Regency Hotel, Trinidad & Tobago. [Read more](#)

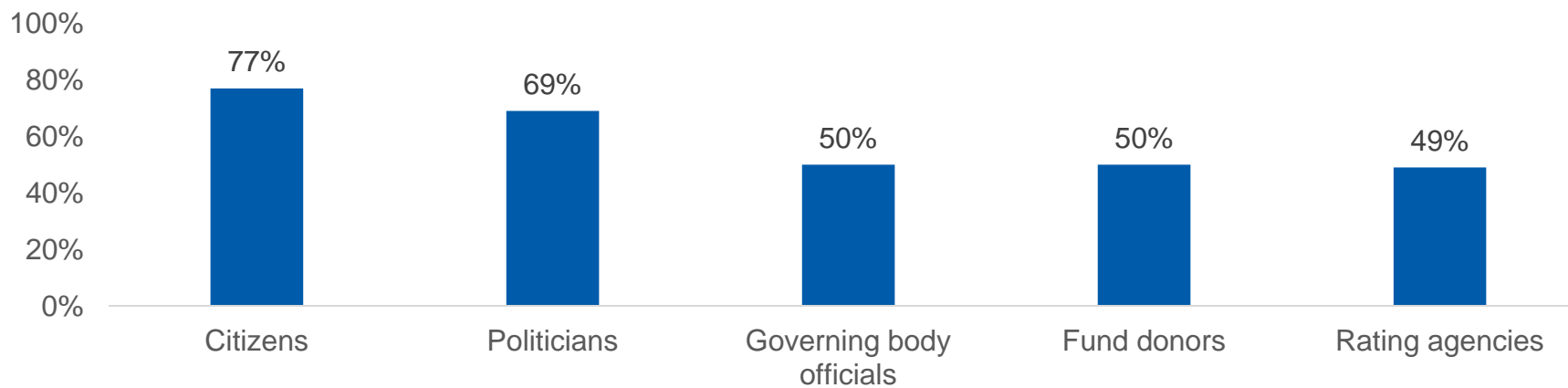
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National Professional Accountancy Organizations

- PAOs
 - Advocate
 - Trusted advisor to government
 - Capacity builder
- Professional accountants
 - Important links in the financial reporting supply chain
 - Protectors of the public interest



Figure 9: Usefulness of accrual-based financial statements



Percentage rated “very useful” of “useful” to government stakeholders

Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*

A Survey of Citizens

- The survey
 - 10 countries
 - 10,000 Europeans
- Overall finding
 - Strong call by citizens for greater transparency, accountability, and more effective and efficient public expenditure

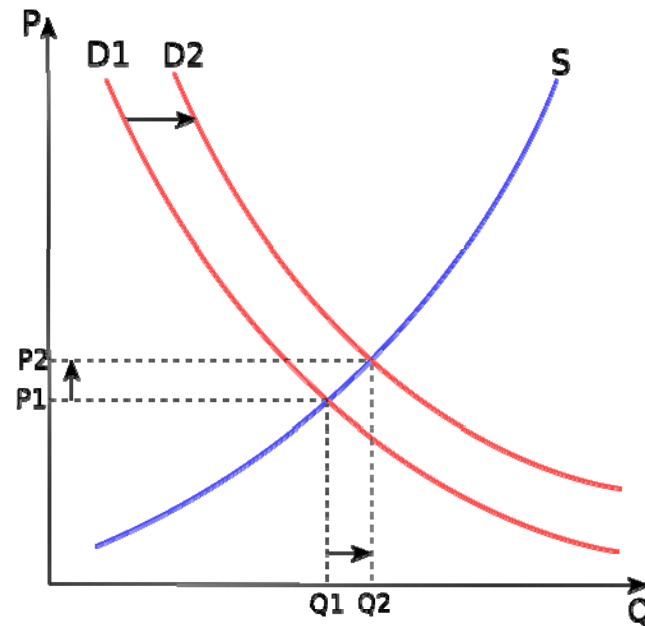
Source: *Trust in Public Finances: A Survey of Citizens in 10 European Countries* (ICAEW, PWC)


A Survey of Citizens

- Fewer than 1 / 5 Europeans feel that their government provides them with sufficient information about the state of public finances
- 1 / 5 Europeans express confidence in their government's ability to manage public finances
- 7 / 10 Europeans want more action from their governments to reduce the debts of their countries
- 8 / 10 Europeans think that more can be done to ensure better value for money when it comes to public finances

Source: *Trust in public finances: A survey of citizens in 10 European countries* (ICAEW, PWC)

- Transparency is meaningful when ...
 - users know how to use the information
 - the information meets the users' demands

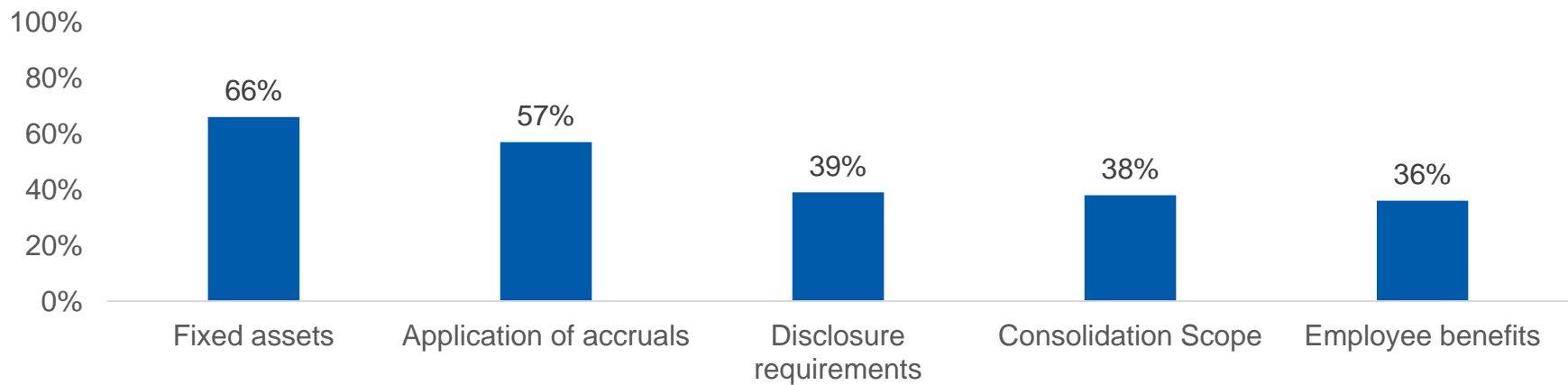




The change to accrual-based IPSAS is much more than an accounting exercise; it is a transformation of the government finance function that impacts the whole organisation.

Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments* (2013)

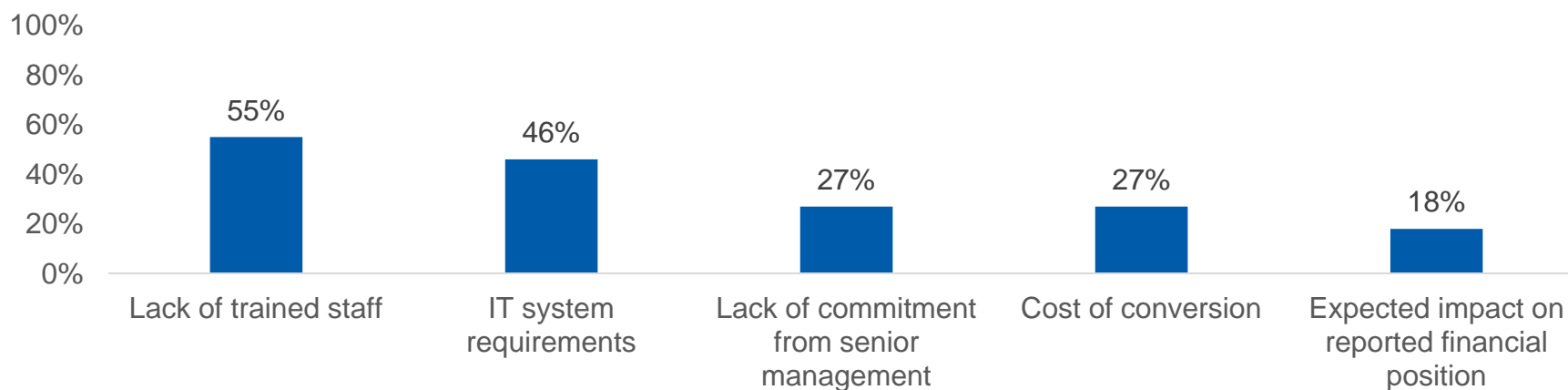
Figure 11: Accounting impacts of accrual-based financial statements



Percentage ranked in top 3 impacts of adopting IPSAS or similar standards

Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*

Figure 14: Challenges of accrual accounting conversion



Percentage ranked in top 3 challenges of adopting IPSAS or similar standards

Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*

Challenges

A well-designed project and effective change management strategy that considers people and systems requirements are crucial for successful implementation.

“We plan to move the national training plan forward, extending knowledge and coverage, including by creating synergies with the academic world.”

Pedro Bohorquez Ramirez, Accountant General, Colombia

55%

of survey respondents identify the lack of trained staff as one of the top three challenges.

“Adoption of IPSAS-like standards was supported by lots of trainings and organising a help-desk in the Ministry of Finance.”

Juta Maar, Head of the State Accounting, Estonia

“The lack of trained staff is our biggest challenge, academic qualifications are not enough, we need professionals.”

Emmanuel Sinzohagera, Chartered Accountant, Burundi

Source: *Towards a New Era of Government Accounting and Reporting: PWC Global Survey on Accounting and Reporting by Central Governments (2013)*

Integrated Reporting

“The more that integrated thinking is embedded into an organization’s activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision-making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report.”





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