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Key Challenges & benefits in the adoption of International Public Sector Accounting Standards (IPSAS)

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34th Annual Caribbean Conference of Accountants
Belize City Belize,
June 24, 2016

International Federation of Accountants (IFAC)

- Global organization of the accountancy profession
- 175 member bodies and associates in 130 countries
- 2.5 million professional accountants in public practice, commerce, industry, financial services, the public sector, education, and the not-for-profit sector
- Public interest focused

What IFAC Does

- Establish & promote adherence to high quality professional standards
- Further adoption and implementation of standards
- Support global development of accountancy profession
- Provide a global voice and promotes the value of professional accountants worldwide
- Support PAIBs and small and medium practices
- Topic areas: auditing & assurance, governance & ethics, risk management & control, sustainability and corporate responsibility, financial management, business reporting

The key challenges and benefits of accrual accounting in the public sector

- Key drivers for the adoption of accrual IPSAS
- Global landscape on adoption and implementation
- Key challenges faced in adoption of IPSAS
- Key benefits or returns
- New IPSAS pronouncements

Key Drivers – must do more with less

Bar for sound Public Financial Management (PFM) continues to rise



Raised expectations of citizens



Sustainable Development Goals



Pressure on national budgets



Global Financial Crisis / Sovereign Debt Crisis

Key Drivers - better public financial management

- Provide leaders with information contributing to ...
 - better decision making for now and the longer term
 - better use of public resources
 - better quality of public services
- In short, accrual accounting helps to drive performance and manage risk
- Builds trust in government
- Importantly, it can support Foreign Direct Investment
- And support raising capital through capital markets

Key Drivers - better public financial reporting

- It is more than accountancy ... it is integral to ...
 - a country's financial health
 - making critically important services available to people at an affordable price
 - delivering transparency & accountability and combating corruption
- Could it change the lives of our people?
 - Raised expectations of citizens

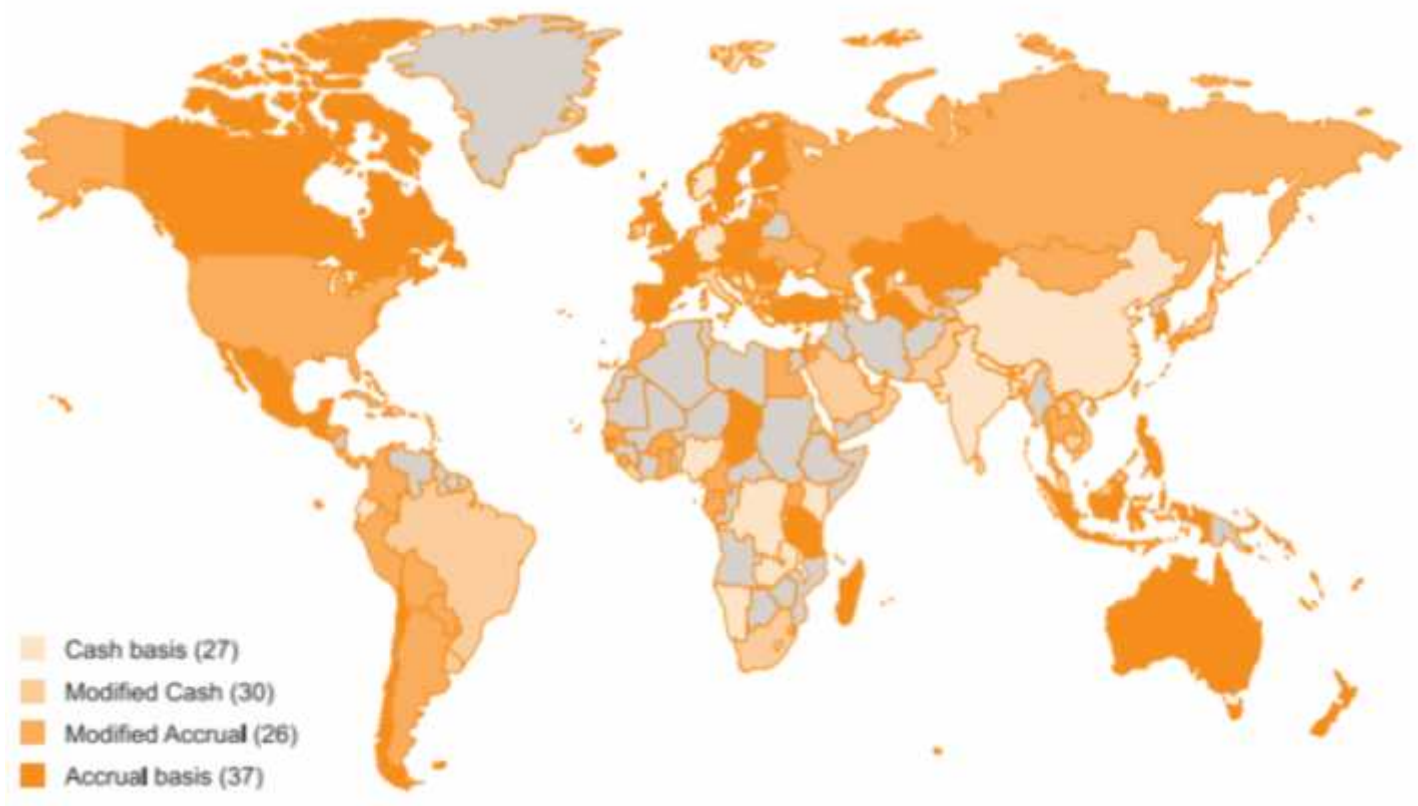
The global landscape

PWC publication *Towards a new era in government accounting and reporting*, July 2015
150 countries; focused on central governments

- Accounting practices
 - High level of diversity in accounting practices, but trend towards accrual accounting
 - IPSAS as global framework for accrual accounting
- Budgeting practices
 - Budgets largely cash basis, but trend towards accrual budgeting
 - Consistent accrual accounting and budgeting systems = more coherent decision making

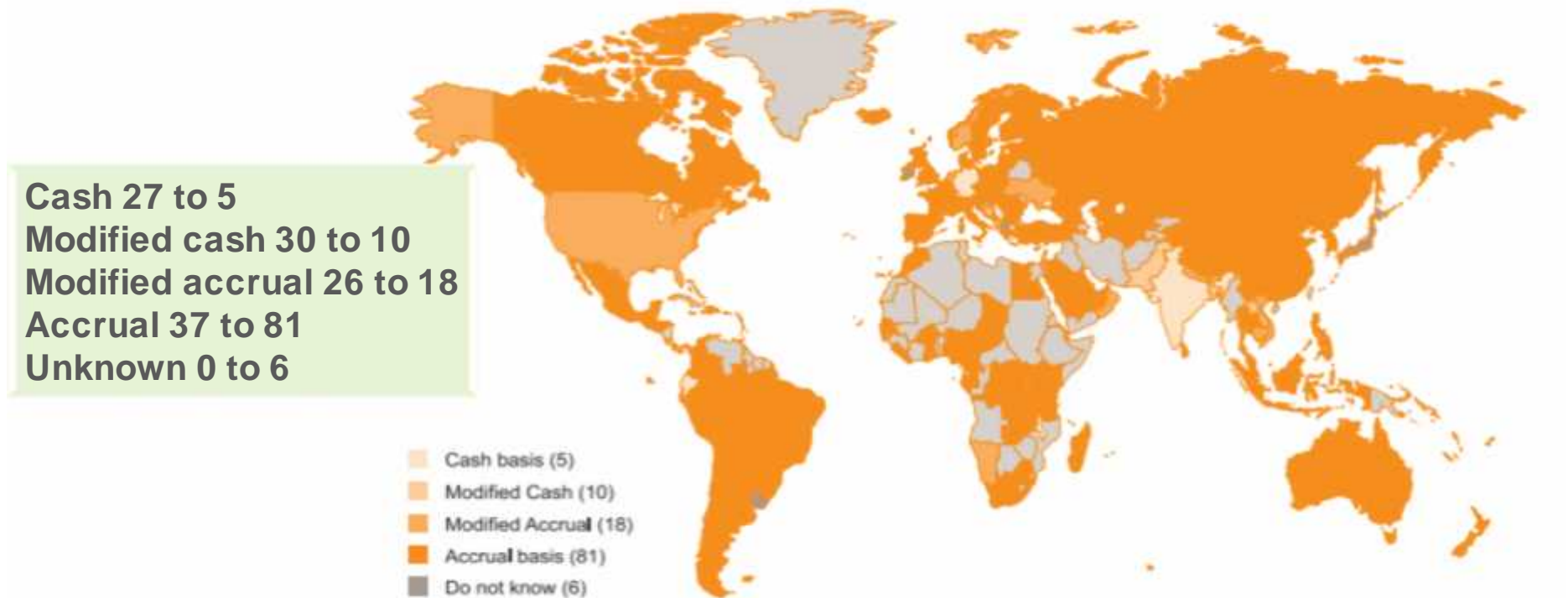
The global landscape—central government accounting

PWC publication *Towards a new era in government accounting and reporting*, July 2015



The global landscape—central government accounting in 5 years

PWC publication *Towards a new era in government accounting and reporting*, July 2015



From cash to accrual accounting

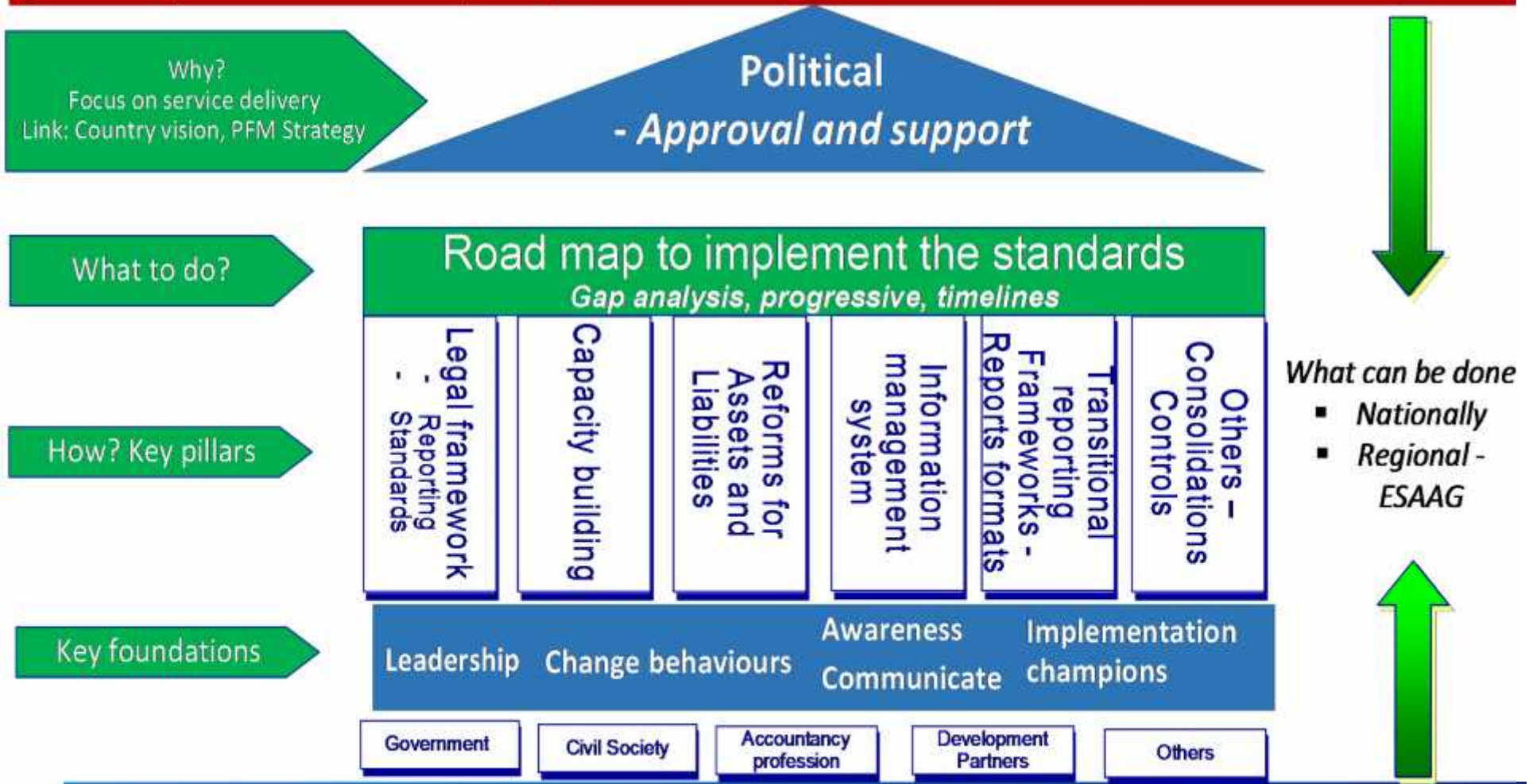
PWC publication *Towards a new era in government accounting and reporting*, July 2015

<i>Cash accounting</i>	<i>Modified cash accounting</i>	<i>Modified accrual accounting</i>	<i>Accrual accounting</i>
Cash payments and receipts are recorded as they occur.	Cash receipts and disbursements committed in the budget year are recorded and reported until a specified period after year-end.	Accrual accounting is used but certain classes of assets (e.g. fixed assets) or liabilities are not recognised.	Transactions and economic events are recorded and reported when they occur, regardless of when cash transactions occur.

IPSAS implementation – it's time for action

[If not now, then when. If not us, who?]

ESAAG Conference 2016



Key benefits or returns experienced from accrual accounting

Better utilization of assets:

- Recognition of all assets resulting in proper assessment of what is needed
- Recognition of long term costs through long-term ownership or leases
- Improved cash flows

Better recognition and understanding of liabilities:

- Differentiation between long term and short term
- Improved cash flow management

Better budgeting and decision making

Whole of Government – the ‘Bigger Picture’

Increased confidence in Government?

New pronouncements and changes to IPSAS

Work programme 2016 onwards Key projects

Project	Public sector specific	IFRS convergence
Social Benefits	X	
Revenue & Non-Exchange Expenditure	X	X
Financial Instruments	X	X
Heritage Assets	X	
Public Sector Measurement (not yet started)	X	
Infrastructure Assets (not yet started)	X	
Leases (just started)		X

New pronouncements and changes to IPSAS Consultations and Exposure Drafts 2015

Final pronouncements approved at March 2016 meeting:

- Minor Improvements
- Applicability of IPSASs

Responses currently being analysed:

- Social Benefits CP

Exposure Drafts still open for comment:

- Update of IPSAS 25 Employee Benefits ED 59 (April 30th)
- Public Sector Combinations ED 60 (June 30th)
- Update of Cash Basis IPSAS ED 61 (July 31st)



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Advancing Economies*

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