

Overview of the IPSASB and adoption of IPSASs

Jeanine Poggiolini
Deputy Chair, IPSASB

4th May 2015
Quito, Ecuador

WHY DOES THE IPSASB EXIST?

Credible and transparent financial reporting has the potential to improve decision-making in the public sector, facilitate holding governments more accountable to their citizens and enhance global fiscal stability and sustainability.

WHO IS THE IPSASB?

- Independent Accounting Standards Setter under IFAC
- Setting standards for Public Sector Entities except 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

WHO IS THE IPSASB?

- Independent governance of the IPSASB
- Newly established Public Interest Committee
- Members OECD, IMF, World Bank, INTOSAI
- Review various processes and procedures of the IPSASB
- Consultative Advisory Group to be established by IFAC

WHAT ARE THE OBJECTIVES OF THE IPSASB?

- Strengthen PFM through increasing adoption of accrual IPSASs by:
 - Developing high quality accounting standards for use by public sector entities globally
 - Developing other publications
 - Raising awareness

ACTING IN THE PUBLIC INTEREST

- Act in the public interest which means following a rigorous due process
- All meetings and agenda materials are public
- Consultation on strategy and work plan
- Issue exposure drafts of proposed accounting treatment or reporting for feedback from stakeholders
- Consultative process 4-6 months response period
- All responses posted on website
- IPSASB must approve all public documents with 2/3 vote

REPORTING REQUIREMENTS IN PLACE FOR KEY GOVERNMENT ACTIVITIES

- Conceptual Framework for General Purpose Financial Reports
- Accrual basis IPSASs approved (accrual basis) covering all main areas of government activity
- One cash basis IPSASs

REPORTING REQUIREMENTS IN PLACE FOR KEY GOVERNMENT ACTIVITIES

- Substantial convergence at December 31, 2009 with IFRSs at December 31, 2008
- Standards include sector specific standards
 - Disclosure of Information about the GGS (Financial Statistics)
 - Revenues from Non-Exchange Transactions (Transfers and Taxes)
 - Presentation of Budget Information
 - Service Concession Arrangements: Grantor
- 3 Recommended Practice Guidelines (RPGs)

FOCUS ON PUBLIC SECTOR SPECIFIC ISSUES

- Work plan consultation in 2014 highlighted need to focus to public sector specific issues
- Emissions trading schemes
- Public sector “financial instruments”
- Public sector combinations
- Revenues from exchange and non-exchange transactions
- Social benefits
- Non-exchange expenses
- Review of cash basis
- Alignment with GFS reporting
- Government Business Enterprises

ADOPTION OF IPSASs GAINING MOMENTUM

- Increase in adoption and implementation:
 - Over 40 Countries apply Accrual IPSAS; including South Africa, New Zealand, Switzerland, Russia, Israel, Slovakia, Brazil, Indonesia
 - Some apply it for lower levels of government, e.g. Prefecture of Tokyo, State of Geneva
 - Entire UN System, OECD, NATO, Interpol and EC
 - Eurostat: IPSAS indisputable reference for a EU framework

FACILITATING THE ADOPTION OF IPSASs

- IPSAS 33 First Time Adoption of Accrual Basis IPSASs
- Adoption and implementation guidance
 - Study 14
 - Non-authoritative
 - Practically oriented («How to do it»)
 - Including hints for project management

BENEFITS OF ADOPTION

- Designed so that users can hold government to account for the resources provided, and make key decisions about the use of resources
- Under IPSASs, present:
 - Statement of financial position
 - Statement of financial performance
 - Statement of cash flows
- When combined with other reporting (IPSASs & RPGs), provides a holistic view necessary for accountability

HOLISTIC VIEW OF ACCOUNTABILITY

Actual v budget comparison		Execution of strategy	Assessing sustainability
St. of Financial Position <hr/> Assets Infrastructure Liabilities Loans	St. of Financial Performance <hr/> Revenue Taxes, charges Expenses Depreciation Maintenance	Service Performance Info <hr/> Objective to provide service X Indicator X Cost of services	Long terms sustainability of finances <hr/> Inflows Outflows relating to current programs

BENEFITS OF ADOPTION

- Better management of government resources and government obligations:

Improved asset management → better planning, utilisation, maintenance, replacement, cost of use.

Improved liability management → assess impact of current obligations on current and future resources, assess and manage debt levels, affordability of key policy decisions.

BENEFITS OF ADOPTION

- Better management of government resources and government obligations:

Revenue management → Complete view of revenue sources, maximization of revenue opportunities, appropriateness of charges.

Expenditure management → Comprehensive cost of services, comprehensive cost of key [policy] decisions.

BENEFITS OF ADOPTION

- Increased credibility in the market
- Ability to better access markets and funding
- In some instances, lower cost of funding observed

PRACTICAL ISSUES TO CONSIDER

- System of government and financial management regimes in place
- Reform limited to accounting, or part of a broader financial management reform
- Past accounting practice - Cash, accrual (or combination), rules versus principles based
- Skill and competency of government officials
- Affect on audit outcomes
- Must have a clear plan and the buy-in and commitment of key stakeholders

Questions Discussion & Further Information



- Visit our webpage <http://www.ipsasb.org/>
- Or contact us by e-mail:
Chair IPSASB: andreasbergmann@ipsasb.org
Technical Director: johnstanford@ipsasb.org