Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

31st SESSION
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Room XVIII, Palais des Nations, Geneva

Friday, 17 October 2014
Morning Session

Follow-up on the Accounting Development Tool (ADT)

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Introduction to IPSASs

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ISAR 31
Geneva Switzerland
October 17, 2014
## Scenario - Why government accounting is important

<table>
<thead>
<tr>
<th></th>
<th>Gross debt to GDP</th>
<th>Total liabilities to GDP</th>
<th>Net worth to GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>61%</td>
<td>164%</td>
<td>-81%</td>
</tr>
<tr>
<td>NZ</td>
<td>49%</td>
<td>88%</td>
<td>29%</td>
</tr>
</tbody>
</table>
Government Accounting is Important

• Contribute significantly to GDP
• Collect taxes
• Fund activities that contribute to quality of life
  • Health
  • Education
  • Public safety
  • National security
Accountability Now!

- Encourage governmental transparency and accountability
- Advocate adoption, implementation of high quality, accrual-based accounting standards
- Build awareness and drive change
Accrual Accounting Produces High-Quality Financial Information

• Enhances transparency and accountability
• Supports better government decision making
• Helps governments understand what they owe now and what they will owe later, so they consider the long-term impact of political decisions
• Enhances stewardship of citizens’ tax payments
• Reduces risk of financial reporting fraud
• Provides credit rating agencies, investors, banks, aid agencies, and other users with reliable data
• Correlates with lower cost of debt
IPSASB has created a full suite of standards

- 32 Standards approved (accrual basis) covering all 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
  - Disclosure of Information about the GGS (Financial Statistics)
  - Revenues from Non-Exchange Transactions (Transfers and Taxes)
  - Presentation of Budget Information
  - Service Concession Arrangements: Grantor
IPSASB has created a full suite of standards

- Adoption and implementation guidance
  - Study 14
    - Pratically oriented («How to do it») and Including hints for project management
  - Current project: First time adoption
    - ED providing relief published – IPSAS expected December 2014
  - Introduction to IPSASs training materials
Introduction to IPSASs Training

• Tailored – based on needs and time restrictions - 2 to 5 days
•Targeted to professional accountants and auditors involved in the first-time implementation of accrual IPSASs - technical
• Emphasis on most significant issues when transitioning to IPSASs for the first time (e.g., non-exchange revenues, liabilities, reporting entity, and asset impairment).
Introduction to IPSASs Training

The training package includes:

- Classroom instruction;
- Group exercises and IPSAS-focused case studies;
- Printed materials include PowerPoint presentations, course notes, and review questions; and
- Analysis and discussion of implementation challenges.
Introduction to IPSASs Training

- Introduction
- Assets and liabilities
- Revenues
- Consolidation
- Financial instruments
- Presentation
- Developing an opening balance sheet
• Test run in Jamaica – well received
• Changes made based on feedback
• Will be updated annually to reflect new IPSASs
• Available immediately
Momentum in Adoption

• 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 directly (e.g. Switzerland, Austria, Estonia, Lithuania, Chile)
    • Some others indirectly through National Standards (e.g. South Africa, Brazil, Indonesia, Malaysia, Spain, New Zealand)
  – Entire UN System, OECD, NATO, Interpol and EC
  – Eurostat: IPSAS indisputable reference for a EU framework