

**UNCTAD-Intergovernmental Working Group of Experts on  
International Standards of Accounting and Reporting**

**Workshop on practical implementation of IPSAS**

Tuesday, 31 October 2017  
Room XVII, Palais des Nations, Geneva  
Afternoon Session

**Presentation**

Presented by

Frans van Schaik  
Global Leader Public Sector Accounting & Auditing  
Deloitte

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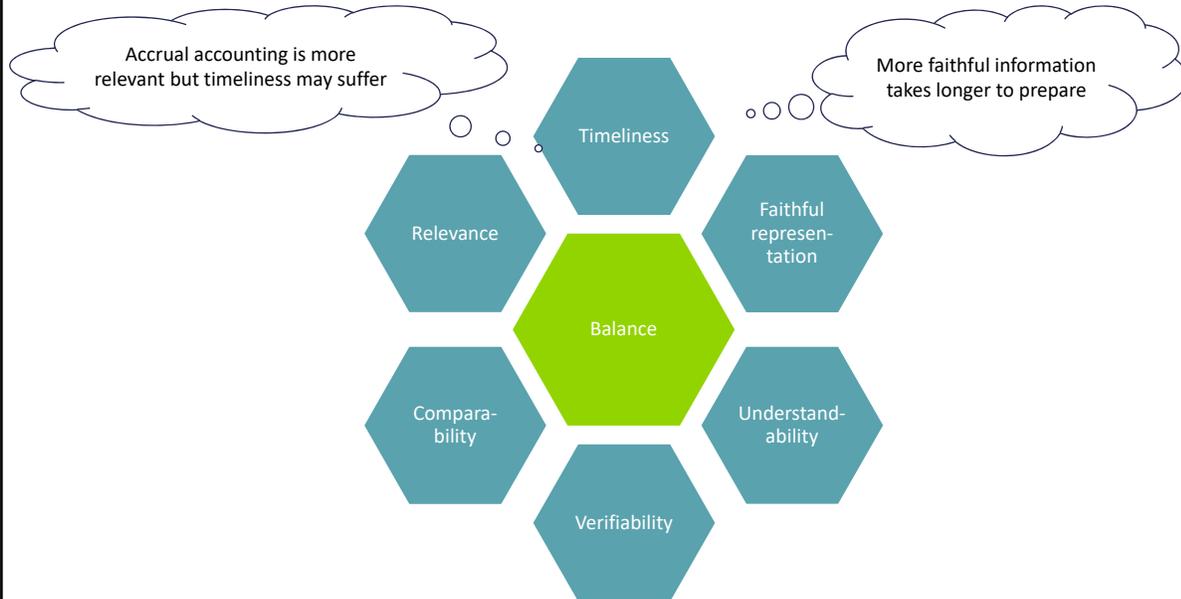
Practical Implementation of IPSAS.  
Timeliness of government financial statements

<b>I</b> nternational	Prof.Dr. Frans van Schaik
<b>P</b> ublic	Member IPSASB Consultative Advisory Group (CAG)
<b>S</b> ector	Member IPSAS Board 2006-2011
<b>A</b> ccounting	Deloitte's Global Leader Public Sector Accounting and Auditing
<b>S</b> tandards	Professor of Accounting, University of Amsterdam

Qualitative characteristics of information included in  
general purpose financial reports (GPFs) of public  
sector entities

from Conceptual Framework

## Balance between qualitative characteristics



When are financial statements considered timely?

## Timeliness according to IPSAS

Cash-basis IPSAS (§ 1.4.4) and IPSAS 1 (§ 69) both state:

- An entity should be in a position to issue its financial statements within **six months** of the reporting date

Cash-basis IPSAS (§ 1.4.4) states in addition:

- Timeframe of no more than **three months** is strongly encouraged

## Public Expenditure and Financial Accountability (PEFA)

- PEFA is an internationally recognized methodology that provides for an integrated tool to assess Public Financial Management (PFM) performance.
- Multi-donor partnership between World Bank, European Commission, and UK's Department for International Development (DFID) and others
- PEFA enables comparison of PFM performance between countries and in time.

Timeliness of submission of the financial statements  
*according to PEFA*

**PEFA 2011 framework-PI 25(ii)**

Submitted for external audit:

- A. Within **6** months
- B. Within **10** months
- C. Within **15** months
- D. **After 15** months or not at all

**PEFA 2016 framework-PI 29.2**

Submitted for external audit:

- A. Within **3** months
- B. Within **6** months
- C. Within **9** months
- D. **After 9** months or not at all

PEFA 30.2. Submission of audit reports to the legislature

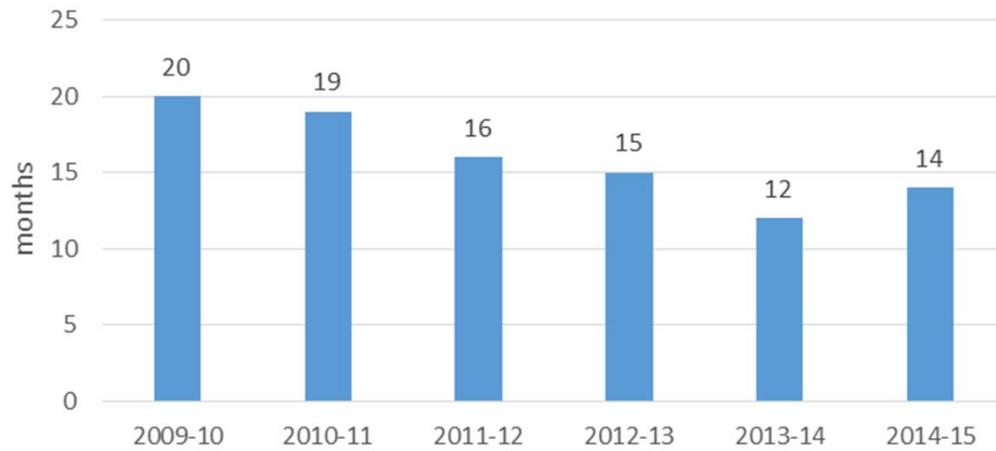
- A. Audit reports were submitted to the legislature within **three months** from receipt of the financial reports by the audit office for the last three completed fiscal years.
- B. Audit reports were submitted to the legislature within **six months** from receipt of the financial reports by the audit office for the last three completed fiscal years.
- C. Audit reports were submitted to the legislature within **nine months** from receipt of the financial reports by the audit office for the last three completed fiscal years.
- D. Performance is less than required for a C score.

Two countries: different in  
comprehensiveness and timeliness

### Government of France

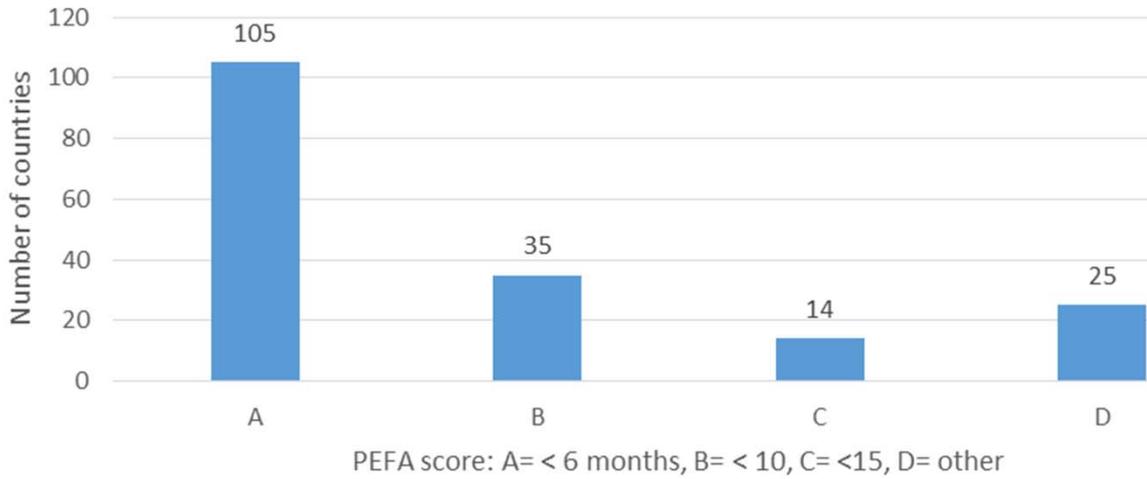
- Financial statements decreed 4.5 months after year-end
- Audit opinion issued 5 months after year-end
- Public corporations not included in the scope of consolidation. They are included in a separate consolidation which is published later

United Kingdom: time to produce the whole of government accounts (separate financial statements of ministries are published in a timely manner)

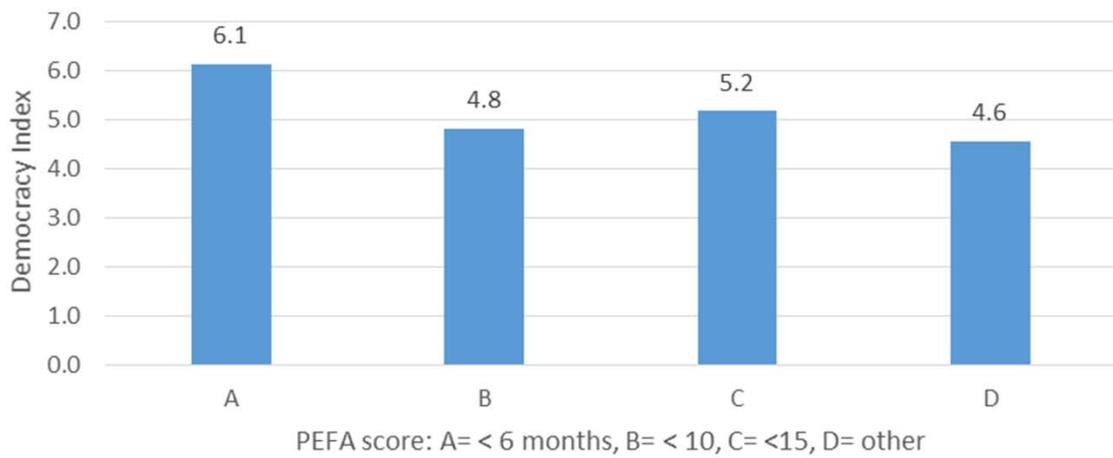


Statistical analysis of PEFA scores

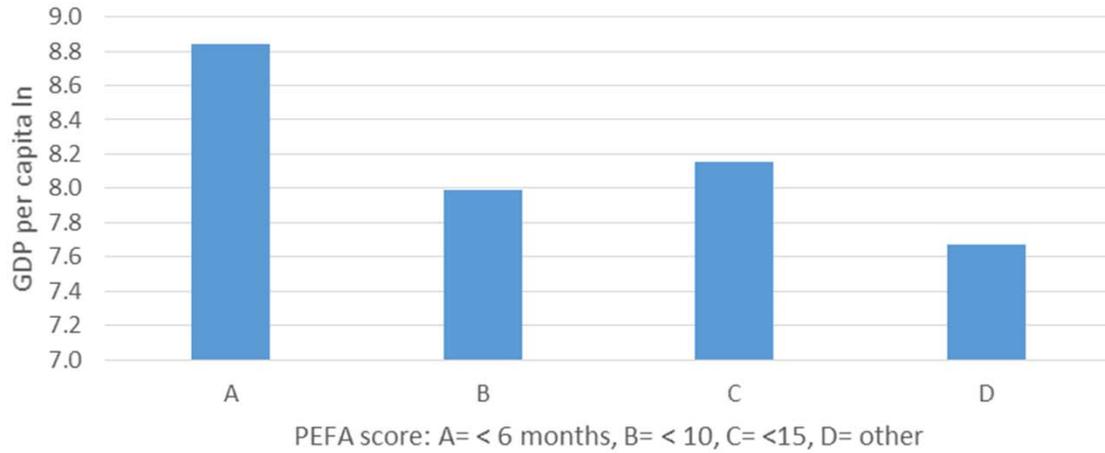
### Most PEFA assessed governments score an A for timeliness



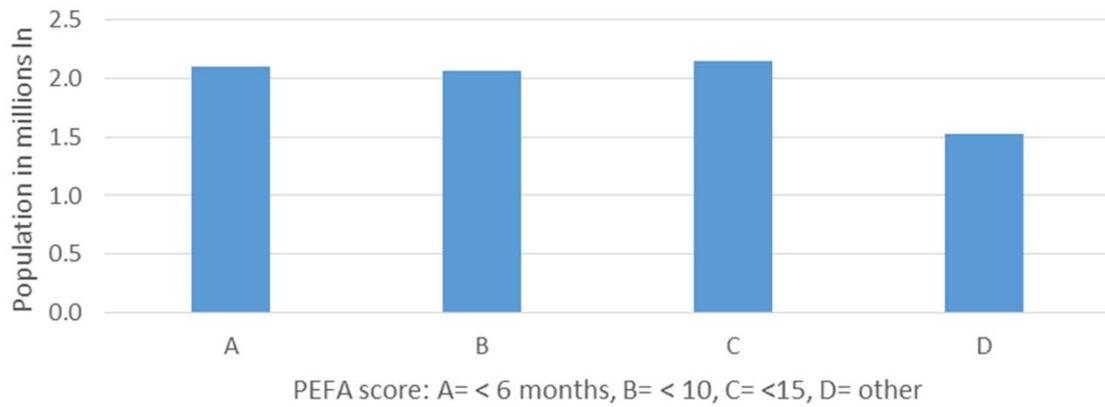
### Governments in democratic countries prepare financial statements slightly more timely (not significant)



### Governments in richer countries prepare financial statements more timely (significant)



### Governments in countries with larger populations prepare financial statements slightly more timely (not significant)



## Practical recommendations how to improve timeliness

### Recommendation

- Review and rationalize processes for preparation of (consolidated) financial statements to progressively reduce the time required for issuance of audited financial statements.
- This should be done in consultation with the office of the auditor general

## How to improve timeliness? Preparation of financial statements

- Prepare interim financial statements and resolve issues during the fiscal year rather than after year-end
- Reduce the extent of time-consuming manual operations by using ERP functionalities
- Improve bank reconciliations during the year, thus reducing the time needed to carry out the bank reconciliations after year end and auditing them
- Establish shared-service centers for reporting entities that are too small to maintain a professional finance department

## How to improve timeliness? Preparation of financial statements

- Staggered issuance of statements (1. budget execution statement, 2. unconsolidated statements, 3. consolidated statements)
- Build capacity of the preparers of the financial statements at all government entities
- Introduce sanctions for those reporting entities that fail to submit financial statements before the legal deadline
- Establish quality assurance mechanisms for improving the accuracy and quality of the financial reports, reducing the time needed for correction of errors prompted by the auditor general

## How to improve timeliness? Audit of financial statements

- Document a better audit trail by the preparers of the financial statements, facilitating the work of the auditor (prepared-by-client list)
  - Enhance the internal audit departments, if any, within the ministries enabling the auditor general to rely on their work
  - Carry out more extensive interim audits, limiting the amount of audit work needed after year end
  - Build capacity of the officials of the office of the auditor general
  - Consider outsourcing more audits to private sector audit firms.
- Consider materiality: *Don't let the perfect be the enemy of the good*

**Deloitte.**

## Practical Implementation of IPSAS.

### Timeliness of government financial statements

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