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

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Friday, 26 October 2018
Morning Session

Agenda item 4.
Issues of practical implementation of international standards of accounting and reporting in the public and private sectors

Presented by

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GOVERNMENT of the PHILIPPINES’ Journey Towards Accrual-Basis IPSAS Implementation

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26 October 2018 – Nations des Palais, Geneva, Switzerland

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Commission on Audit (SAI Philippines)
Accounting-Related Mandates

Article IX-D, 1987 Constitution, and other laws, rules and regulations

- Keep the General Accounts of the Government
- Promulgate Government Accounting Rules and Regulations
- Submit an Annual Financial Report covering the financial condition and operation of the Government

COA
thru
GOVERNMENT ACCOUNTANCY SECTOR
## 2010 PEFA ASSESSMENT REPORT

### PFM Cycle and Gaps

- **Preparation**
  - Lack of budget credibility
  - Budget not results-based
- **Accountability**
  - Lack of funding predictability
  - Weak budget oversight by Congress and the public
  - Weak cash management system
- **Execution**
  - No common budgetary and accounting classification
  - Weak monitoring of contingent liabilities

*Based on 2007 PEFA Assessment*

### Findings on PEFA Assessment

#### Comprehensiveness and Transparency

- Budget classification was **reasonable**; BUT classifications for budget execution reporting and accounting **differed** from budget classification.
- Most other aspects of comprehensiveness and transparency were **good**.
- However, public access to key fiscal information was **limited**.

#### Accounting, Recording, and Reporting

- **Weakest part** of the PFM system.
- Accounts reconciliations often **not undertaken**.
- Comprehensive data on resources to service delivery units **not collected**.
- Departmental in-year budget reports not compatible; hence **not comparable** with the consolidated budget.
- COA’s annual consolidated financial report **inadequate**, as departmental financial statements were based on pre-closing trial balances and only partially audited.

### Demands for

- Timely/Real-time and transparent financial reporting
- Quality and reliable FS and other reports
- FS comparable with the rest of the world
- More competent agency finance personnel, and COA financial analysts and auditors
- Strengthened accountability over government funds and property

### Response

**Make a difference!**
JOURNEY Towards IPSAS IMPLEMENTATION
(Part of PFM Reforms)

10/2008
Created
Public Sector
Accounting
Standards
Board
at COA

02/2011
Rolling Out Key PFM Reforms
(Implementing Projects, including
Accounting and Auditing Reforms Project)

01/2010
Reached
an
Agreement

05/2009
Action
Planning
(Moving Forward)

08/2011
Strategizing
(Setting Directions)

02/2011
GIFMIS Committee
Strategizing
(Setting Directions)

05/2009
Started
Collaboration

05/2015
Updated
PFM
Roadmap

09/2011
Directing the Integration and Automation of Government Financial Management System by the PFM Committee

09/2011
08/2011
05/2015
02/2011
01/2010
10/2008
PFM Governance Structure

**PRINCIPALS**
(COA Chairperson, DBM and DOF Secretary)

**PFM COMMITTEE**

**PROGRAM MANAGEMENT OFFICE**

**PROCUREMENT UNIT/BAC**

- PIU GIFMIS DEVT PROJECT
- PIU BUDGET REPORTING & PERFORMANCE STANDARDS PROJECT
- PIU IMPROVEMENT OF TREASURY CASH MANAGEMENT PROJECT
- PIU ACCOUNTING AND AUDITING REFORMS PROJECT
- PIU LIABILITY MANAGEMENT PROJECT
- PIU CAPACITY BUILDING PROJECT

GIFMIS TRACK 1
GIFMIS TRACK 2

PIU-Project Implementation Unit

BTMS, leading to GIFMIS, is now under UAT and Pilot-testing
Seven Sub-Groups to support PFM reform implementation
A key PFM reform project led by COA

Aims at:
- harmonizing accounting and auditing standards with international standards
- enhancing/updating accounting and auditing rules and regulations
- improving financial reporting
- improving participatory audit of multi-sectoral programs and projects
Phased Accrual-Basis IPSAS Adoption/Implementation by Sector

Effective 2014
National Government Agencies, including SUCs

Effective 2015
Local Government Units (Provinces, Cities, Municipalities, Barangays)

Effective 2016
Government Corporations classified as Non-Government Business Enterprises
Phased Accrual-Basis IPSAS Adoption/Implementation

**25 IPSAS** based on 2012 HIPSAP (except IPSAS 7, 10, 11, 18, 22, 25)

**Additional 6 IPSAS** (IPSAS 33-38)
IPSAS Adoption/Implementation Process

2008 - 2018

- Created Public Sector Accounting Standards Board (PSAccSB) in COA
- Created Technical Working Group to study/evaluate applicable IPSASs in the Philippine public sector
- Conducted Capacity Building of TWG on IPSAS
- Included accounting reforms in the PFM Reform Roadmap
IPSAS Adoption/Implementation Process

2008 - 2018

Studied/Evaluated IPSASs applicable to the Philippine setting

Prepared PAGs for applicable IPSAS
Conducted FGDs

Adopted applicable IPSAS through COA resolution

Revised Chart of Accounts

2008 - 2018

Chart of Accounts
IPSAS Adoption/Implementation Process

2008 - 2018

- Harmonized budget and accounting codes thru UACS
- Issued guidelines on conversion of accounts to the RCA
- Issued guidelines on preparation of IPSAS-compliant FSs
- Updated/Prepared government accounting rules, regulations, manuals, guides
IPSAS Adoption/Implementation Process

2008 - 2018

- Enhanced and implemented IPSAS-compliant computerized accounting, budget and treasury systems
- Conducted capacity building of government personnel, including auditors using developed courseware (continuous activity)
- Submitted to the President and Congress Annual Financial Reports using audited IPSAS-compliant FSs (COA constitutional mandate)
### Challenges and Lessons Learned

#### Challenges

<table>
<thead>
<tr>
<th>CHALLENGES</th>
<th>CHALLENGES</th>
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<tbody>
<tr>
<td>Slow compliance by some GCs with IPSAS/IFRS/RCA</td>
<td>Capacity building of agency personnel and auditors</td>
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<tr>
<td>GAM for LGUs and GCs have yet to be finalized.</td>
<td>Non-readiness of some LGUs to implement computerized accounting applications</td>
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<td>Non-conversion of FMIS of some GCs with the RCA</td>
<td>Continuous study/evaluation of additional IPSAS/HIPSAP</td>
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<tr>
<td>Implementation of WHOLE-OF-GOVERNMENT ACCOUNTS</td>
<td>Irreversibility and sustainability of accounting and financial reporting reforms already</td>
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<td>instituted</td>
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#### Lessons Learned

**Gains achieved**

- Evaluation and adoption of applicable IPSAS is considered **timely, acceptable and responsive** to the demands for PFM reforms.
- The IPSAS provide quality accounting standards, thereby:
  - Enhancing the quality and uniformity in financial reporting by Philippine public sector entities, and
  - Ensuring accountability, transparency and comparability of financial information with other public sector entities around the world.

**Lessons Learned**

- Revision of charts of accounts and updating of government accounting manuals for use by NGAs, LGUs and GCs immediately after the adoption of the IPSAS.
- Timely issuance of guidelines on conversion of accounts and preparation of FS.
- Intensified capacity building to ensure smooth implementation of IPSAS, RCA and accounting-related reforms.
- Immediate enhancement of existing application systems to conform to PPSAS, RCA, UACS and implementation of enhanced versions to facilitate conversion of databases.
<table>
<thead>
<tr>
<th>Pillar</th>
<th>Indicator/ Dimension</th>
<th>2010</th>
<th>2016</th>
<th>Brief Explanation/Evidence</th>
</tr>
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<tbody>
<tr>
<td>PI-25</td>
<td>Quality and timeliness of annual financial statements</td>
<td></td>
<td>B</td>
<td>IPSAS or corresponding national standards are applied. The COA Annual Financial Reports are consistent and rely on generally accepted accounting principles as presented in the New Government Accounting System (NGAS).</td>
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<tr>
<td>PI-29</td>
<td>Annual financial reports</td>
<td>29.3</td>
<td>A</td>
<td>In 2014, COA adopted 25 PPSAS based on IPSAS. In the previous years, NGAS was applied. The 2014 audited financial statements of national government agencies included disclosure on compliance with PPSAS in the notes to financial statements.</td>
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Planned Next Steps

1. Adoption of IPSAS 18, 22, 39, 40, 41
2. Study/Evaluation/Adoption of additional IPSAS to be issued by the IPSASB
3. Continuous updating of Chart of Accounts and government accounting and financial reporting rules, regulations, manuals, guides
4. Continuous enhancement/implementation of computerized accounting, budgeting, treasury and financial reporting systems
5. Intensify capacity building

Towards Irreversible and Sustainable Government Accounting and Financial Reporting Reforms
Planned Next Steps

6. Sustain engagement/involvement of all stakeholders

7. Institutionalize accounting and financial reporting reforms through legislations (e.g. PFM Act)

8. Implement Whole-of-Government Accounts

9. Enhance collaboration with IPSASB and other international organizations

Towards Irreversible and Sustainable Government Accounting and Financial Reporting Reforms
GOP accounting reforms implemented and to be sustained

Today and BEYOND.......

COA Officials and Employees
Agencies
Filipino people

COA Commission Proper

Legislature
IPSASB, Professional organizations
Development Partners

Adopted Accrual-basis IPSAS with PAGs (NGAs, LGUs, Non-GBEs)
Unmodified/ Less Modified audit opinions
Maximized use of audit and financial reports through enhance congressional scrutiny
Continuous capacity building

Enhanced linkages with international accounting standards-setting bodies

Updated/Clear accounting standards, policies, guidelines, manuals
Modern GIFMIS
Quality, more reliable financial data for decision making
Adequate IT infra to support financial reporting

More accountable agency personnel
More competent COA auditors and financial analysis
One RCA for the public sector

Whole-of-Government Accounts/ Financial Statements