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

35th SESSION
24 - 26 October 2018
Room XVII, Palais des Nations, Geneva

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

Lourdes Castillo
Assistant Commissioner
Philippines Commission on Audit

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GOVERNMENT of the PHILIPPINES' Journey Towards **Accrual-Basis IPSAS Implementation**

UNCTAD-ISAR 35th Session

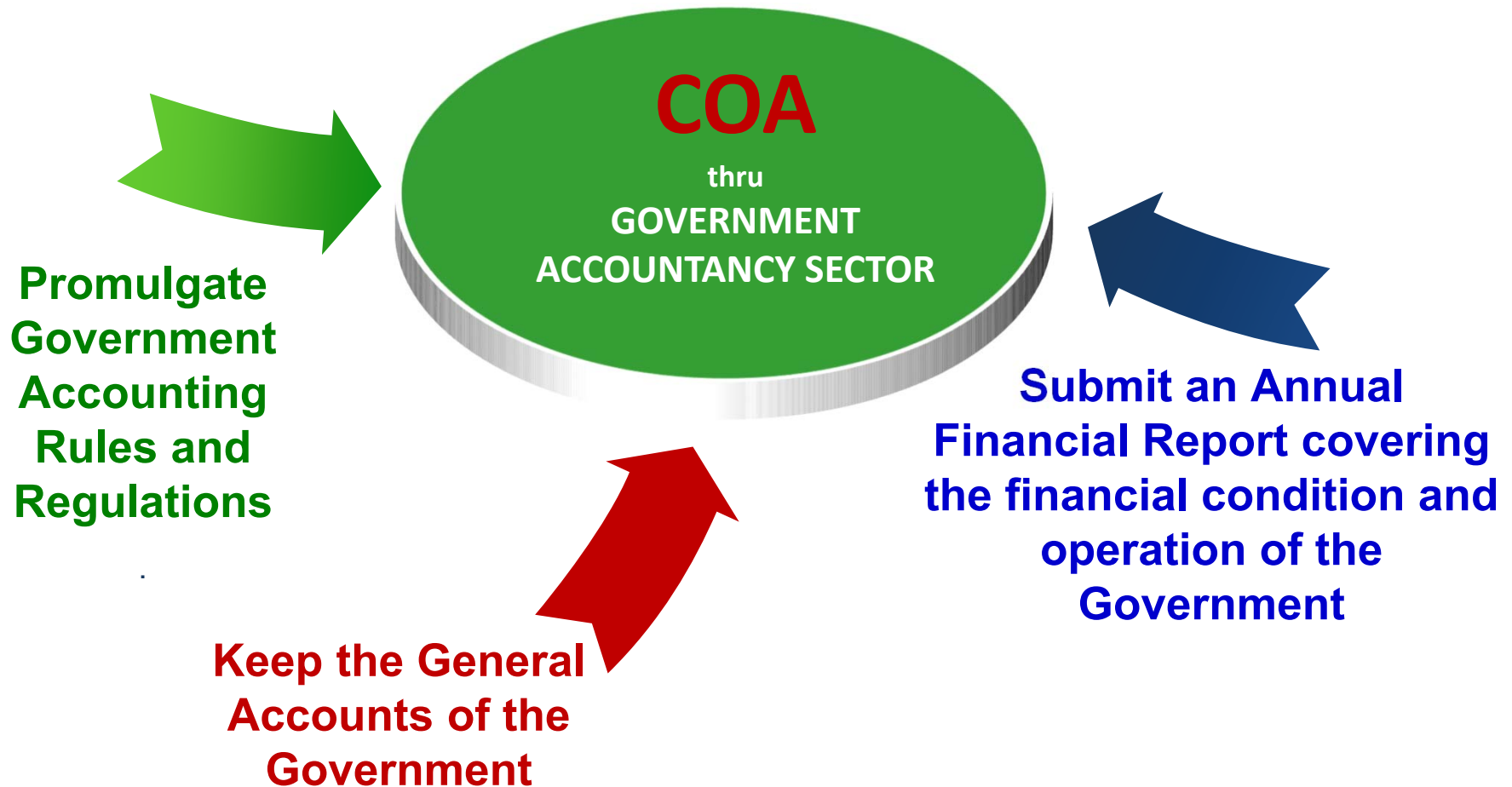
**26 October 2018 – Nations des Palais, Geneva,
Switzerland**

By:
LOURDES M. CASTILLO
Assistant Commissioner
Government Accountancy Sector, Commission on Audit
Republic of the Philippines



Commission on Audit (SAI Philippines) Accounting-Related Mandates

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



2010 PEFA ASSESSMENT REPORT

PFM Cycle and Gaps



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**.

Findings on PEFA Assessment

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.....

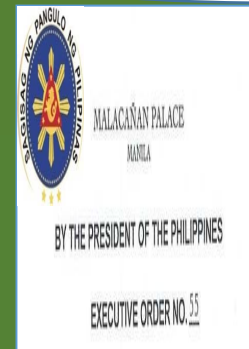
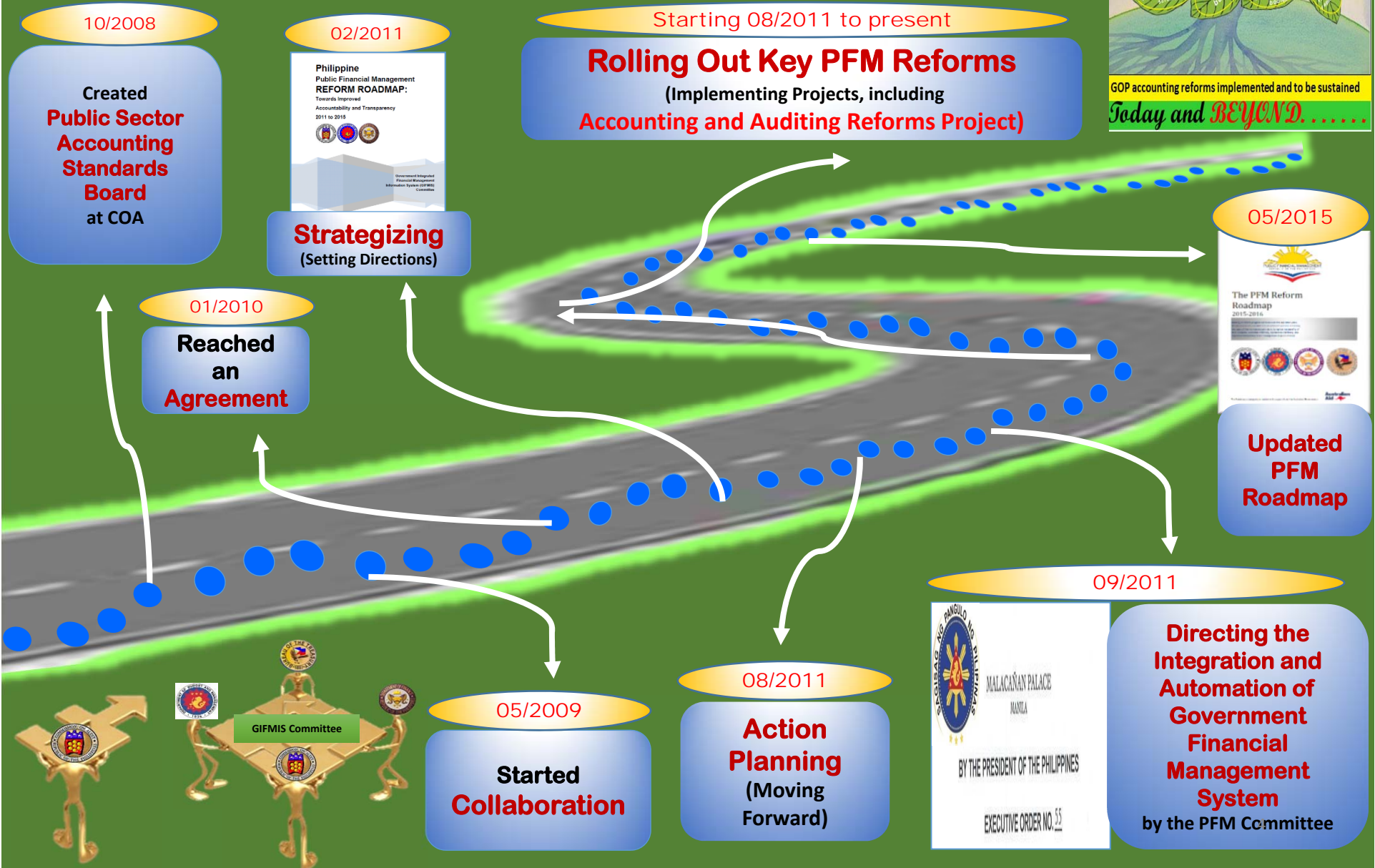
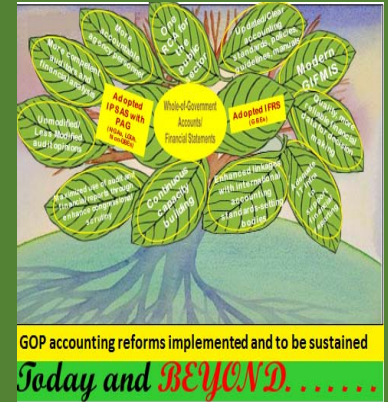
Improved public sector accounting, and financial reporting

- 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

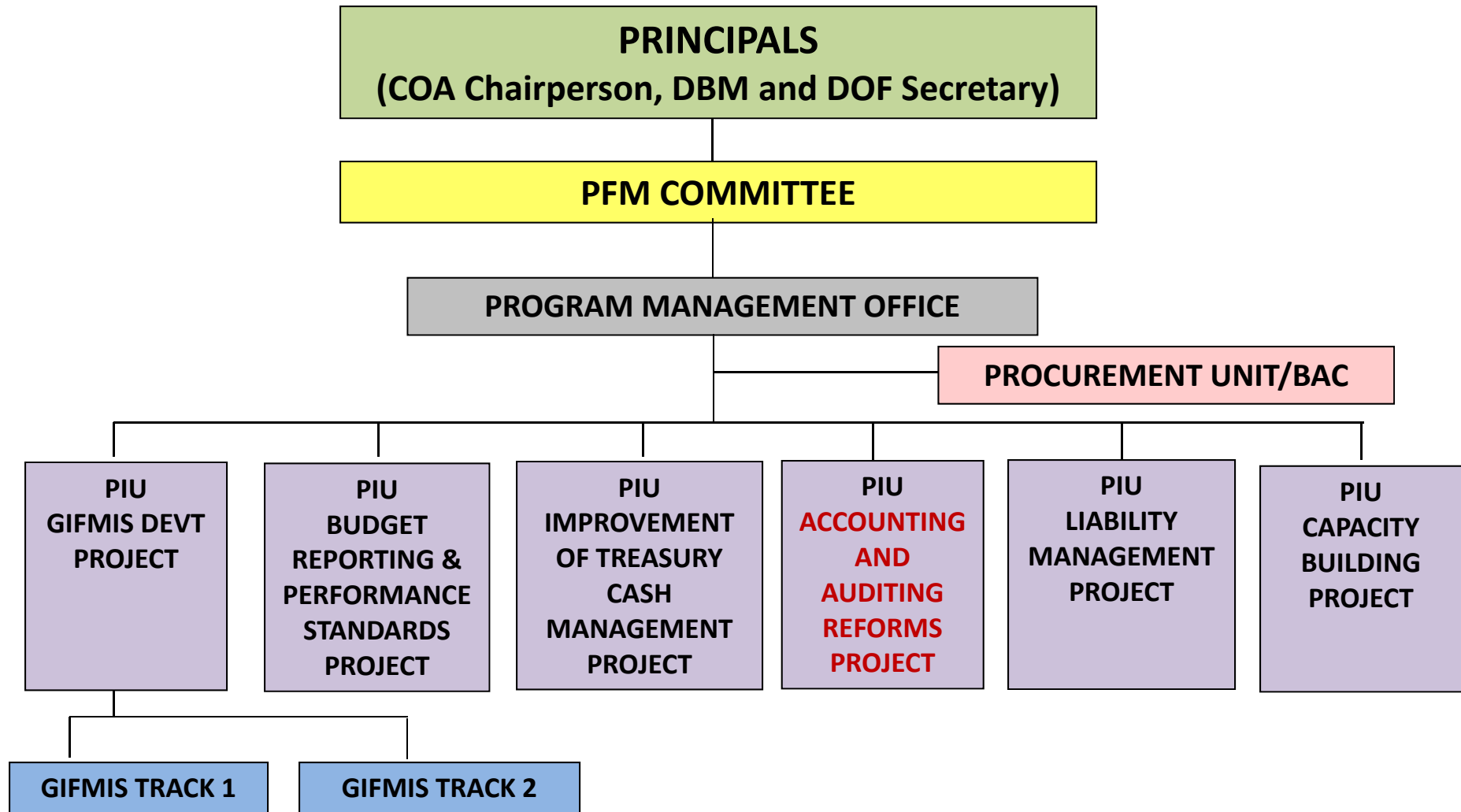
Response.....

Make a difference!

JOURNEY Towards **IPSAS** IMPLEMENTATION (Part of PFM Reforms)



PFM Governance Structure



PIU-Project Implementation Unit

*BTMS, leading to GIFMIS, is now under UAT and Pilot-testing
Seven Sub-Groups to support PFM reform implementation*

Accounting and Auditing Reform Project

- ❖ 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

Accounting Reforms

Key Activities	Timeline
▪ Harmonize government accounting standards with IPSAS and IFRS	Starting 2011
▪ Revise/Update Charts of Accounts for NGAs, LGUs and GOCCs	Starting 2013
▪ Enhance/Revise the New Government Accounting System (NGAS and eNGAS) implemented since 2002	2013-2016
▪ Revise/Update Government Accounting Manuals for NGAs, LGUs and GOCCs	2013-2022
▪ Implement Whole-of-Government Financial Reporting	2017-2022
▪ Conduct Capacity Building	Starting 2011
▪ Implement Change Management Strategies	2011-2022

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

Effective
1 January
2014

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

Effective
1 January
2018

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

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

- | | |
|---|---|
| <ul style="list-style-type: none"> Slow compliance by some GCs with IPSAS/IFRS/RCA | <ul style="list-style-type: none"> Capacity building of agency personnel and auditors |
| <ul style="list-style-type: none"> GAM for LGUs and GCs have yet to be finalized. | <ul style="list-style-type: none"> Non-readiness of some LGUs to implement computerized accounting applications |
| <ul style="list-style-type: none"> Non-conversion of FMIS of some GCs with the RCA | <ul style="list-style-type: none"> Continuous study/evaluation of additional IPSAS/HIPSAP |
| <ul style="list-style-type: none"> Implementation of WHOLE-OF-GOVERNMENT ACCOUNTS | <ul style="list-style-type: none"> Irreversibility and sustainability of accounting and financial reporting reforms already instituted |

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

What should have been done

- 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.

2010 and 2016 PEFA ASSESSMENT REPORTS ¹⁴

Pillar	Indicator/ Dimension	SCORE		Brief Explanation/Evidence
		2010	2016	
PI-25 Quality and timeliness of annual financial statements	(iii) Accounting standards used	B		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)
PI-29 Annual financial reports	29.3 Accounting standards		A	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.

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)

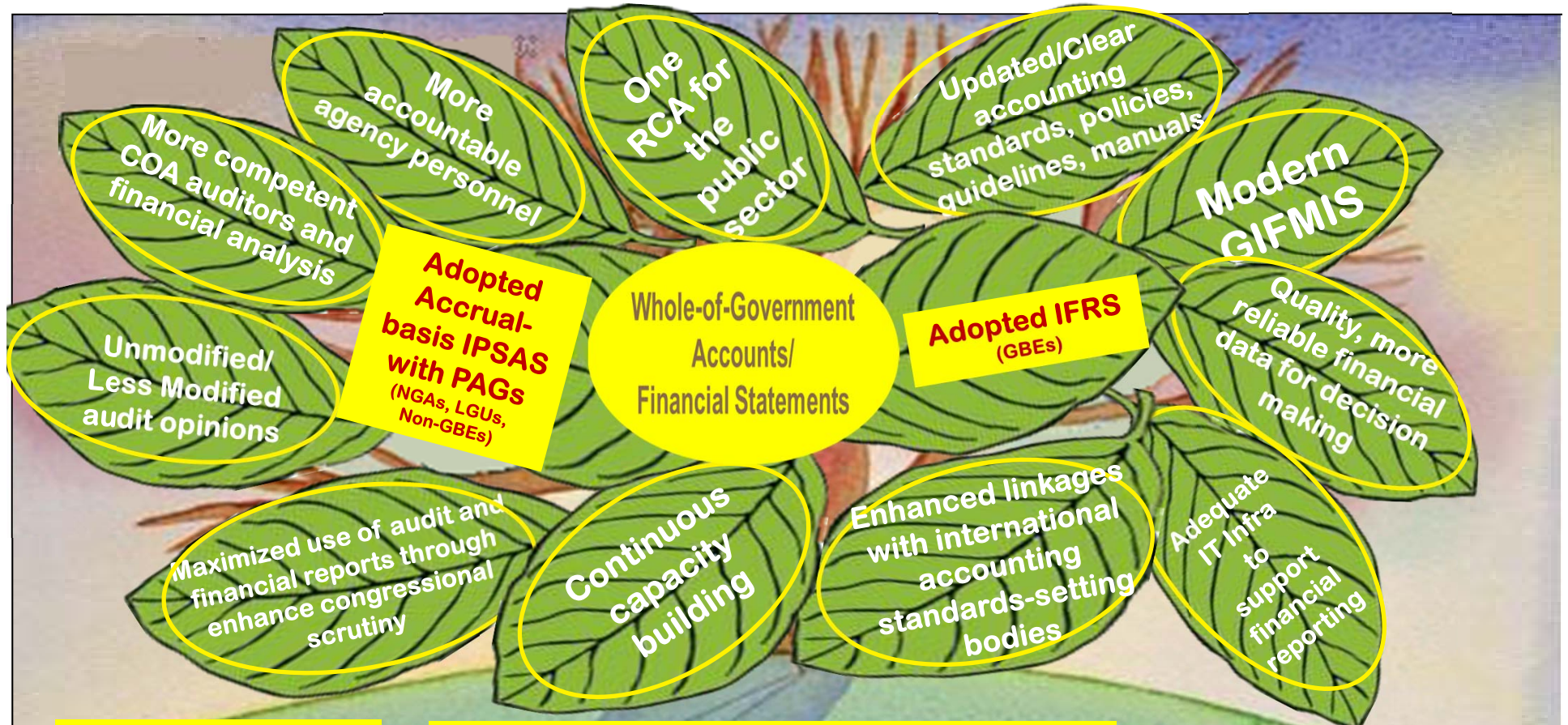
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Implement Whole-of-Government Accounts

9

Enhance collaboration with IPSASB and other international organizations

Towards Irreversible and Sustainable Government Accounting and Financial Reporting Reforms



COA Officials and Employees

Agencies

Filipino people

COA Commission Proper



Legislature

IPSASB, Professional organizations

Development Partners

GOP accounting reforms implemented and to be sustained

Today and BEYOND.....

