EduCOP
Public Sector Accounting Frameworks


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Theoretical Basis

Arguably the most relevant ones

- Accountability Theory
- New Public Management
Internationally recognized PFM Standard Frameworks

- Budgeting
- Accounting
- Audit
- Governmental Financial Statistics

- OECD Budget Principles
- IPSAS
- ISSAI
- GFSM2014 ESA10
National and international standards

Private Sector

- IFRS
- "US-GAAP"
- National Standards A
- National Standards B
- .... or direct adoption

Public Sector

- IPSAS
- Direct adoption or
- National Standards C
- National Standards A
- ....
- Independent National Standards X
- ....
Implementation mechanisms

Direct or indirect?

Virtually all International Governmental Organizations, Some governments, e.g. Switzerland, Spain, Austria, Baltic countries, Israel, Costa Rica

Governments, e.g. South Africa, New Zealand, Colombia, Chile, Malaysia, Indonesia, Russia, Kazakhstan, China

... and some take IPSAS only as a reference, e.g. US, Canada, Australia, UK, Sweden
IPSAS

- International Public Sector Accounting Standards
- 38 accrual basis standards, thereof 4 withdrawn/replaced → 34 accrual basis standards, plus 1 cash basis standard as a temporary solution only, when implementing accrual IPSAS
- Conceptual framework since 2014: solid and stable basis for the future
- Issued since 2001
IPSASB

- International Public Sector Accounting Standards Board
- Independent Board of 18 members
- 8 international staff, all in Toronto/Canada
- Under the roof the International Federation of Accountants (IFAC) – but independent in standard setting
- Since 2015 under oversight of the Public Interest Committee (IMF, Worldbank, OECD, Intosai) – in order to strengthen public interest
IPSASB Strategy and Workplan 2015+

First strategy based on public consultation, second workplan based on public consultation

Strategic Objective

*Strengthen Public Financial Management and Knowledge about Public Finances through the increased use of accrual basis IPSAS*
Conceptual Framework

Preface – Key characteristics of the Public Sector

- Part 1
  - Role
  - Objectives and users
  - QCUs
  - Entity

- Parte 2
  - Elements y Recognition

- Parte 3
  - Measurement

- Parte 4
  - Presentation

IPSAS
Conceptual Framework

Characteristics of the Public Sector which influence Public Sector Accounting

- Non-Exchange transactions
- Role of the approved budget
- Longevity
- Characteristics of Assets/Liabs
- Role as a Regulator
- GFS/SNA

IPSAS
Transaction neutrality: Convergence of IFRS and IPSAS

- Terminology
- Guidance for Public S.
- Issues of the Public S.
- Examples from the PS
IPSAS: Structure of Accrual Basis Standards

- Recognition
- Measurement
- Disclosure
Accrual IPSAS are implemented worldwide

Level of adoption and implementation

Source: IFAC/CIPFA/ ZHAW AccountabilityIndex
Accrual IPSAS are implemented worldwide

Which financial reporting standards?

- Missing
- International Public Sector Accounting Standards (IPSASs) adopted directly
- IPSASs adopted indirectly via national standards
- National standards using IPSAS as a reference point
- International Financial Reporting Standards (IFRSs) adopted directly
- National standards based on IFRSs
- Other national financial reporting standards

Source: IFAC/CIPFA/ZHAW AccountabilityIndex
Implementation

Accounting basis (OECD Countries, 2016)

OECD, 2016
IPSAS

Benefits

OECD, 2016
Government Financial Statistics (GFS)

Part of the system of National accounts

– Accrual Principle
– Strong argument für accrual accounting and reporting
– Sectorisation relevant for definition of financial reports
Overview of IPSAS

Part of System of National Accounts (G)
- Base: SNA93 $\rightarrow$ GFSM2001 $\rightarrow$ ESA95 $\rightarrow$ application in Switzerland in accordance with bilateral treaties
- Accrual Principle with few exceptions (mainly defense material) $\rightarrow$ Strong argument for accrual accounting
- Sectorization
Overview of IPSAS

Part of System of National Accounts (G)

- Analytic Framework
Government Financial Statistics (GFS)

Interaction of GFS with Financial Statements

- **National Government**
  - Ministries
  - National SOEs

- **Provincial Government**
  - Ministries
  - Province owned Enterprises

- **Local Government**
  - Services
  - Local Government owned Enterprises

- **Social Security**
  - Services
1. Manage budgets within clear, credible and predictable limits for fiscal policy
2. Closely align budgets with the medium-term strategic priorities of government
3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner
4. Ensure that budget documents and data are open, transparent and accessible
5. Provide for an inclusive, participative and realistic debate on budgetary choices
6. Present a comprehensive, accurate and reliable account of the public finances
7. Actively plan, manage and monitor budget execution
8. Ensure that performance, evaluation & value for money are integral to the budget process
9. Identify, assess and manage prudently longer-term sustainability and other fiscal risks
10. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit
1. Founding Principles: The Lima Declaration (ISSAI 1)
2. Prerequisites for functioning SAIs: ISSAI 10-40
3. Fundamental Auditing Principles: ISSAI 100-400
   • ISSAI 100: Fundamental Principles of Public Sector Audit
   • ISSAI 200: Fundamental Principles of Financial Audit
   • ISSAI 300: Fundamental Principles of Performance Audit
   • ISSAI 400: Fundamental Principles of Compliance Audit
4. Auditing Guidelines: ISSAI 1003-5800 – based on ISA
5. Guidance for good governance: ISSAI 9100-9400
Audit implications

Types of Audit in Public Sector

- **Financial (Statement) Audit**
  - Historically 0-10%
  - In future 33%

- **Compliance Audit**
  - Historically 70-90%
  - In future 33%

- **Performance Audit**
  - Historically 10-20%
  - In future 33%