



### Inaugural Newsletter

#### What's New

##### **The Public Sector Accounting and Reporting Program: PULSAR**

The Public Sector Accounting and Reporting Program (PULSAR) is a new initiative, launched in Vienna on 11 December 2017, to increase transparency, accountability, and better management of public resources in Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kosovo, FYR Macedonia, Moldova, Montenegro, Serbia, and Ukraine through the enhancement of public sector accounting (PSA) and financial reporting frameworks. PULSAR is financed by the Governments of Austria and Switzerland and is implemented by the World Bank.

[Visit the PULSAR website for more information and to download the brochure\\*](#)

\* Please note that this is the interim website - the final program website will be launched in autumn 2018.

##### **Knowledge and Experience Sharing: The Pulsar Communities of Practice**

Under the PULSAR program, two communities of practice were established, one focusing on public sector financial reporting frameworks (FinCoP) and the other on accounting education and capacity building (EduCoP)\*. From April 23-25, 2018, the [second workshops of FinCoP and EduCoP](#) were held in Vienna, bringing together more than 100 participants and speakers from 17 countries. Senior officials from MOF and Court of Audit of Austria joined the events, and leading international experts contributed to the sessions including representatives from IPSASB, CIPFA, Eurostat EPSAS Working Group, and IMF.

During the EduCoP workshop, the participants took a closer look at educational pathways designed for the development of public sector accounting professionals. The CFRR introduced a toolkit to help for integrating PSA (public sector accounting) into educational curricula in a way that fits with the general context of the PULSAR member countries. The toolkit was discussed in detail and participants agreed to start piloting it in their countries to assess the current PSA education framework and identify possible gaps. The participants engaged in a group exercise aimed at conceptualizing a PSA education pathway for their respective countries, taking into consideration the information and examples shared over the course of the workshop. Good practice examples of PSA education in participating countries and Austria were also shared within the group. In terms of next steps, the IFAC Accountancy Now virtual session will be organized between April and the next EduCoP meeting in November 2018. The participants also agreed on the importance of establishing a tool for collaboration between events.

During the FinCoP workshop, the participants explored similarities and differences between GFSM/ESA/SNA and IPSAS/EPAS, learned good practices on sequencing of IPSAS implementation and roadmap development, shared knowledge about IPSAS requirements for consolidation of financial statements at the entity and whole-of-government levels, and learned developments under the EU EPSAS project. Delegates shared experiences and lessons learned from PSA reforms in their countries and emphasized the need to link them to broader PFM and budget reforms. The challenges of moving from cash to accruals and reconciling to GFSM/ESA were highlighted. The workshop also featured wide-ranging discussions on the impact of technology in the public sector. Recent innovations such as blockchain can make data exchange more secure as data is immutable within the blockchain, artificial Intelligence is used to analyze and identify potential fraudulent activity, and Big Data services such as Microsoft Power BI have proven useful in data analysis. The workshop concluded with the group agreeing on a number of priorities for future activities. The next FinCoP meeting in November 2018 will address ensuring political support and

resources for PSA reforms as well as focus on unified chart of accounts. A virtual session on the advantages of accrual budgeting is also planned before the next F2F meeting.

\* Communities of practice are platforms frequently employed by the World Bank to organize a network of practitioners and experts on specific areas and to assist cooperative peer-based learning as well as knowledge and experience sharing.

### **Toolkit: Public Sector Accounting Education Plan**

As noted above, a toolkit has been developed under the PULSAR EduCoP to help countries to integrate public sector accounting (PSA) into educational curricula by developing a pathway for the development of PSA professionals that is achievable and appropriate for the needs of individual countries. The toolkit is based on the International Education Standards (IES) issued by the International Accounting Education Standards Board (IAESB), which serve as an international benchmark of good practice. The toolkit presents three sample educational pathways for consideration, each with varying degrees of reliance on existing initial professional education and certification framework. The three examples are non-exhaustive and countries may consider variations to meet the context and needs of the individual country. Key concepts underlying the framework are as follows:

- Education pathways leading to qualifications should be based on IES;
- Accounting technicians play an important role within Government accounting operations;
- Professional accountancy organizations can play a key role in developing public sector accountants;
- Coordination and mutual recognition of learning is critical.

The toolkit offers guidance to reform through the following steps:

1. Plot the current public sector accounting educational framework in the country and identify possible missing elements;
2. Develop a holistic PSA education pathway considering country context and using available resources e.g. The Sample Pathways, IES Learning Outcomes, Competency Framework for Public Sector Accountants, and also public sector education models and curricula presented in the PULSAR EduCoP (April 2018);
3. Plot the newly developed PSA education pathway and assess its resource implications;
4. Collaborate with relevant in-country stakeholders to further refine and develop the proposed education pathway;
5. The PULSAR EduCoP Program will help elaborate the contents and elements of curricula, and will introduce potential partners and resources to help implement plans;
6. The pathway should be monitored by the in-country PSA Steering Committee or Focus Group to ensure the pathway is modified as needed, and that knowledge and learning remain relevant and meet the needs of the public sector and the country circumstances.

[Download Toolkit](#)

### **Report on EPSAS Meeting**

The primary objective of implementing harmonized European Public Sector Accounting Standards (EPSAS) is to increase fiscal transparency and achieve comparability of public sector accounting and reporting systems within and across Member States. The Working Group on EPSAS was launched in September 2015 to build on the work of the Task Forces and to establish a more permanent forum concerned with the development, introduction and operation of EPSAS in the mid-to-longer term. On May 7-8, the 6<sup>th</sup> *Eurostat Working Group Meeting on EPSAS* took place whose agenda included discussions and presentations related to the support to accrual accounting reforms in EU Member States through the Structural Reform Support Program (SRSP); EPSAS Framework; EPSAS Issues Papers; and reports on stakeholder activities including IPSASB, Accountancy Europe, The World Bank.

The European Commission informed that its Structural Reform Support Program and Structural Reform Support Service (SRSP/SRSS) provide financial support for reforms in EU Member States in Governance and Public Financial Management areas. To date, out of 444 funding proposals, 146 projects have been selected from 24 Member States. Modernization of public accounting to accrual basis in support of EPSAS (proposals to be submitted by Member States through online portal) is a specific area of support with a dedicated Policy Officer responsible for Public Financial Management. In this area, 7 grants were signed for Hungary, Austria (also at the local level), Portugal, and Malta. The next deadline for proposals for all areas of SRSP is October 31, 2018 with a total budget of US\$ 38.5 million for 2019.

The chair of the IPSAS Board presented an update on IPSAS developments, particularly on the results of the consultation process on heritage assets which did not bring a consensus. The topic raised various

opinions and questions during the consultation process, e.g. the application of symbolic value in lieu of cumbersome valuation, what actually is a heritage asset, operational and non-operational heritage assets, cash flow connected with a heritage asset. The next step will include creating consistent standards for heritage assets.

On technical level there were deliberations on the following topics:

- Deferred inflow and outflow: it was premature to define it but it might be recommended to recognize such flow events if they do not meet all recognition criteria. Historic cost and current value is considered as measurements (not revaluation model).
- Other comprehensive statement (OCS) was considered as a tool to monitor performance of the public sector. However, entities management and politicians will most likely have difficulties understanding the concept of recognizing revenues and expenses through other comprehensive statement and then recycling without knowing the conceptual accounting basis. Thus, further reflection is needed whether OCS would be useful and comprehensible for the public sector.
- Public sector entity can be defined as “every entity receiving resources for delivery of public goods or services”. Public sector reporting entity is an entity with an “ability to take economic decision to own and transact assets and incur liability and further commitments”.
- Applicability of EPSAS to public sector corporation: publicly owned and controlled but also privately held corporations should apply existing framework of IFRS or national GAAP, and if needed, prepare consolidation packages based on EPSAS.
- EPSAS standard setting might deviate from IPSAS, IFRS and national accounting standards. Although EPSAS standards are developed independently, IPSAS standards will act as a source of information and comparison.
- The inclusion of non-financial information needs to be explained and defined whether it will be in scope of EPSAS.

[Visit the CIRCABC-library to see the documents](#)

If you are having trouble opening the library, please go to <https://circabc.europa.eu> > click “Browse categories” > go to European Commission and click on “Eurostat” > click on “EPSAS interest group”

## **Serbia – Public Sector Accounting Review**

The Government of Serbia (GoS) envisages to gradually transition its public sector financial reporting from a cash basis to an accrual basis of accounting and the application of IPSAS in their public financial management (PFM) Reform Program 2016-2020. The 2017 Report on the Enhancement of Public Sector Financial Reporting (REPF) compares Serbian public sector accounting regulations with International Public Sector Accounting Standards (IPSASs) and outlines policy recommendations to support these efforts.

A GAP analysis was conducted by an international team under the leadership of Iwona Warzecha and Aleksandar Crnomarkovic, both Senior Financial Management Specialists, which does not only consist of a benchmarking exercise with respect to accounting standards but systematically assesses the public-sector environment including cross-cutting issues with the PFM cycle as a whole. In addition, the REPF examines the political landscape and ongoing reforms in the area of public financial management to contextualize planned activities to enhance public sector accounting.

This comprehensive approach is necessary to reveal either important systemic deficiencies or highlight areas which mark significant groundwork for implementation of accrual accounting and enables us to draw conclusion on overall readiness. Usually, it is never only about a simple change in accounting methodology as certain preconditions have to be met to successfully implement public sector accounting (PSA) reforms.

In the case of Serbia, there are already significant ongoing activities that will positively contribute to the envisaged revision of public sector accounting standards including those addressing payment arrears and commitment management as well as and the roll-out of FMIS and enhanced functionality. Once completed and, more importantly, successfully implemented, these activities will not only considerably improve the value of public sector financial reporting but can be seen as the necessary prerequisite for the eventual transition to full accrual accounting.

As for the constraints with respect to implementing IPSAS, the REPF identifies three major ones. Consistent with the experience of other peers in the PULSAR group, Serbia faces serious lack in capacity at the subnational level and the Supreme Audit Institution. A fragmented and decentralized accounting ICT landscape (information and communication technology) causes budget users utilizing a variety of ICT-solutions not linked to the treasury system. Finally, the unclear degree of political ownership and absence of a strong driver for reform owed to frequent changes in the Government’s composition challenges the sustainability of the reform.

The report concludes by recommending essentially partial adoption of IPSASs and a phased implementation, recognizing the value of ongoing PFM reform activities while at the same time being mindful of limited capacity to implement additional reform activities. This is in line with what has been repeatedly mentioned at the margins of recent PULSAR events, by experts and representatives of countries that have successfully implemented full accrual accounting alike, to be pragmatic and realistic with respect to reform ambitions in the area of PSA.

[Read the full report](#)

#### Background on the authors of this report:



**Iwona Warzecha**, Senior Financial Management Specialist, The World Bank, oversees financial management in the World Bank's portfolio in Western Balkans. She has vast experience in implementation of country level diagnostic & advisory services in area of public and private sector accounting and auditing in European countries promoting IPSAS and IFRS to strengthen financial accountability, governance and transparency. Prior joining the World Bank, Iwona worked in PricewaterhouseCoopers performing audits and due diligence of banks and other financial institutions.



**Aleksandar Crnomarkovic**, Senior Financial Management Specialist, The World Bank, has over a decade of relevant experience in public and private sector financial reporting and auditing. He participated and led number of analytical and advisory projects in the Western Balkans region in the area of public and private sector financial reporting, as well as reforms in other pillars of public finance management and financial consolidation plans of state-owned enterprises. Prior to joining the World Bank, Aleksandar worked in PricewaterhouseCoopers performing audits and due diligence assignments.

#### Voices on Public Sector Accounting

The Voices on Public Sector Accounting is a series of videos produced to put the spotlight on individuals working on public financial reporting, either as participants of the PULSAR program, experts contributing to events or specialists involved in the agenda within the World Bank.



Special thanks to Hana Zoričić, Bernhard Schatz, Gillian Fawcett, Raffi Aleksanyan, Keith Hayes, Dritan Fino and Sandro Fuchs.

### Announcement: 2018 CFRR Ministerial Conference

The Ministerial Conference (MC) 2018 to be held at the Wiener Hofburg on 27 November 2018 will be organized by the Centre for Financial Reporting Reform (CFRR) of the World Bank Group. It is a joint event of the PULSAR, EU-REPARIS and STAREP programs aiming at enhancing private and public sector financial reporting and alignment with the EU *acquis* in the Western Balkans and the EU-Eastern Partnership countries. The MC will bring together Finance Ministers and about 220 participants of the 13 beneficiary jurisdictions including Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kosovo, FYR Macedonia, Moldova, Montenegro, Serbia, and Ukraine. Senior Officials and high-level representatives of Ministries of Finance, Treasuries, universities and professional accountancy organizations will be invited to the event along with international experts and private sector managers.

The theme of the MC: “Economic Integration & High-Quality Financial Information. Opportunity for EU Neighborhood Policy” aims at fostering a policy dialogue on current issues in the European Union as concerns further economic integration with its neighbors. A high-level panel will discuss political priorities and challenges as they relate to economic integration and the quality and availability of financial information. The discussants will examine how financial information can help mitigate risks and support economic integration, the role international accounting standards play in integrating capital markets and other economic activity, and how transparent financial reporting can help empower civil society.

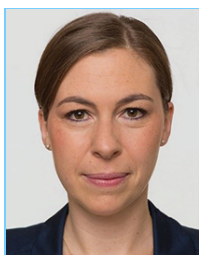
### Introduction to PULSAR Management Team



**Bonnie Ann Sirois**, Senior Financial Management Specialist, CFRR, The World Bank, a U.S. CPA, works on financial reporting, accounting education, and capacity building projects globally, providing policy advice on financial reporting reform in both the public and private sectors. Before joining the Bank, Ms. Sirois held the position of Deputy / Acting Chief Accountant at the United Nations (UN) Relief and Works Agency where she supervised the execution of the annual budget in the delivery health, housing, nutrition, and education services to Palestinian refugee populations located throughout the Middle East and contributed to the development of accounting policies throughout the UN system. Bonnie is PULSAR co- Program Manager and leads the PULSAR Regional Program as well as the Subtask on Accounting Education.



**Arman Vatyan**, Lead Financial Management Specialist – Governance Focal Point for Central Asia, The World Bank, a UK and Canadian chartered accountant, is PULSAR Program Manager and Focal Point overseeing the implementation of the Bank’s Governance activities in Central Asia. He has more than 20 years of experience in leading critical financial management initiatives and reforms, including in public sector and corporate accounting and financial reporting, public internal and external audit, financial management information system and public internal control in 25 countries in the ECA, LAC and MENA regions. Prior joining the Bank he worked at KPMG providing corporate governance, strategic planning, MIS, restructuring, acquisition, and privatization advice to governments and large public interest entities.



**Antonia Ida Graf**, Financial Management Specialist, CFRR, The World Bank, is a PFM economist specialized in Public Financial Management with extensive experience in the public sector. She joined the CFRR in September 2016 where she mainly works on Public Sector Accounting & Reporting. Over the past 12 years, she has worked as PFM consultant with several organizations and agencies in Austria before entering the Austrian Ministry of Finance as a budget officer at the time of transition to accrual accounting. Antonia is leading the Subtask on Awareness Raising and Reform Rationale.



**Reinhard Haslinger**, Senior Operations Officer, CFRR, The World Bank, joined the Vienna-based World Bank team in 2007 to support the establishment of the CFRR and its first programs. As Senior Operations Officer, he is responsible for the program management of two large regional capacity-building programs and trust fund administration. He plays a leading role in coordinating the CFRR’s cooperation with development partners, and in communications. Reinhard is the Co-program manager of the PULSAR regional program.



**Jonida Myftiu**, Financial Management Specialist, GGOEW, The World Bank, is a member of the UK Association of Chartered Certified Accountants (ACCA) and has more than 15 years' experience in accounting and auditing in both the private and public sector. Since joining the World Bank Governance Global Practice in 2011, she has contributed to several public finance management projects in Albania and Kosovo. Recently she is working together with the Ministry of Finance for the implementation the public-sector accounting reform program in Albania. Her previous experience includes working as an auditor in a Big 4 audit firm.

### Let us know what you think

We hope you find this issue of the newsletter interesting and useful. Please let us ([office@pulsar.org](mailto:office@pulsar.org)) know if you have any comments or suggestions for topics that could be featured in future editions.

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