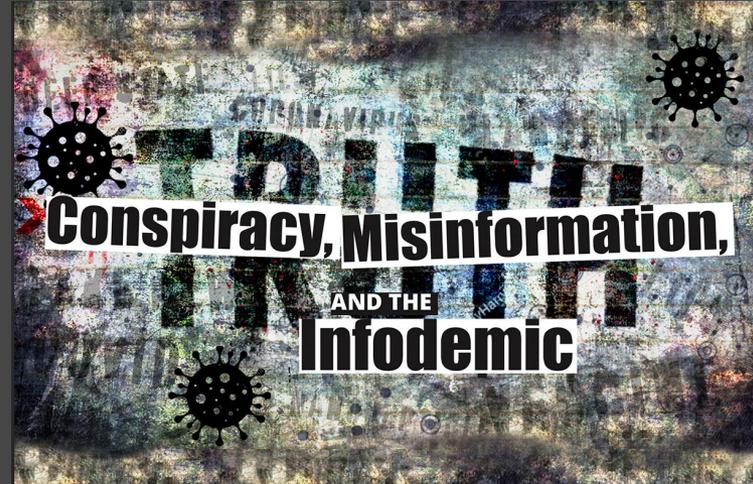
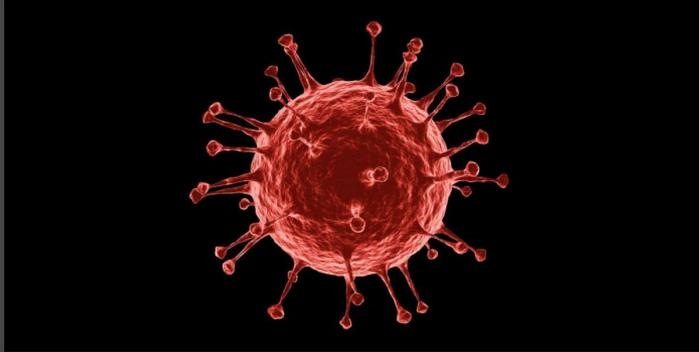


Navigation through challenging times in public and corporate sector, using financial and non-financial reporting

World Bank Conference, Vienna
Bernhard Schatz
November 2022



Current times are challenging...



...humans only survive through cooperation!

What does it have to do with reporting?



**Demonstrating
Competence**



**Integrity and
Transparency**



**Consistency /
Reliability**



Accountability



Decision Making

Reporting is meant to create trust.

Demonstrating competence

Financial Reporting example on demonstrating competence:

- What type of assets are needed for service delivery?
- What is the best use of unused assets?
- What kind of resources should be allocated for maintaining service level?



Country Example: Asset Management Australia

Government entities in Australia have to develop asset management plans which should be presented in the financial statements. The city of Sydney reports in their financial statements asset management KPIs like: *Renewals ratio* (refurbishment spending/depreciation and impairment), *Backlog ratio* (estimated cost to bring asset to satisfactory service level / net carrying amount of asset), *Asset maintenance ratio*, cost to bring assets to an agreed service level.

Council of the City of Sydney Special Schedules 2020

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 2019	2018	Benchmark
Infrastructure asset performance indicators (consolidated) ¹					
1. Buildings and infrastructure renewals ratio ²					
Asset renewals ³	40,737	51.17%	57.28%	61.47%	>=100.00%
Depreciation, amortisation and impairment	79,617				
1a. Buildings and infrastructure renewals ratio (alternate) ⁴					
Asset renewals ³	40,737				
Required asset renewal (per adopted asset management strategy)	64,133	63.52%	64.40%	67.30%	>100.00%
2. Infrastructure backlog ratio ⁵					
Estimated cost to bring assets to a satisfactory standard	54,559	1.69%	1.98%	2.05%	<2.00%
Net carrying amount of infrastructure assets	3,226,993				
3. Asset maintenance ratio					
Actual asset maintenance	68,374	99.07%	99.93%	99.26%	>100.00%
Required asset maintenance	69,018				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	84,212	1.86%	1.31%	1.54%	
Gross replacement cost	4,525,549				

You know who else already did a good asset management in the face of crisis?



Wilhelm the Conqueror compiled an opening balance sheet for England called the “doomsday book” in one year in 1086. It has been used for taxation, resource management, drafting and as legal claim to assets.

Credits: Dag Detter for introducing me to this story



Louis XIV, the “Sun King” had little golden accounting books given to him by his Finance Minister Jean-Baptiste Colbert during including revenues, expenditures, assets and liabilities multiple times a year.

Credits: Jacob Soll for his excellent book “The Reckoning”

Integrity and Transparency

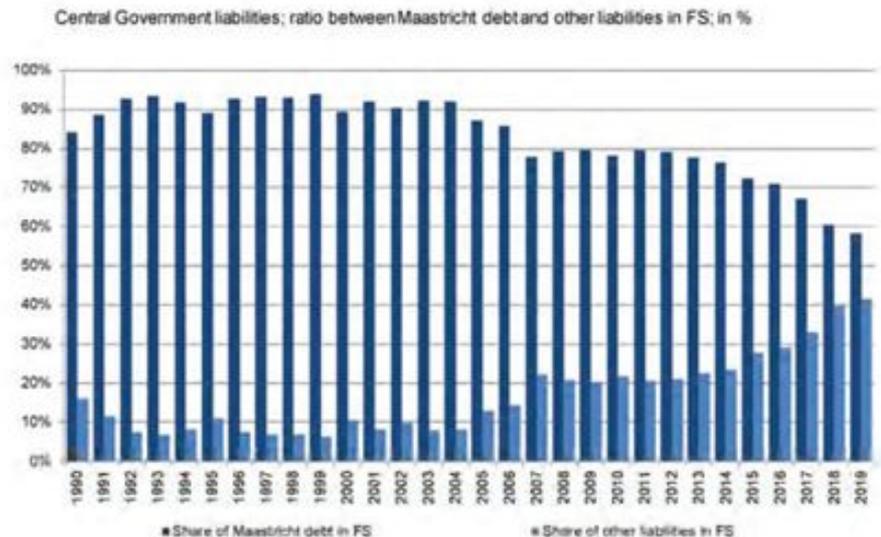
Financial Reporting example on demonstrating transparency:

- Financing of short term, medium term and long term liabilities
- Scope of coverage of liabilities
- Reducing cost of financing (duration, interest)

Country Example: Debt Management Switzerland



The major fiscal rule in Switzerland is the debt brake which balances revenues and expenses to limit the increase in debt. As Switzerland found out the definition of debt is important to determine the starting point and dynamics of the debt brake. The recognition of all liabilities is important: In Switzerland the share of Maastricht debt (GFS) of the total balance sheet liabilities was only 55% in 2019.



“

Just once, around midday, on the open road [...] an unclad hand was pushed out from behind the little yellow linen curtains and threw away some scraps of paper, which scattered in the wind and settled a little way off, like white butterflies, on a field of red clover in flower.

Madame Bovary (Gustave Flaubert)

Credits: Arno Visser, President Netherlands Court of Audit



Consistency and Reliability

Financial Reporting example on reliability:

- Variation if interest rates / foreign currencies
- Shifts in technology and demand of public services
- Materialization of legal obligations
- Impacts of climate change

Country Example: Fiskal Risk Management UK

In the annual Fiscal Risk Report of the UK there is a dedicated section on balance sheet risks. This ensures that risks materializing on and off the balance sheet are monitored and evaluated in a systematic manner. Balance Sheet risks include: *Public Sector Net Worth, Asset Sales, Guarantees, Housing associations, Reclassifications, fiscal illusions and contingent liabilities.*



	Probability of crystallising	Impact on PSND	Coronavirus impact	Treasury response	Change in risk
Medium term					
Public sector net worth*	Medium	Not quantified	Yes		◆
Asset sales*	Low	Low	Yes		◆
Guarantees in infrastructure and housing*	Very low	Medium	No		◆
Housing associations	N/A	N/A	No		◆
Reclassifications and balance sheets	Medium	Medium	Yes		◆
PSND and fiscal illusions	Very high	Medium	No		◆
Long term					
Contingent liabilities	N/A	N/A	Yes		◆
Balance sheet management	N/A	N/A	No		◆

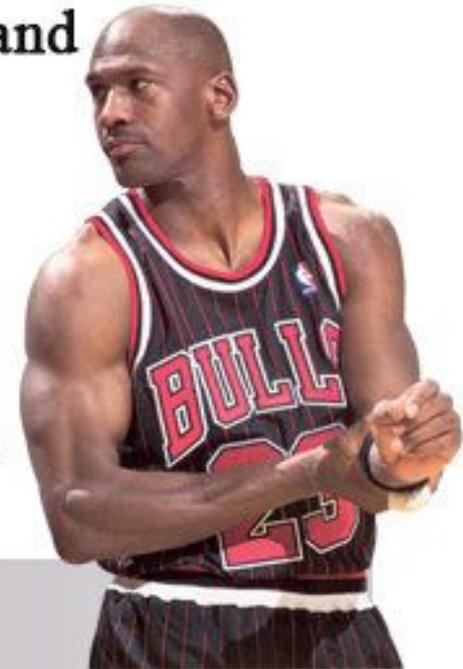
Note: Refer to the risk register on our website for more details.
 Medium term is within 5 years and long term beyond that.
 Probability: Very Low =< 10%; Low = 10%-40%; Medium = 40%-60%; High = 60%-90%; Very High => 90%.
 Medium term impact (using 2025-26 GDP): Low = < 1% of GDP; Medium = 1%-10% of GDP; High = 10%-100% of GDP.
 Long term impact (using 2075-71 GDP): Low = 1%-10% of GDP; Medium = 10%-100% of GDP; High = > 100% of GDP.
 Treasury response refers to the Chancellor's written statement of 14 July 2020. A Mark implies it was not disclosed.
 Coronavirus impact asks whether the pandemic has materially changed our future assessment of the risk.
 *Risk remains active despite crystallising.

◆ Crystallised ◆ Increased ◆ Unchanged ◆ Decreased ◆ Removed

Consistency is not stopping despite failure.

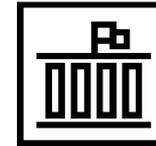
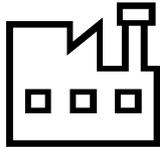
"I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed."

-Michael Jordan



Quote.javaTpoint.com

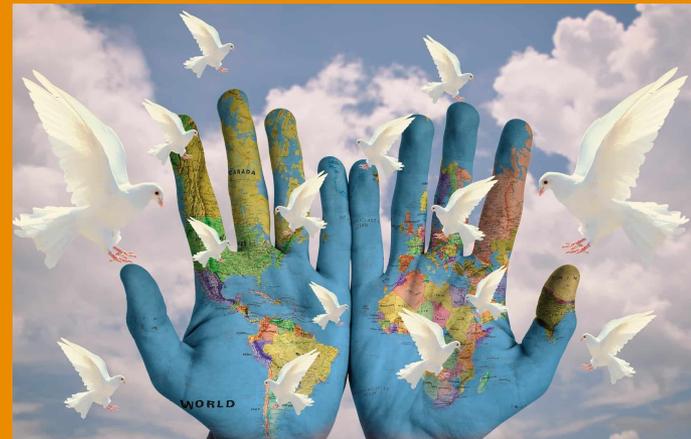
Financial and non-financial Reporting Frameworks are Guardians of trust.



International Sustainability Standards Board



Challenges can be overcome...



...by trust and cooperation.

Built trust in society and solve
important problems
(*PwC Motto*)



Thank you

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