



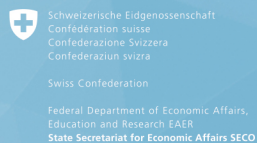
PULSAR Community of Practice

Benefits of Accrual Accounting in the Public Sector

THE PULSAR PROGRAM IS MANAGED BY



THE PULSAR PROGRAM IS CO-FUNDED BY



Eugenio Caperchione
Isabel Brusca
Sandra Cohen
Francesca Manes Rossi

November 29, 2022, Vienna, Austria



Benefits of Accrual Accounting in the Public Sector

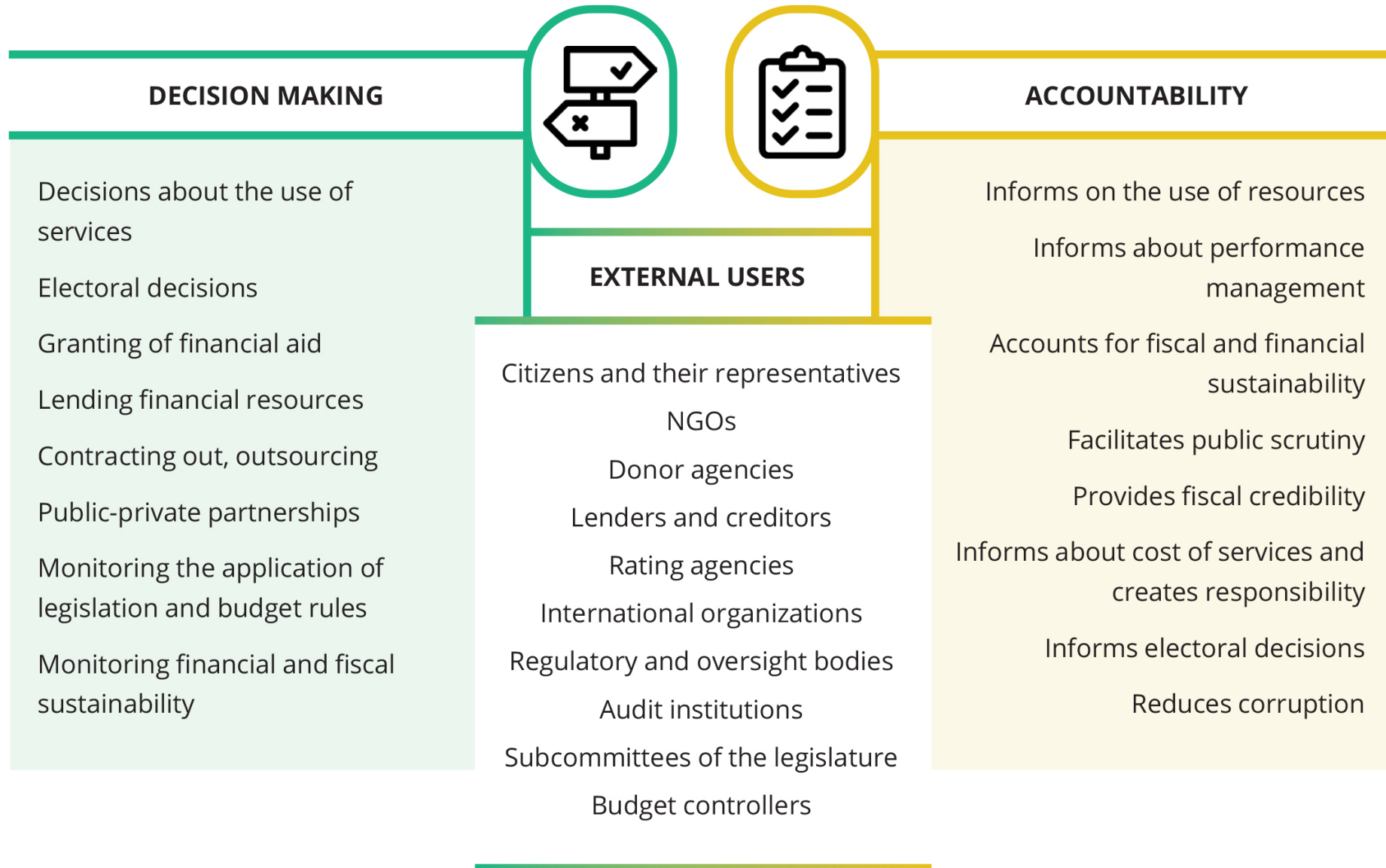
2

- » Benefits of Accrual Accounting - For what and for whom?
- » Accrual Accounting and Transparency
- » Enabling Conditions for Accrual Accounting Implementation
- » The Costs of Accrual Accounting Implementation

BENEFITS OF ACCRUAL ACCOUNTING - FOR WHAT AND FOR WHOM?

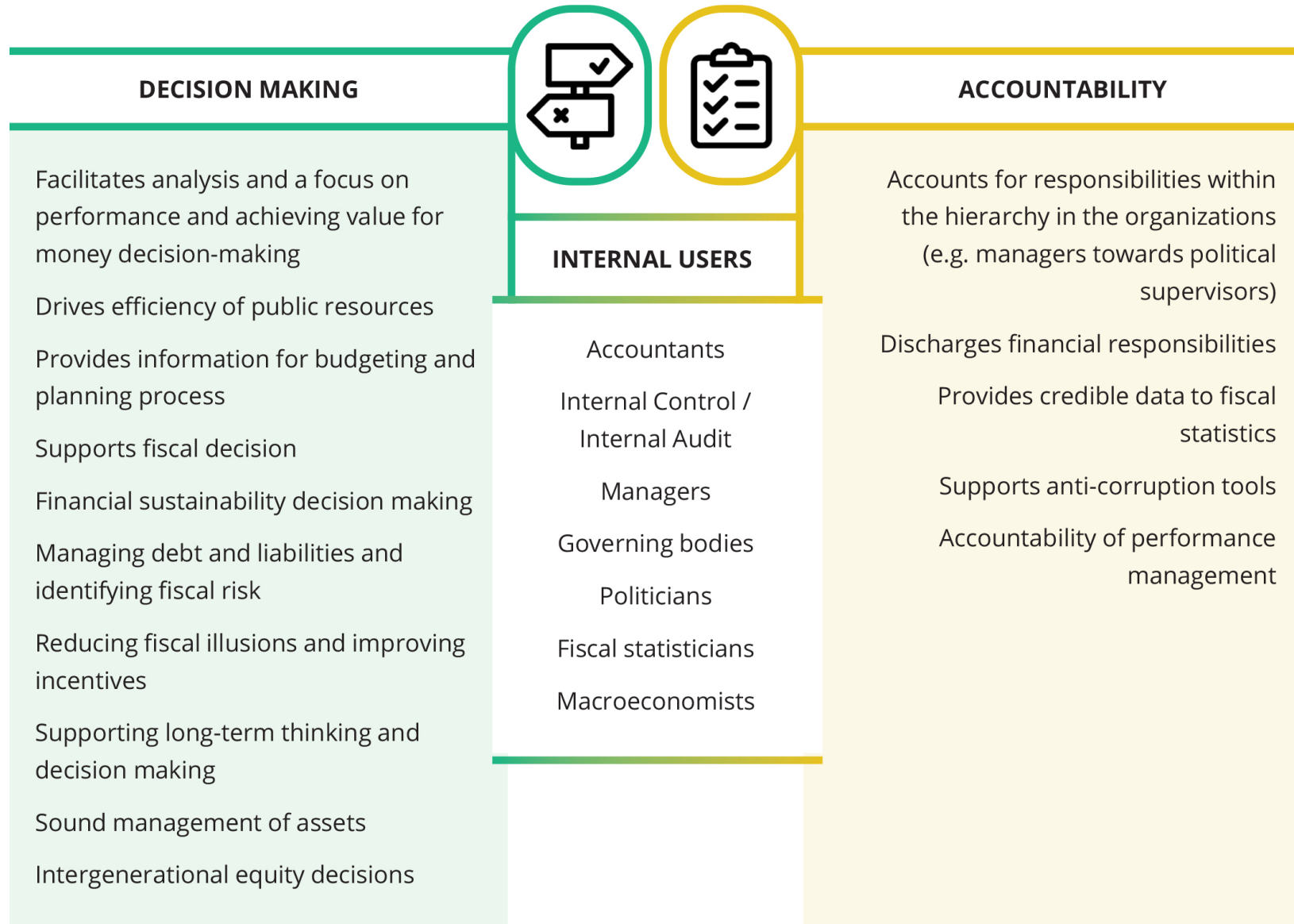
Benefits of Accrual Accounting for External Users

4



Benefits of Accrual Accounting for Internal Users

5



Benefits of Accrual Accounting – Practical Insights

6

Accurate, reliable, timely
and complete information

Accountability

Better allocation and use
of public resources

Improves reporting

Better information on
costs

More effective and
targeted control and audit

Foreseeing long-term
effects

Risks are recognized or
disclosed

Promotes
intergenerational equity

More reliable national
accounting data

Different benefits for
different users

ACCRUAL ACCOUNTING AND TRANSPARENCY

Accrual Accounting and Transparency

8

⊖ TRANSPARENCY CONSIDERATIONS

- ⊖ Cost of data disclosure
- ⊖ Information overload
- ⊖ Level of technical jargon used
- ⊖ Distracting non-relevant data
- ⊖ Potential opportunistic behavior

TRANSPARENCY CONDITIONS ✓

Information should be:

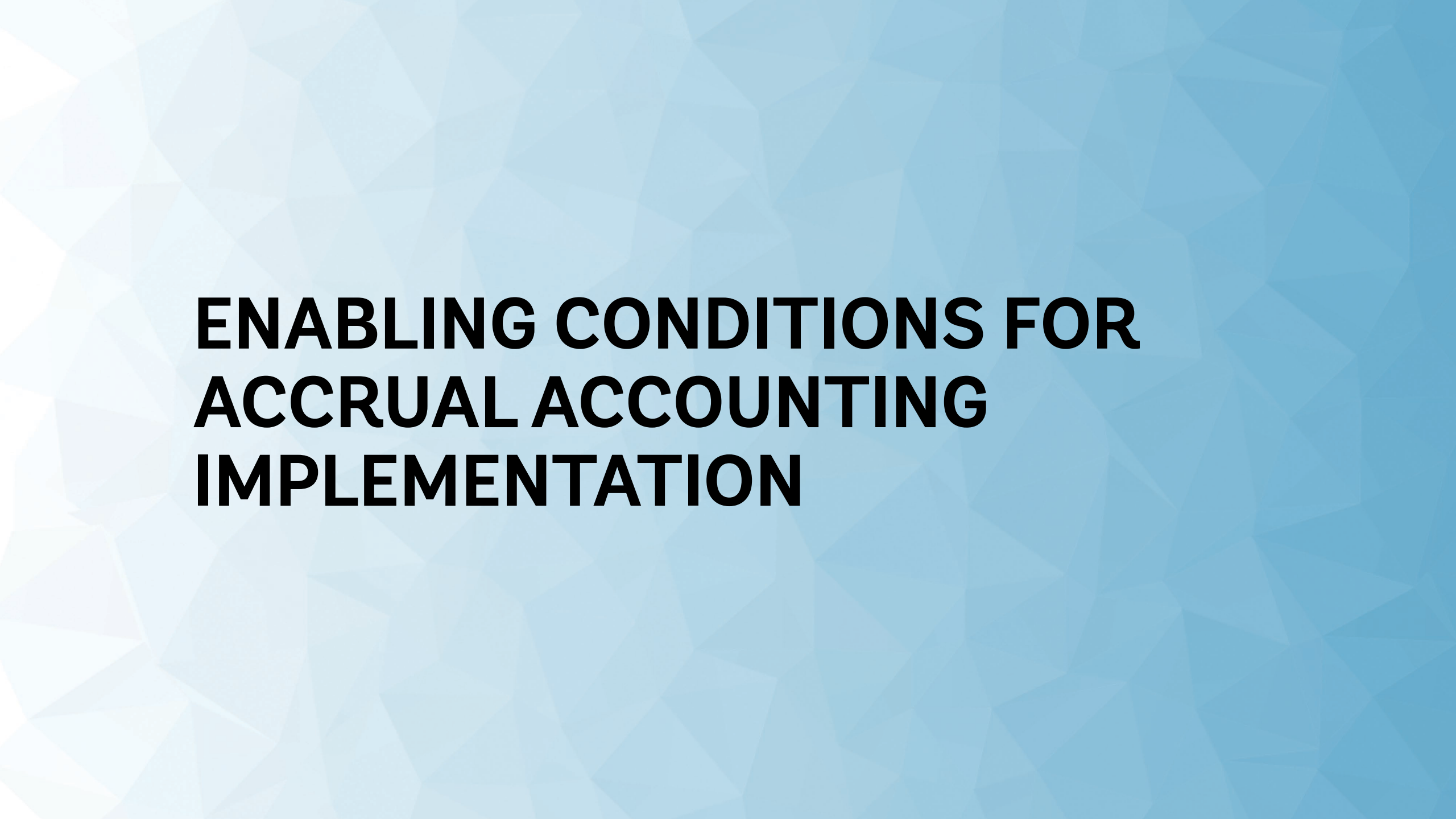
- ✓ Accessible
- ✓ Reliable
- ✓ Timely
- ✓ Orderly
- ✓ Clear
- ✓ Understandable
- ✓ Appropriate to user information needs
- ✓ Available through proper communication channels

Accrual Accounting and Transparency– Practical Insights

9

- » Financial reports need to be simplified, **more "popular"**, and to be effectively communicated to citizens
- » The more informed the citizen, the better for **equity and justice** in the country
- » The press (**mass media**) can play an intermediary role to translate and interpret the accounting numbers to citizens
- » Attention should be paid to **avoid overloads**
- » Standard reporting and financial statements should be visualized and made **easily accessible** on web sites.
- » Full disclosure is especially challenging when **liabilities exceed assets**
- » The increased transparency of full accrual financial reports helps disclosing information using **effective accountability**
- » The level of **financial literacy of politicians** affects the way they understand the implications of own decisions and actions





ENABLING CONDITIONS FOR ACCRUAL ACCOUNTING IMPLEMENTATION

Enablers of Accrual Accounting

11



GOAL SETTING AND PROCESSES

- ✗ Political support and ownership
- ✗ Implementation plan
- ✗ Accrual accounting integrated in decision-making and performance management



HUMAN CAPITAL

- ✗ Training and educating public sector accountants
- ✗ Human capacity (Adequate number of qualified staff)
- ✗ Expert support

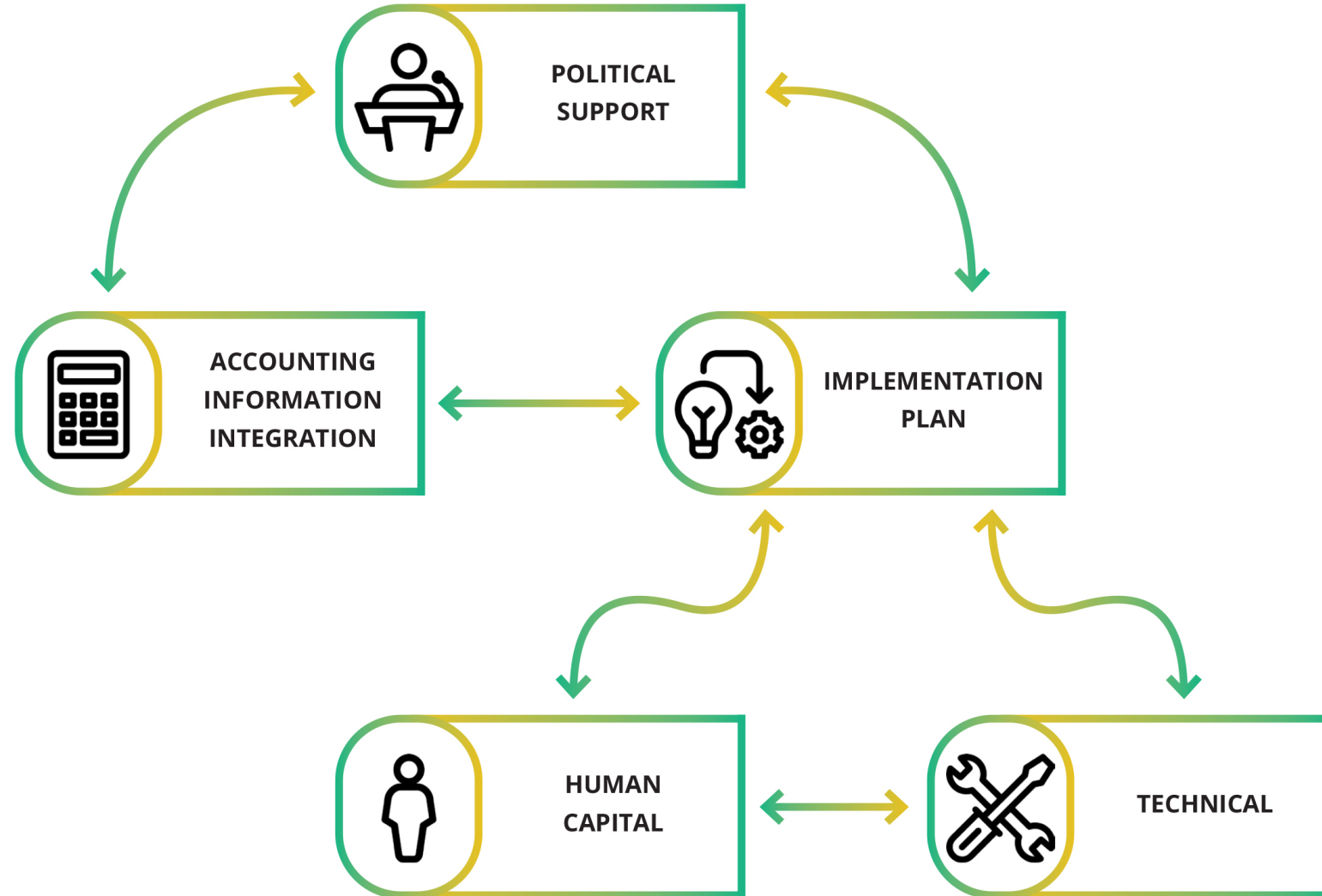


TECHNICAL

- ✗ IT financial management systems
- ✗ Chart of accounts
- ✗ Accounting standards and policies

Interaction among Enablers of Accrual Accounting Implementation

12



Interaction among Enablers of Accrual Accounting Implementation

13



Political support, especially from the ministry of finance, is a prerequisite for a political reform to be successful. Political support secures human resources and other necessary resources for the reform.



Embedding accrual in PFM. This includes the introduction of rules and incentives to work with accruals, analyzing problems and decision-making using accrual data, alignment of performance measures with accruals, embedding accruals in the fiscal rules, key performance indicators, and demand for accrual information from supervisory bodies and auditors.



A dedicated reform team with skills and vision is absolutely necessary. The reform needs very good project management, and a clear plan.



The new logic can attract professionals with fresh views who understand modern financial management, costing, and performance management. Private sector experts in financial accounting may also support public sector entities in the transition to accrual accounting.



The IT system needs to embed the changes related to the accrual accounting processes

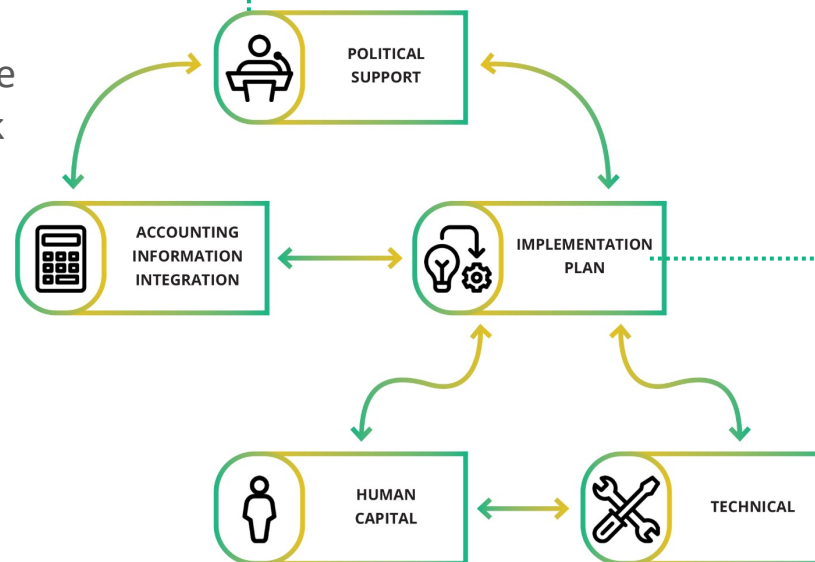
Interaction among Enablers of Accrual Accounting Implementation

14

Political support, especially from the ministry of finance, is a prerequisite for a political reform to be successful. Political support secures human resources and other necessary resources for the reform.

Embedding accrual in PFM. This includes the introduction of rules and incentives to work with accruals, analyzing problems and decision-making using accrual data, alignment of performance measures with accruals, embedding accruals in the fiscal rules, key performance indicators, and demand for accrual information from supervisory bodies and auditors.

The new logic can attract professionals with fresh views who understand modern financial management, costing, and performance management. Private sector experts in financial accounting may also support public sector entities in the transition to accrual accounting.



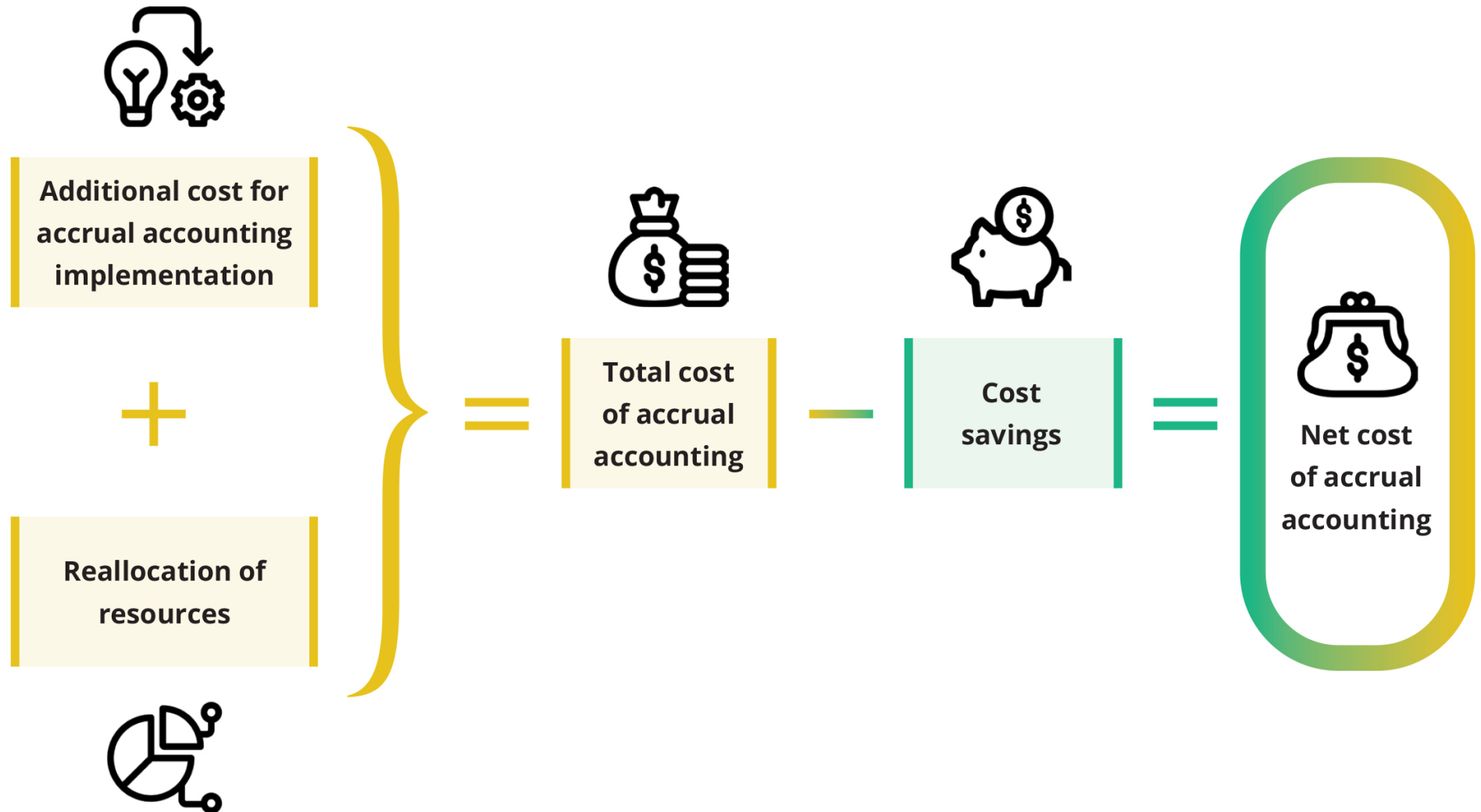
A dedicated reform team with skills and vision is necessary. The reform needs very good project management, and a clear plan.

The IT system needs to embed the changes related to the accrual accounting processes

THE COSTS OF ACCRUAL ACCOUNTING IMPLEMENTATION

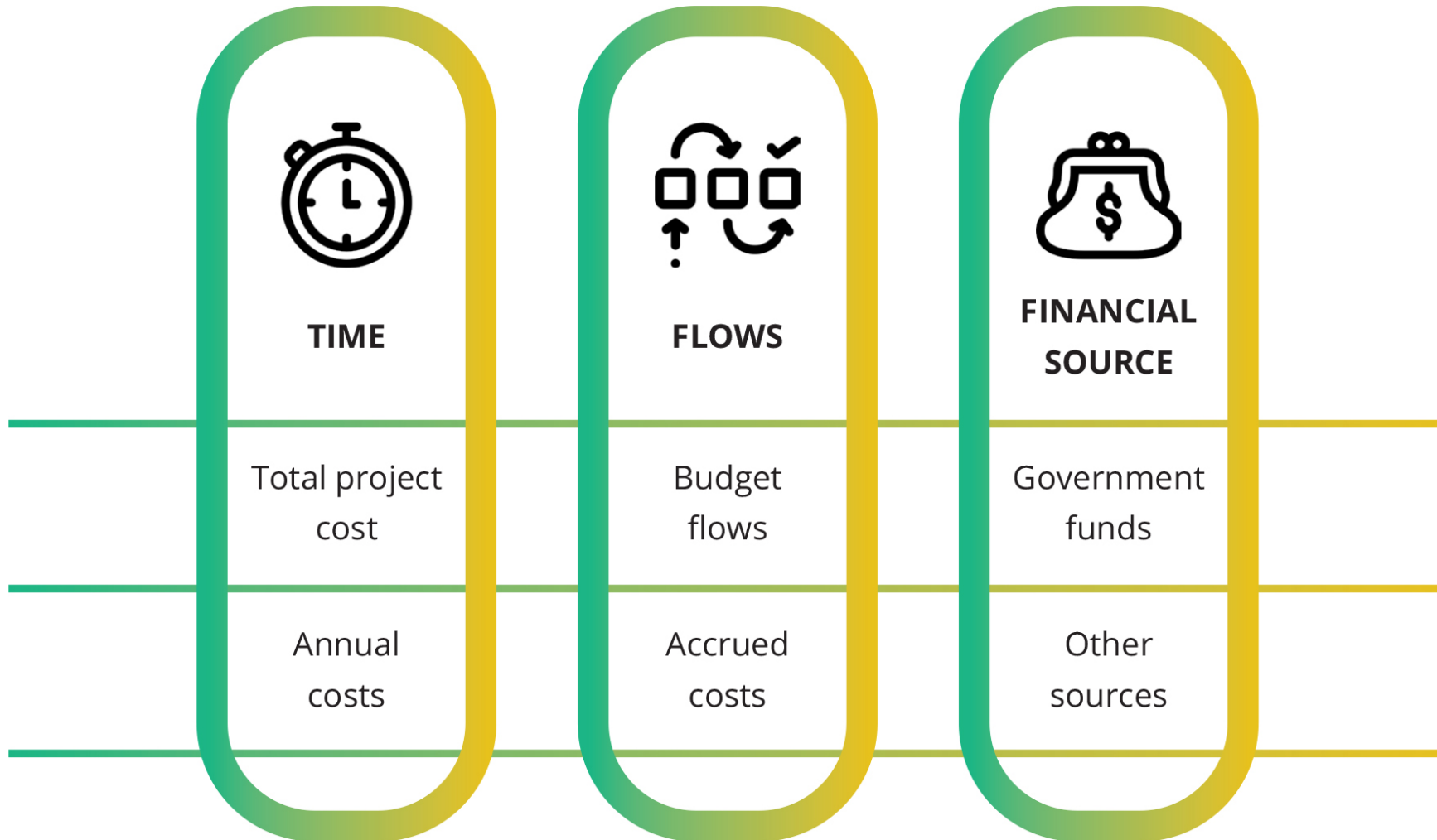
Cost of Accrual Accounting Implementation

16

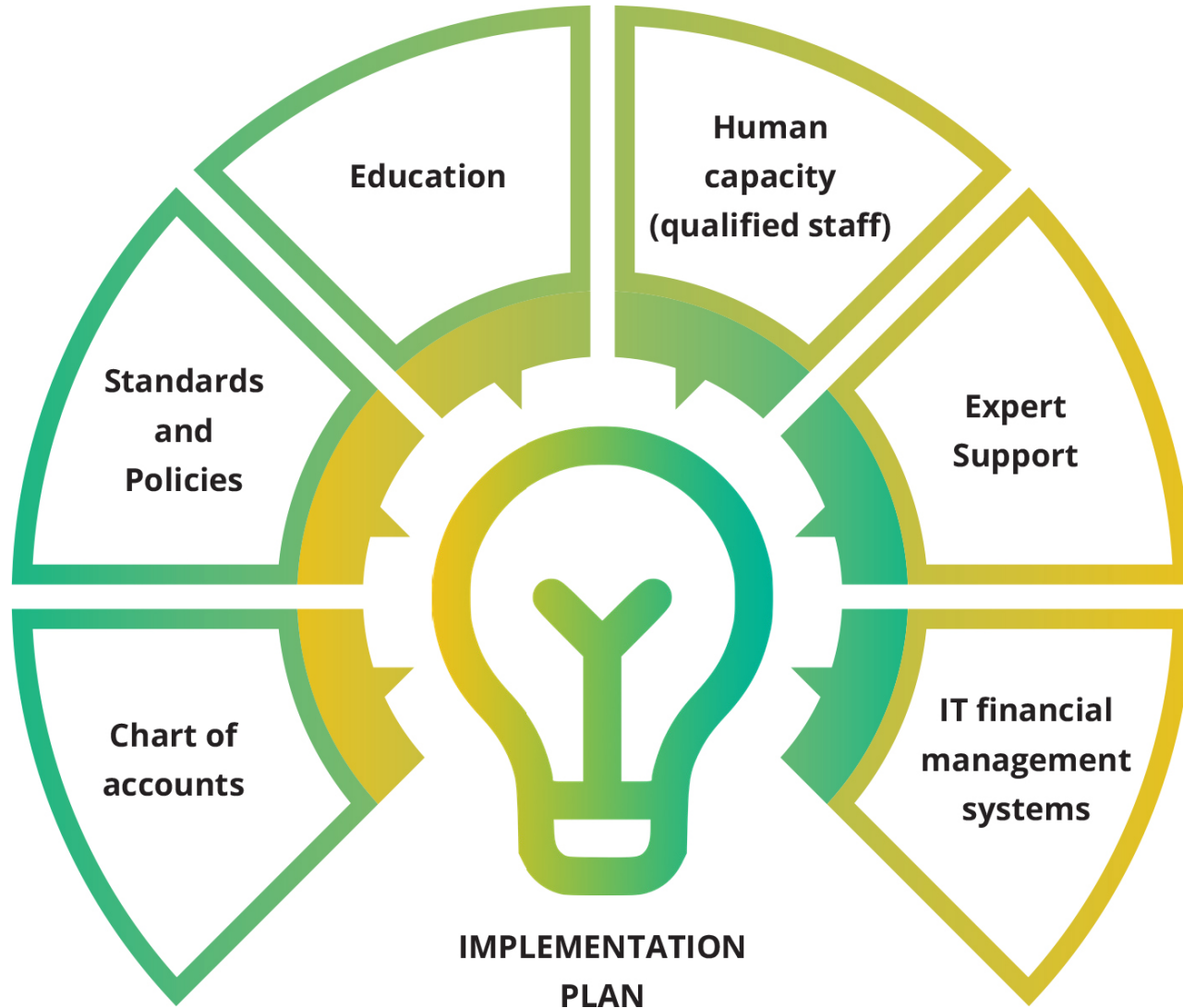


Dimensions for Cost Considerations

17



Human Capital and Technical Tools in Implementation Plan



Thank you for your attention



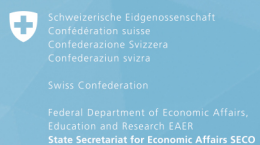
PULSAR Community of Practice

PULSAR FinCoP and EduCoP

THE PULSAR PROGRAM IS MANAGED BY



THE PULSAR PROGRAM IS CO-FUNDED BY



Dmitri Gourfinkel, José Rezk

November 29, 2022. Vienna, Austria

**PUBLIC SECTOR ACCOUNTING
ASSESSMENT (PULSE)
FRAMEWORK**



Outline

22

- ✓ Objectives
- ✓ Characteristics
- ✓ Structure
- ✓ Assessment process
- ✓ Roles and responsibilities
- ✓ Assessment modes
- ✓ Online tool overview
- ✓ Next steps

Objectives

23

- ✓ Support national and subnational governments in developing efficient and effective PSA systems.
- ✓ Help public sector entities to develop an understanding of:
 - Local PSA system and environment
 - The gap between national and international PSA frameworks
 - The gap in actual application between national PSA standards and IPSAS

Characteristics

- ✓ It is a free “global good” and a user-friendly web-based self-assessment tool.
- ✓ Designed for national and subnational governments but may be also applied by any reporting entity, such as international organizations, central banks, public corporations, and other government agencies.
- ✓ Systematically collect information on the current performance of PSA systems, standards, and practices.
- ✓ Offer a single tool to measure and report on both: the conceptual and actual implementation of accrual accounting standards for the public sector
- ✓ This two-perspective approach allows identifying any disconnect between the national and international PSA frameworks as well as the level of actual compliance with IPSAS

Characteristics

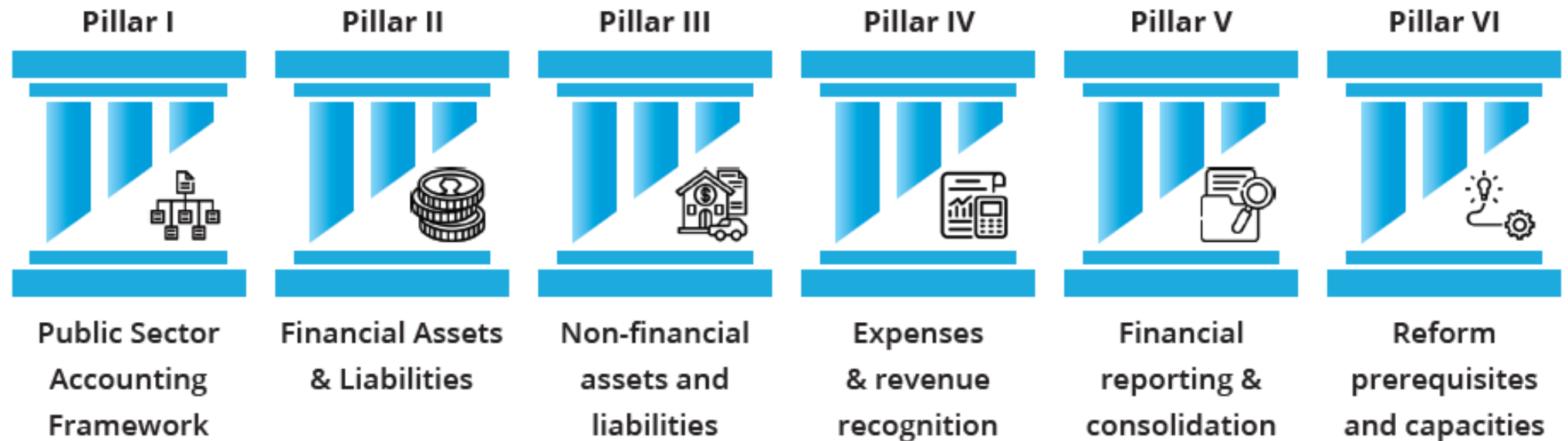
25

- ✓ Provide inputs for development of a comprehensive PSA reform strategy and roadmap, including policy recommendations and action planning to enable further strengthening of PSA systems and practices.
- ✓ The assessment methodology is based on:
 - The PEFA assessment framework
 - The latest set of IPSAS pronouncements, but also go beyond the IPSAS framework by assessing the current status of PSA systems and the state of reform
- ✓ The quality of the assessment and the final report is ensured through multilayer QA arrangements, including an external validation process and the PULSE Check.

Structure

26

- ✓ 6 Pillars
- ✓ 29 Indicators
- ✓ 102 Dimensions



Assessment process

27

- ✓ The PULSE process has 4 phases and 10 steps
- ✓ The estimated duration of 6 months



Roles and responsibilities of stakeholders

28

Lead agency

Oversight team

External validation team

PULSAR team

Peer reviewers

Assessment team leader

Assessment team

External stakeholders

Assessment modes

29

- ✓ Full self-assessment approach, as a primary assessment mode. In this case, the PULSE is undertaken by the lead agency with mandatory external validation.
- ✓ In exceptional cases, the following two modes are also possible:
 - External assessment mode, which is conducted by external experts; and
 - Blended mode, which combines self-assessment with the assistance of external experts.
- ✓ The option to choose these modes depends on the jurisdictional situation, including resource availability and institutional capacity.

Scoring methodology

30

- ✓ The scoring and assessment methodology has been aligned with the PEFA methodology
- ✓ Each dimension is scored separately on a four-point ordinal scale: A, B, C, or D, according to precise criteria established for each dimension.
- ✓ The score of individual dimensions/indicators is averaged to obtain an overall score for the indicator/pillar, respectively.
- ✓ To justify a particular score for a dimension, every aspect specified in the scoring requirements must be fulfilled. If the requirements are only partly met or the criteria is not satisfied, a lower score should be given.

Scoring methodology

31

✓ There are two exceptions:

- While “D” score indicates performance that falls below the basic level, “D*” score is warranted when sufficient information is not available to establish the actual level of performance.
- “NA” (not applicable) is assigned instead of a score when an indicator or dimension may not be applicable to the reporting entity being assessed. This situation might arise if certain laws and regulations prohibit a reporting entity from being in possession of certain assets or liabilities (e.g. derivative instruments, intangible assets or contingent liabilities).

For the assessment to be meaningful, only a few dimensions can be deemed “NA.” If more than 25% (i.e., 26 or more out of 102) of dimensions are deemed “NA”, the entire assessment will not qualify for the PULSE Check.

PULSE Online Tool – A secured web portal

32

PULSE Public Sector Accounting Assessment

PULSAR

PULSE Online Tool

PULSE, the IT support system for PULSAR, which supports the development of public sector accounting and financial reporting frameworks in line with international standards and good practice

Username / Email

Username to log in with

Password

You must use the password you used to register.

Login

[Forgot your password?](#)

PULSE Online Tool – Concept Note & Final Report Template

33



- Home
- Classifiers
- Assessments
- Pulsar
- Security



Report

[Download current template](#)

- General information
- Executive summary
- Introduction
- Country background and PSA environment
- Results**
- Findings and recommendations

SectionName

Results

ProposedContents

Rich text editor toolbar with icons for Bold (B), Italic (I), Underline (U), Bulleted List, Numbered List, Indent, Outdent, Link, Unlink, Table, Font Color (inherited font), Text Color (inherited size), Font Size (A), and Undo.

This section should provide an assessment of the key elements of the PSA system from conceptual and actual compliance perspectives, as captured by the dimension description and indicators, including the documentation of the current overall IPSAS adoption status and the financial reporting basis. The structure of the section is based on the six pillars as follows:

1. Pillar I: PSA Framework
2. Pillar II: Financial assets & liabilities
3. Pillar III: Non-financial assets & liabilities
4. Pillar IV: Expenses & revenue recognition
5. Pillar V: Financial reporting & consolidation
6. Pillar VI: Reform prerequisites and capacities

In turn, the analysis of each dimension should include the following elements:

1. Performance level explanation and evidence for scoring of each dimension, including conceptual and performance compliance, as needed.
2. Reference to specific supporting document(s), including the page numbers, as needed.
3. Performance change since the previous assessment in case repeated assessments, where applicable.

(30 pages)

PULSE Online Tool – Assessment Dashboard

34



- Home
- Classifiers
- Assessments
- Pulsar
- Security

PULSE Dashboard

[← Back to Assessment's List](#) [Methodology](#) [Users](#) [QA Steps](#) [Status Changes](#)

Assessment: MF01

This is an assessment

Concept Note: [Draft](#) [Final](#)

Approved by Jose Simon Rezk on 4/2/2022 12:42:45 PM

[Score Dimensions](#)

Institution: MFA

Ministry of Finance Azerbaijan

AssessmentScore:

Conceptual: C+ Actual: C

Country: Azerbaijan

FinalReport:

Date Started: 4/1/2022

For Assessment Team Leader only

All the dimensions have been measured and we can continue to review the assessment.

[Review Scores](#)

Project Leader: admin admin

Elapsed Time: 15h 32m

Calculated since first start of the assessment

Status: Assessment

4/2/2022

Follow up on the assessment

User	Role	# Dimensions Scored
admin admin	ProjectLeader	6
Dmitri Gourfinkel	Assessment	4



PULSE Online Tool – Scoring methodology

35

- Classifiers
- Assessments
 - Create Assessment
 - List of Assessments
- Pulsar
- Security

10
Dimensions Measured 100 %

1
Dimensions NA 10 %

0
Dimensions not Measured 0 %

0
Dimensions D* 0 %

C+
Conceptual Score

C
Actual Implementation Score

Pillars	Indicators	Dimensions
I. PSA Framework D+	PI-1. Conceptual Framework C+	1.1. Qualitative Characteristics B Measured
		1.2. Reporting Entity C Measured
	PI-2. Accounting policies, estimations, errors and events after the reporting date D	2.1. Accounting policies D Measured
	PI-3. Foreign currency transactions and inflation effects NA	3.1. Initial recognition of exchange differences resulting from foreign currency transactions NA Measured
		3.2. End of year reporting of foreign currencies transactions A Measured
		3.3. Compliance with hyperinflation requirements C Measured
	PI-4. Financial assets B+ C	4.1. Short-term receivables at cost A B Measured
		4.2. Financial assets at amortized cost B D

PULSE Online Tool – Dimensión's Scoring Example

36

- Classifiers
- Assessments
 - Create Assessment
 - List of Assessments
- Pulsar
- Security

4.3. Financial assets at fair value through surplus and deficit

Indicator: PI-4. Financial assets

Description:

Dimension 4.3 assesses the extent to which Financial assets at fair value through surplus and deficit are recognized, measured and derecognized in accordance with IPSAS 41 – Financial Instruments. This dimension also covers the receivables and debt instruments designated irrevocably at fair value through surplus and deficit. 

Score

Conceptual	Actual	
A	A	Financial assets at fair value through surplus and deficit fulfill the requirement of recognition, the three requirements of initial measurement, the three requirements of subsequent measurement, and the four requirements of derecognition.
B	B	Financial assets at fair value through surplus and deficit fulfill the requirement of recognition, a minimum of two requirements of initial measurement, a minimum of two requirements of subsequent measurement, and a minimum of three requirements of derecognition.
C	C	Financial assets at fair value through surplus and deficit fulfill the requirement of recognition, at least one requirement of initial measurement, at least one requirement of subsequent measurement, and at least two requirements of derecognition.
D	D	Performance is less than required for a C score.
D*	D*	Insufficient Information
NA	NA	Not Applicable

Observation

Next steps

37

Action	Estimated due date
Finalize the users' and administrator's manuals	December 31, 2022
Identify the first two pilot countries	December 31, 2022
Conduct the first round of pilots	June 30, 2023
Revise the handbook and online tool based on the pilots' results	September 30, 2023
Conduct the second round of pilots	March 31, 2024
Revise and translate the handbook and the online tool	June 30, 2024

**PULSAR EDUCATION
COMMUNITY OF PRACTICE
(EduCoP)**

Objectives of the EduCoP

39

- * Fostering dialogue and cooperation among stakeholders nationally and regionally;
- * Enabling sharing of experiences and good practice examples; and
- * Encouraging collective development of solutions to shared challenges.

For the past 6 years, EduCoP has been effectively established and focused on introducing knowledge, tools, and resources to help address the needs and constraints of beneficiary countries with respect to quality Public Sector Accounting education

IPSAS Trainer of Trainers Pilot was completed

40

- * Four IPSAS ToT Face-to-Face Training sessions were held in Vienna, Tirana, Sarajevo and Batumi from October 2019 through January 2020. 79 participants were trained by ACCA and the end of course assessment pass rate was 97%.
- * Following the IPSAS ToT program, participants enrolled to do the online ACCA IPSAS Certification Program, which has benefited over 70 trained participants who have attained the ACCA IPSAS certification.
- * Post-pilot survey results showed that major part of PULSAR participating countries took certain actions towards scaling-up the IPSAS ToT program. However, progress slowed down due to the COVID-19 pandemic and related lockdowns.

Recent Activities

41

Sharing Experiences of different Public Sector Education models and PAO engagement

- * A series of two consecutive Smart Interactive Talks (SITs) in May and July to explore different PSA Education models.
- * During these events, different regional initiatives to support accounting education in the public sector were presented (by CAPA and IFAC).
- * Members had the opportunity to learn from four countries outside of the region (Zambia, South Africa, Philippines and Vietnam) as well as two PULSAR countries (Albania and Georgia).

A Knowledge product based on this country experiences will be prepared in the upcoming months.

Recent Activities

42

Support in the implementation of International Education Standards (IESs)

- * 2-day online seminar carried out in November 3-4 to present the updates of the IESs standards
- * Survey on IESs implementation status carried out this month
- * This will be followed by a session during next PULSAR Joint EduCop-FinCop 6th Workshop on Dec.1 which will discuss the survey results and key takeaways from the online seminar.

Good practices

43

- * Launching periodic surveys to get Beneficiaries' inputs on different topics (e.g.: Inputs to Annual Work Programs / IPSAS ToT / Implementation of IESs).
- * Bi-monthly meetings with the Resource Team to further tailor the work plan and ensure that the selection of topics is based on beneficiaries' prioritized needs.
- * Strong collaboration within PULSAR CoPs and with key partners for the organization of periodic SITs (Smart Interactive Talks), online seminars and F2F workshops.

Some Challenges

44

Membership of the CoPs should be kept updated

- * Membership changes: Countries should inform promptly when a member of a CoP is no longer valid and follow-up with nomination of new member to replace it.
- * Over the last 4 years, membership has decreased over 20%.

Thank You!