

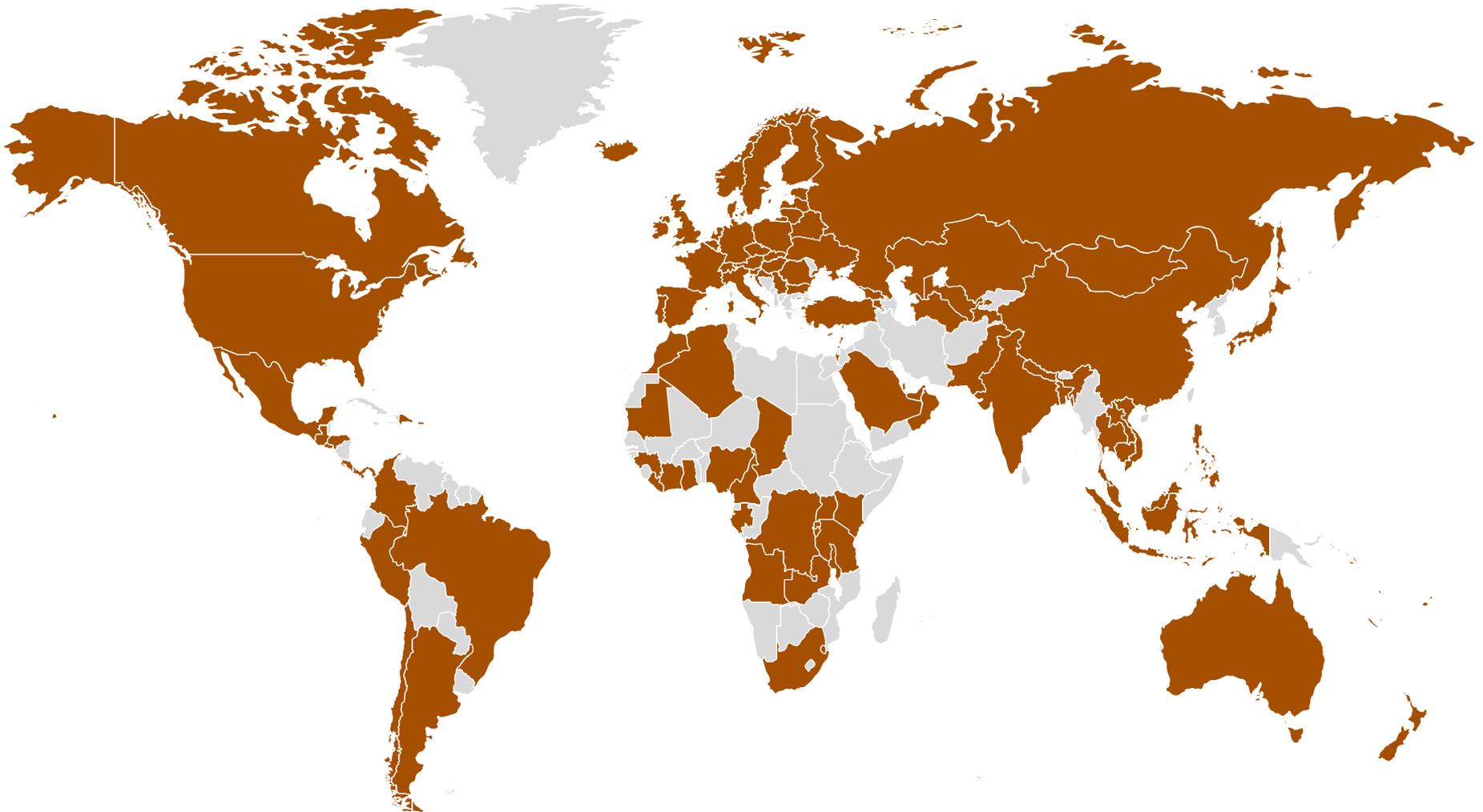
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ACCA's International Public Sector Conference

Edging towards better government accounting

5 December 2013

100 countries included in the PwC Global Survey



Part I

Government accounting and financial reporting, today and tomorrow - the dynamic for accrual accounting

There is a great diversity in accounting practices but the trend towards accrual accounting is clear

Of governments use
cash-based accounting
practices

54%

Only apply accrual
accounting

26%

Increase in the
application of
accrual accounting
in the next five
years (+37 from 26 to 63)

142%

***A major shift is expected in developing countries,
with IPSAS serving as a reference point***

Of non-OECD
countries plan to
transition to accrual
accounting in the
next five years

50%

Biggest move in
Africa, Asia and
Latin America

Often part of PFM
reform programmes

Budgets remain largely on a cash basis

Of the countries use
cash budgets

89%

Only intend to move
to accrual budgeting
in the next five years

15%

Conversion to IPSAS or similar accrual accounting standards is useful for government stakeholders

Of respondents view citizens as the main beneficiaries of accrual-based financial statements

77%

See greater transparency and accountability as the main benefit

79%

PwC insight

There is an urgent need for sound and transparent accounting by all governments. Government financial statements should reflect the full economic impact of political decisions.

Increased transparency is essential for the democratic accountability process. Similarly, adoption of harmonised high-quality accounting standards enhances the credibility of government financial statements.

Part II

Making the transition to accrual accounting in practice

The conversion to accrual accounting is a multi-year project

Number of years
required on average
to transition to
accrual-based IPSAS
(or similar
standards)

+3

“Time is of essence to keep the momentum. You have to go fast but not too fast. Accept that the reform will take several years and proceed in stages.”

of times ranked in the top three challenges

Lack of trained staff

55%

of times ranked in the top three areas of impact

Fixed assets accounting

66%

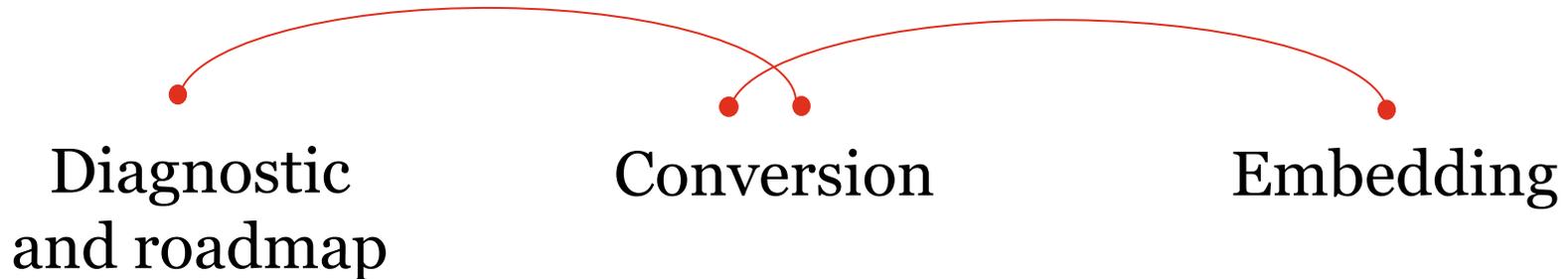
IT systems requirements

49%

Application of accruals

57%

The conversion process



**Policies,
Processes,
People,
Systems**

“There is such a great need for IPSAS and accrual accounting, often in fragile countries. You need a roadmap that gets you there, and often this is what is missing.”

PwC insight

The change to accruals-based IPSAS is much more than an accounting exercise, it is a transformation of the government finance function which impacts the whole organisation.

A well-designed project and effective change management strategy, which considers people and systems requirements, are crucial for successful implementation.

Part III

The future of the Government finance function

Governments indicate a desire to improve their finance function

Cost accounting, fixed asset management, performance management and long-term planning and forecasting are seen as the key areas of improvement

“The ultimate aim is a better public service. We are redefining what the objectives are and how we measure achievement of these objectives. We want to establish measures that can be used for the decision making”

PwC insight

The full benefits of accrual accounting implementation based on IPSAS or equivalent can only be captured as part of the wider finance reform.

Improving key areas of public finance management will contribute to the overall objective of enhanced service performance and long-term sustainability of public finances.

Let's talk!

Visit our website: www.pwc.be/en/ipsas/index.jhtml
Or contact us by e-mail: patrice.schumesch@pwc.be