



# IFAC and Public Sector Financial Management

Thomas Zimmermann  
Senior Technical Manager, Member Body  
Development

World Bank PemPal Program Study Tour  
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## Elements Covered in this Presentation

- IFAC Overview
- Statements of Membership Obligations and Compliance Program
- Public Sector Issues and Implications for IFAC Members
- Status of Adoption of International Public Sector Accounting Standards

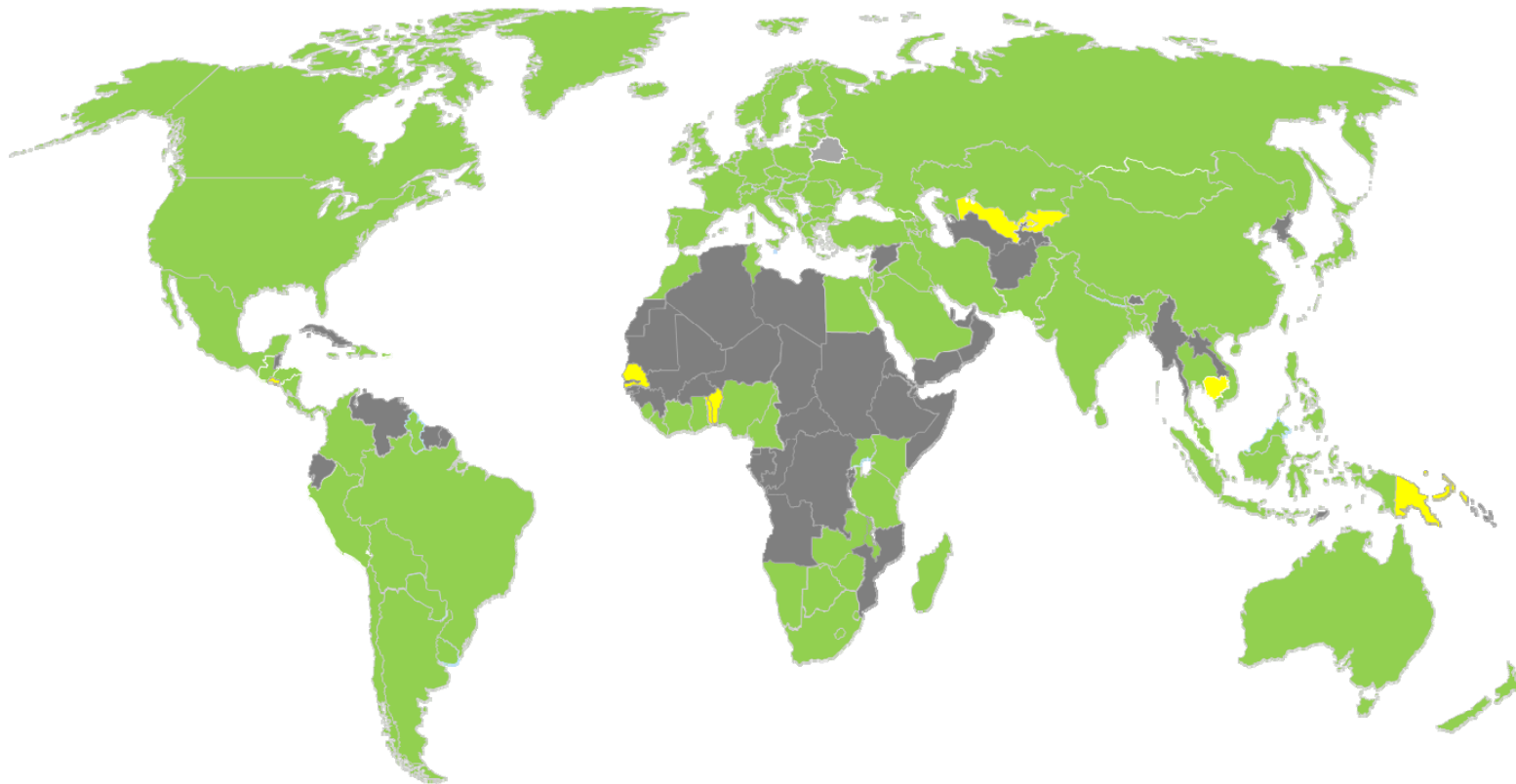
## What is IFAC?

- Global organization for the accounting profession dedicated to the public interest
- Members and Associates are Professional Accountancy Organizations (PAOs)
- Advocates adoption and support implementation of international standards
- Provides guidance for professional accountants and small and medium practices
- Shares in regulation of the profession
- Values: Transparency, Integrity, and Expertise

## IFAC's Vision and Mission

- IFAC's vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies
- IFAC's mission is to serve the public interest by:
  - Contributing to the development of high quality standards and guidance
  - Facilitating the adoption and implementation of high-quality standards and guidance
  - Contributing to the development of strong PAOs and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and
  - Speaking out on public interest issues

# IFAC Member Countries

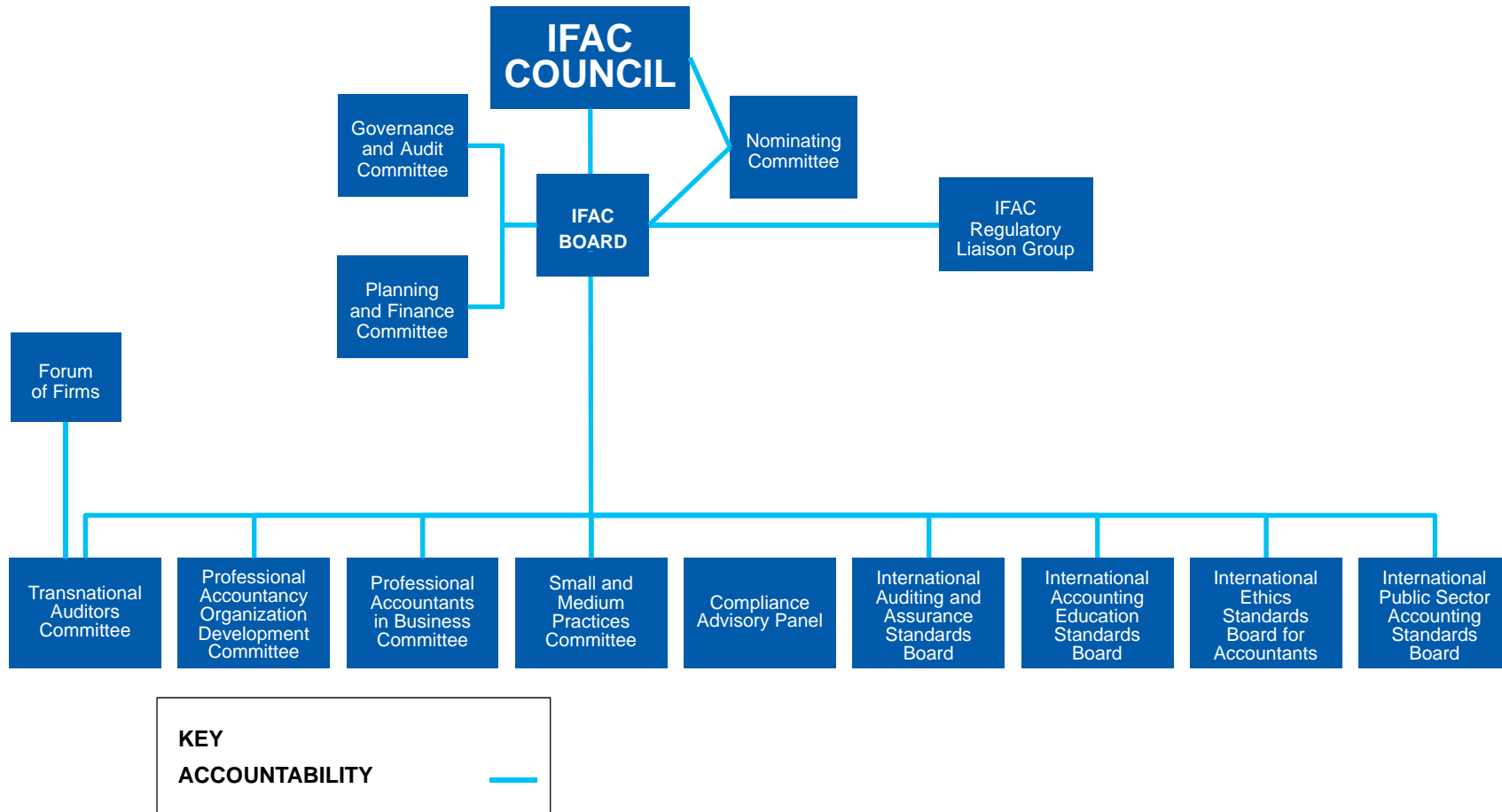


173 members and associates in 129 countries

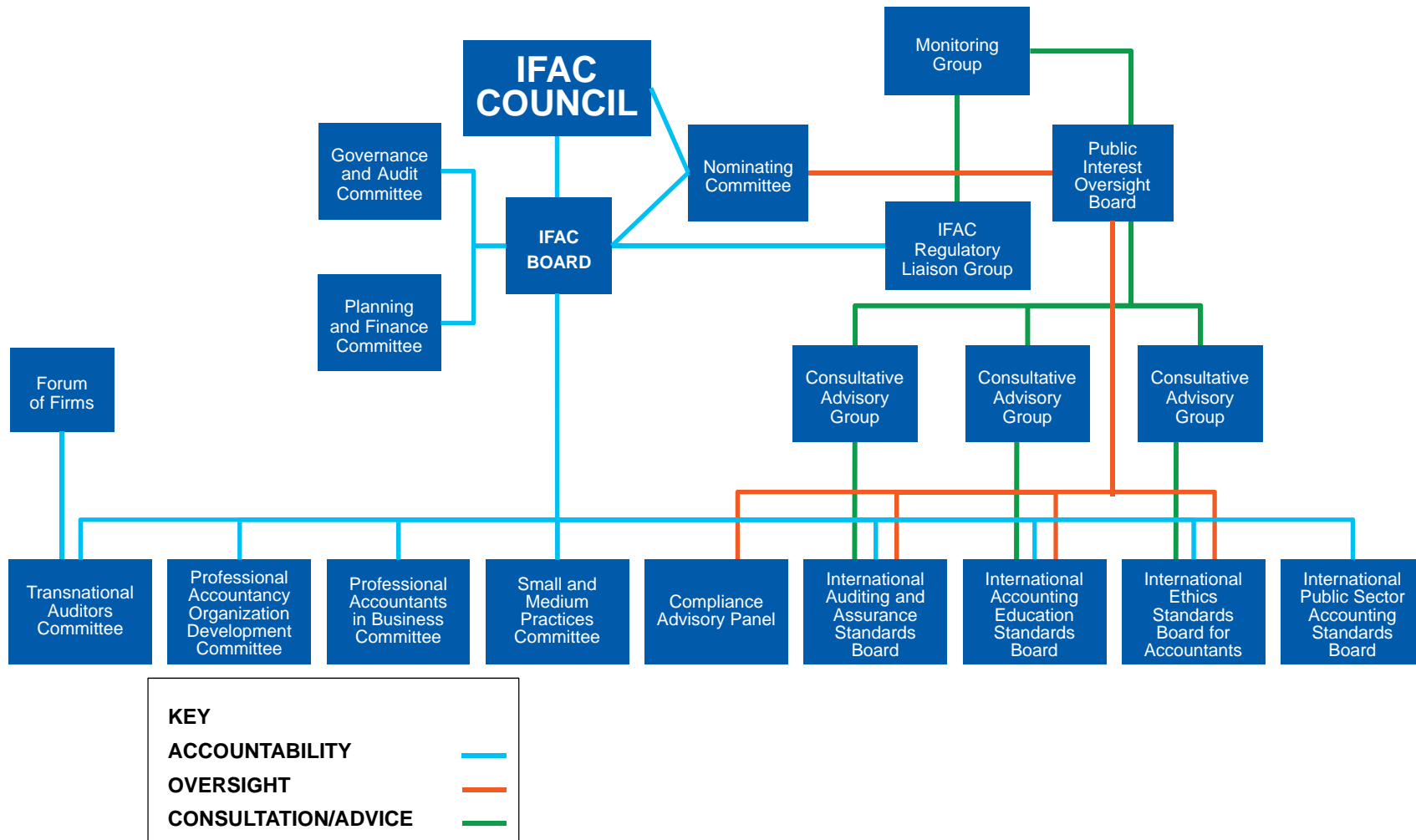
## IFAC Membership Requirements

- PAOs with legal authority or recognized by general consensus
- Appropriate governance structure
- Financial and operational viability
- Participate in Member Body Compliance Program
  - Actions to adopt and implement international standards
  - Transparency

# Overview of IFAC Structure



# IFAC Oversight and Consultation





## Standard-Setting Boards

- International Accounting Education Standards Board (IAESB)
- International Auditing and Assurance Standards Board (IAASB)
- International Ethics Standards Board for Accountants (IESBA)
- International Public Sector Accounting Standards Board (IPSAS)

## Committees

- Professional Accountancy Organization Development (PAODC)
- Professional Accountants in Business (PAIB)
- Small and Medium Practices (SMPs)
- Activities:
  - Guides and toolkits
  - Conferences and Events
  - Collaboration with stakeholders

## IAESB – Education Standards

IES 1	<i>Entry Requirements to a Program of Professional Accounting Education</i>
IES 2	<i>Content of Professional Accounting Education Programs</i>
IES 3	<i>Professional Skills and General Education</i>
IES 4	<i>Professional Values, Ethics, and Attitudes</i>
IES 5	<i>Practical Experience Requirements</i>
IES 6	<i>Assessment of Professional Capabilities and Competence</i>
IES 7	<i>Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence</i>
IES 8	<i>Competence Requirements for Audit Professionals</i>

## IAASB

- Develops high-quality auditing, assurance, quality control, and related services standards
- Focuses on adoption and implementation of its International Standards on Auditing (ISAs)
- Works with international standard-setters, international organizations, and users of its standards
- Over 125 countries are currently using, adopting, or incorporating ISAs

- Revised *Code of Ethics for Professional Accountants*
  - Principle-based
  - Threats and safeguard framework
  - Recently updated with three additional pronouncements about breach of a requirement of the Code, conflicts of interest, and the definition of an engagement team
- Materials to support adoption and implementation of the Code
  - Q&A to assist with implementation of the Code
  - Overview of independence requirements

## IPSASB

- Develops public sector accounting standards under cash and accrual bases for public sector entities:
  - National Governments
  - Regional Government
  - Local Governments and related Government entities
- Facilitates convergence of national and international standards
- International Public Sector Accounting Standards (IPSASs) represent international benchmark for public sector financial reporting and are supported by national and international institutions

## Way Forward

- **Enhanced focus on Capacity Building**
  - PAODC and SMP Committee tools and guidance
  - Outreach activities and workshops
- **Stronger support to PFM development**
  - Speaking out on good public financial management
  - Raising awareness of adoption and implementation of IPSASs
- **Improved cooperation with the donor community**
  - Cooperation with international donor and development communities (MOSAIC)
  - Continuous collaboration with the World Bank through Peer Reviews of ROSC reports and development of other projects

## Compliance Program: a Brief History

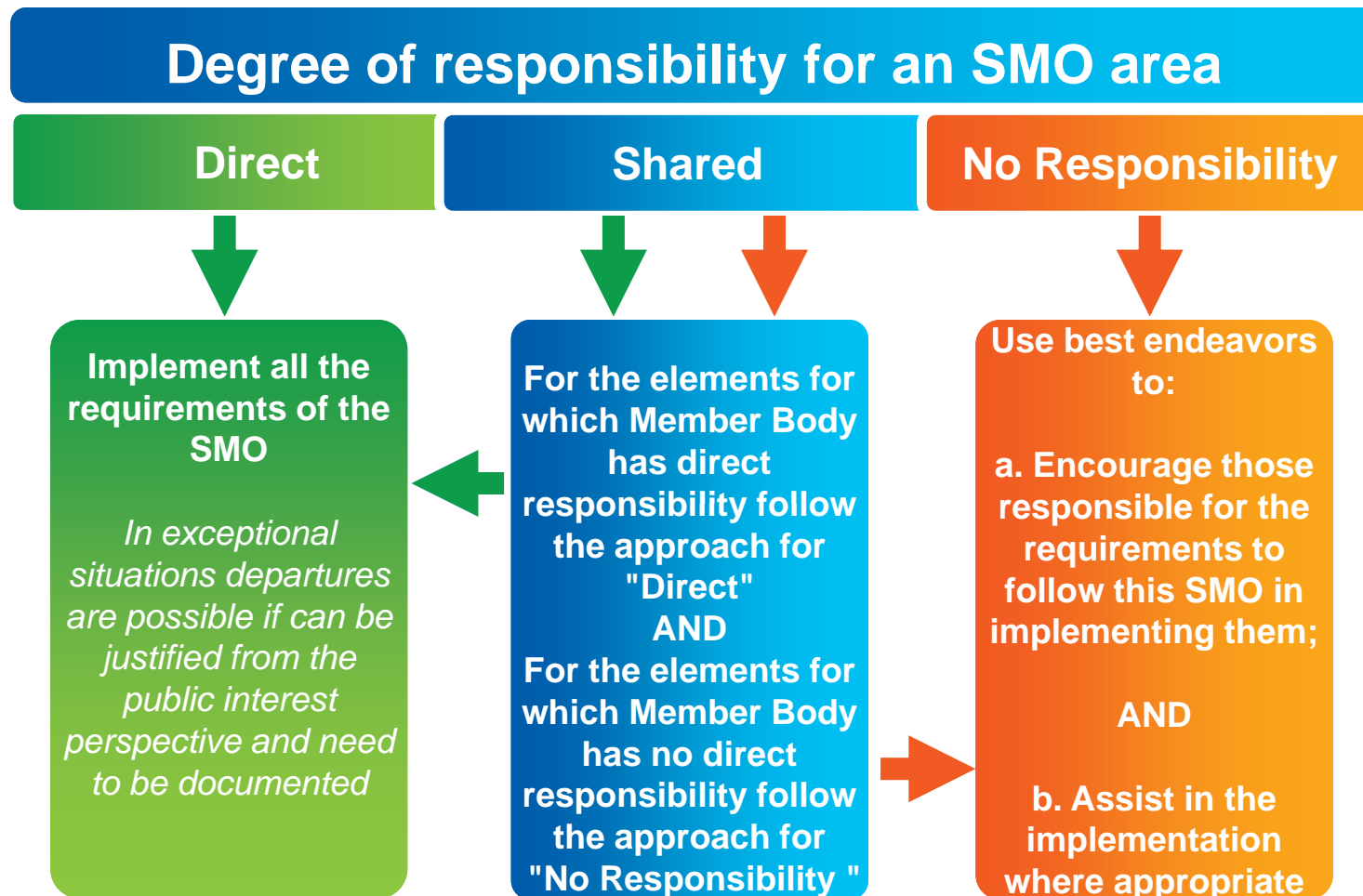
- Prior to 2004 – no substantive membership requirements
- Program and Compliance Advisory Panel (CAP) launched in 2004 as part of IFAC reforms
- PIOB oversight – observers at CAP meetings since 2007
- Established Statements of Membership Obligations (SMOs) in 2004 – most important revision in 2012
- SMOs are accepted benchmarks for PAOs



## 7 Statements of Membership Obligations

- Quality Assurance
- International Education Standards
- International Standards on Auditing
- International Code of Ethics
- International Public Sector Accounting Standards
- Investigation and Discipline
- International Financial Reporting Standards

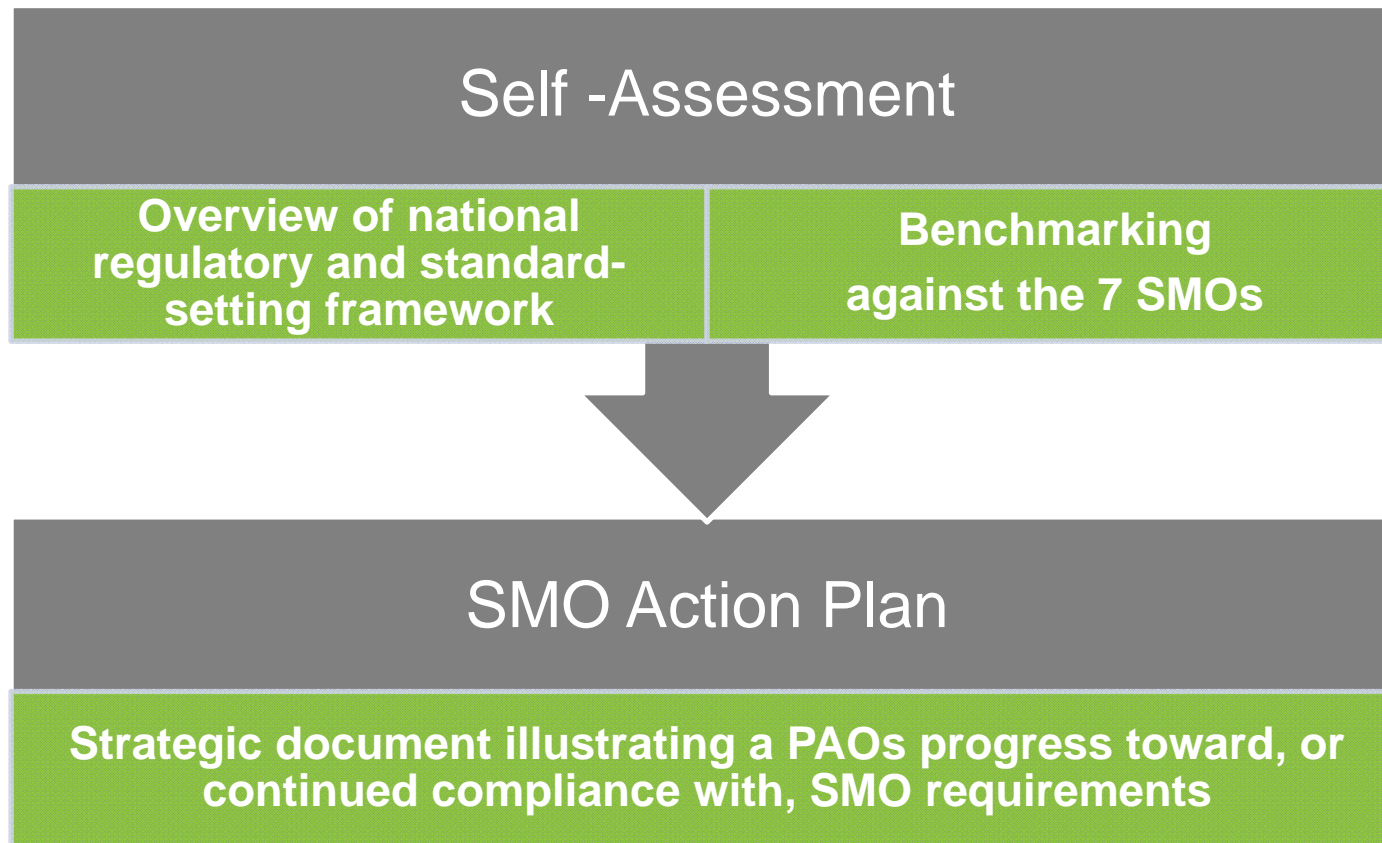
# Understanding the SMO Applicability Framework



## Purpose of the Compliance Program

- Evaluate whether the members are meeting the SMOs requirements
- Assist IFAC Members in meeting the SMOs requirements
- Basis to assess progress being made
- Transparency and source of information: all members' responses are published on the IFAC website
- Also used for identifying donor collaboration / mentoring opportunities

# Focus on Encouragement and Continuous Improvement



# Transparency – Website Publication

## Compliance Responses and Action Plans

IFAC members and associates have provided self-assessment information about the regulatory and standard-setting framework in their countries (Part 1) and their organizations' activities in addressing IFAC's membership requirements (Part 2) as described in the Statements of Membership Obligations. Based on an analysis of this information, they are developing SMO Action Plans for continuous development and improvement.

Some organizations have qualified to submit SMO Action Plans on a biennial basis by meeting eligibility criteria. These organizations are indicated with an asterisk (\*).

In the interest of transparency and providing information to the profession, regulators, and other stakeholders, all responses and SMO Action Plans are accessible below.

#	Country	Member Body / Associate	Part 1	Part 2	SMO Action Plans
1.	ALBANIA	Albanian Institute of Certified Accountants	11/12	11/12	
2.	ALBANIA	Institute of Authorized Chartered Auditors of Albania	01/06	02/07	04/12
3.	ARGENTINA	Federación Argentina de Consejos Profesionales de Ciencias Económicas	10/05	02/07	06/13
4.	ARMENIA	Association of Accountants and Auditors of Armenia	01/06	12/06	07/13
5.	AUSTRALIA	CPA Australia*	12/04	07/06	01/12
6.	AUSTRALIA	Institute of Public Accountants*	03/05	12/06	01/12
7.	AUSTRALIA	The Institute of Chartered Accountants in Australia*	12/04	07/06	03/12
8.	AUSTRIA	Institut Österreichischer Wirtschaftsprüfer*	07/13	07/13	07/13
9.	AUSTRIA	Kammer der Wirtschaftstreuhänder*	01/05	06/07	07/13
10.	AZERBAIJAN	The Chamber of Auditors of Azerbaijan Republic	04/05	06/08	07/13

## SMO Action Plan as a Road Map To:

- Communicating challenges and defining needs for resources to key stakeholders:
  - Government and its agencies
  - Independent regulators
  - Donors
  - PAO's members
- Building capacity of PAOs
- Progressing adoption and implementation
- Improving quality of financial reporting and auditing
- Better serving the public interest and ultimately sustainable economic development

## IFAC Policy Position 4 – Public Sector Financial Management

- IFAC Policy Position 4 – *Public Sector Financial Management Transparency and Accountability: The use of International Public Sector Accounting Standards (IPSAS)*
- *“Governments must implement the necessary institutional arrangements required to enhance public sector financial transparency and accountability. An integral and essential part of these arrangements is the use of accrual-based accounting – through the adoption of IPSASs – which promotes greater transparency and accountability in public sector finances and allows for enhanced monitoring of government debt and liabilities for their true economic implications”*

## IFAC Policy Position 4 – Context

- In the 21 years to 2011, 25 sovereign debt restructuring
- Problems highlighted by sovereign debt crisis include:
  - Lack of transparency and accountability of governments
  - Poor public finance management and public sector financial reporting
  - Deficiencies of institutions for fiscal management
- To address this, Governments need to:
  - Implement institutional arrangements to protect the public
  - Work to establish better trust between themselves and their constituents, providing accurate and complete information on expenditures and transactions



## IFAC Policy Position 4 – IPSAS

- The information required to address deficiencies can only be provided through a high quality, robust, and effective accrual-based financial reporting system
- IPSAS:
  - Provide for the full disclosure of all assets, liabilities, and contingent liabilities
  - May also encourage Government leaders to make decisions driven by matters other than short-term political incentives
  - Facilitate subsequent assurance services
- Therefore, the adoption and implementation of these international standards is strongly encouraged

## IFAC Policy Position 4 – Institutional Arrangements

- To enhance public sector financial management, Governments must also implement institutional arrangements supporting transparency and accountability
- They include measures such as:
  - Publication, in a timely manner, of independent audited financial statements for the public sector
  - Preparation and publication of public sector budgets and appropriations on the same basis
  - Full transparency of all financial reporting, budgets, and appropriations in a sufficiently appropriate amount of time ahead of elections

## IFAC Recommendations for the G-20

- In the context of the sovereign debt crisis, IFAC delivered recommendations on Accountability, Sustainability, and Growth to the G-20, in August 2013
- The global accountancy profession encouraged the G-20 countries to:
  - Determine the nature of institutional change required in Public Sector Financial Management, Transparency and Accountability
  - Promote high-quality and timely accrual-based financial reporting in the public sector
  - Adopt and implement IPSAS

## Implications for IFAC Members

- IFAC Members are required to support IFAC's mission and to demonstrate compliance with the SMOs
- SMO 5, *International Public Sector Accounting Standards and Other IPSASB Guidance* sets out their obligations with respect to IPSAS
- IFAC Members shall:
  - Notify their members of all IPSASs, guidelines, etc. issued by the IPSASB
  - Incorporate the requirements of IPSASs into their national requirements, or where responsibility for adoption lies with third parties, use their best endeavors to encourage them to adopt IPSASs
  - Assist with the implementation of IPSASs

## Implications for IFAC Members

- IFAC Members are also encouraged to participate in supporting the adoption and implementation of IPSAS in other ways, including:
  - Inclusion of IPSAS in professional accountancy education programs and continuing professional development
  - Promoting the role of professional accountants in the public sector
  - Providing input into public sector financial reporting standard setting
  - Commenting on relevant Exposure-Drafts
- This approach has contributed to the progress of adoption and implementation of IPSAS around the world

# Status of Adoption of IPSAS by Jurisdiction (Examples)

Country	Adopted	Partially Adopted	Not Adopted	Comments
Albania			✓ Plan to Adopt	Cash basis of accounting is required, but there are plans in place to adopt cash basis IPSASs with the possibility of applying accrual basis IPSASs afterwards. The Ministry of Finance (MoF) is in charge of translating and adopting IPSASs. The IFAC Member the Institute of Authorized Chartered Auditors (IEKA) contributed to the translation process of IPSAS in 2007-2008 and has been training public administration accounting staff.
Georgia			✓ Plan to Adopt	Ministry of Finance is responsible for establishing public sector accounting standards. IPSAS are not adopted but there are plans to implement IPSAS by 2020. The IFAC Member the Georgian Federation of Professional Accountants and Auditors (GFPA) has been contributing to the translation of IPSAS.
Kazakhstan	✓			Kazakhstan Government has issued regulations to adopt IPSAS from January 1, 2013. Public Sector Financial Statements are now required to comply in all material aspects with accrual basis IPSAS. The IFAC Member the Chamber of Auditors of Kazakhstan (COA) and the IFAC Associate the Chamber of Professional Accountants of the RK (CPA RK) provide support for the successful transition and implementation of IPSAS through workshop and training.
Moldova		✓		The Ministry of Finance is responsible for the adoption of public sector accounting standards. Some IPSAS elements were introduced, such as the accrual method for translations. The IFAC Member the Association of Professional Accountants & Auditors of the Republic of Moldova (ACAP) effectively promotes the full adoption of IPSASs.

## Additional Information

- [Statements of Membership Obligations](#)
- [Compliance Program](#)
- [IFAC Policy Position 4 – \*Public Sector Financial Management: The Use of International Public Sector Accounting Standards\*](#)
- [IFAC Recommendations to the G-20 \(August 2013\)](#)

Thank you



[www.ifac.org](http://www.ifac.org)