

PEMPAL – TCOP – Accounting Standards thematic group

Video Conference, April 21st, 2015

On April 21st, 2015, 17 participants from 7 countries (Albania, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Montenegro, and Russian Federation) took part in a video-conference of the thematic group on Accounting Standards. The meeting was devoted to discussions on the document “Assessment of Public Sector Accounting and Auditing against International Standards”, which was circulated among the participants in early March 2015. PEMPAL Program Team Leader, Elena Nikulina, the World Bank Senior Financial Management Specialist Andrew Mackie and the TCOP advisor Ion Chicu, also participated.

At the beginning of the videoconference Elena Nikulina has informed the meeting participants that this event was organized in line with the decisions taken by the thematic group on Accounting Standards during its meeting in Podgorica, in November 2014. Given the interest expressed by the TCOP members to the presentation delivered by Andrew Mackie in Podgorica, it was decided to organize the translation into Russian language of the toolkit titled “Assessment of Public Sector Accounting and Auditing against International Standards”, and to discuss it during the videoconference. The main purpose of the videoconference is to get the members’ feedback on the document, as well as to respond to their questions, if any.

Andrew Mackie opened the discussions explaining the background to the toolkit which was first used in the South Asia Region in the mid 2000’s. The application of the methodology is very flexible – elements of the toolkit have subsequently been used in ECA countries such as Kazakhstan, Russia and Tajikistan. The objective of the diagnostic is to provide interested stakeholders with a common understanding of where their country’s national public sector accounting framework stands benchmarked against international standards of public sector accounting and financial reporting. The tool allows countries to assess prevailing variances and provides a basis for charting a path towards compliance with IPSAS. The methodology follows the same principles as the Accounting and Auditing ROSC which targets compliance with corporate sector accounting standards (IFRS).

The questionnaires are split into 2 sections:

- Toolkit 1 – Provides an Assessment of the Public Sector Accounting Environment addressing issues such as the legal framework, institutional arrangements, education and professional standards.
- Toolkit 2 – Provides the basis of assessing national standards (both on a cash and accruals basis) compared to IPSAS.

The meeting was informed that the Toolkit needs to be updated for the Conceptual Framework and 6 new IPSAS’s which were published in 2015. The Toolkit version 2 used recently in Poland will also include a Glossary of terms and this may be a useful addition to the Russian version circulated to the participants.

Marija Popovic from Montenegro has asked Andrew about the methodology and approaches for filling in the questionnaire – is it done by the countries on their own, or international consultants are expected to be involved. She was interested to know how the results are summarized – are there any aggregate quantitative indicators envisaged in the assessment process.

Expert's answer: *Methodology* – the application of the Toolkits is very flexible. It could be used as a self-assessment tool however in practice countries have usually chosen to involve international and national consultants to facilitate the analysis. This is because the completed Toolkits provide base data which needs further interpretation and analysis. For example skill and judgment will be required to identify which IPSAS's should be the priority for the country, how standards and supporting regulations should be written and how to address capacity constraints. The methodology is not intended to provide a **quantitative score** on IPSAS compliance. It will provide a standard by standard indication as to whether National Accounting Standards comply, do not comply or partially comply with IPSAS.

Marija Popovic has also asked if there are any requirements to the level of progress in accounting reforms (IPSAS implementation) for countries wishing to apply this toolkit.

Expert's answer: The Part 1 toolkit would be a useful starting point for all countries at whatever stage of implementation of public sector accounting. Most ECA countries have some form of accruals accounting and so elements of Toolkit 2 are relevant even if many of the standards have yet to be applied. The Toolkit was not designed to provide a comparison of IPSAS compliance between countries.

Zaifun Yernazarova from Kazakhstan has explained that they had used the methodology in 2012 and found it very useful. The evaluation was funded by the World Bank and was conducted by international consultants. They noted that they liked the opportunity of having outside experts provide an objective assessment of their public sector accounting reform. The information on the available grant for funding this evaluation was found by Kazakh members on the PEMPAL website, and Zaifun Yernazarova has thanked the PEMPAL and the World Bank for this opportunity.

Zurab Tolordava from Georgia has asked the expert on the approaches for updating the results of the assessment, as the process of the IPSAS implementation is a continuous one, and the data of assessment might be outdated.

Expert's answer: This tool is a very flexible one, helping the countries which apply it to assess the status of IPSAS compliance continuously. For example, if you made the assessment in 2015, you can use its results as reference data for the future evaluations. Thus, this toolkit could be used by the countries as a roadmap in the accounting reforms.

Nukesh Kozhobergenov from Kyrgyzstan has asked if there is any possibility to provide him with the overview of the results of the assessment by countries. Kyrgyz delegation would like to learn about the status of IPSAS implementation in those countries, who applied this toolkit.

Expert's answer: the purpose of this videoconference was to discuss on the questionnaire and to explain to participants how to apply it. There was no intention to provide any results of the assessments conducted in any countries. So, PEMPAL won't provide such information. At the same time, several (smaller) surveys on public sector accounting and reporting reforms have been conducted among the TCOP member countries. Their results were presented during the TCOP events on this topic and are available on the PEMPAL website. This information might be useful for those who are interested to learn about the status of accounting reforms in PEMPAL countries.

Evgenia Bobkova from the Russian Federation has asked if she correctly understands that this assessment is recommended to be conducted at the inception stage of IPSAS implementation, and to use its results as reference information.

Expert's answer: Yes, the results of assessment might be useful in the process of IPSAS implementation. The Russian Federation has conducted some years ago this assessment and they were used for formulating the decision on development of national accounting standards. The results are available at the Accounting Methodology Department of the Ministry of Finance....

Svetlana Placinta from Moldova has asked how much time is required (average by country) for completing the assessment.

Expert's answer: The needed time varies from country to country, depending on its size, legislation, public sector structure, etc. Same answer is valid for other resources required for conducting such assessment.

Mimoza Pilkati from Albania has thanked the videoconference organizers for the opportunity to learn about the assessment. Her country is implementing ambitious reforms in accounting area and she thinks the toolkit will be useful for this process.

In conclusion those countries which had used the Toolkit confirmed that it could be a useful way of assessing performance and developing a roadmap for IPSAS implementation. Those countries at an earlier stage of the reform process expressed an interest in using the toolkit as reference material in the future.

The Bank Team in DC closed the meeting by offering to answer any queries arising from the event or the application of the Toolkits in practice.