The Institute of Chartered Accountants of Pakistan

CA PAKISTAN

ACCOUNTING STANDARDS BOARD

International Public Sector Accounting Standards

Contents

Role of Governments

What governments do

Provide public goods and services – Roads, education, police, defense

Insure Socially – Social security, retirement benefit, disability, disasters

Regulate – Corporate, trade, environment, traffic

Employ workers – Clerks; soldiers; teachers; police

Government finance

Expenses – Public goods, employee benefits

Revenues – Taxes, non-taxes

Liabilities – Treasury bonds, Debt

Assets – Roads, buildings, natural resources

Pakistan Scenario

Federal Government

President is the Executive

Conducts operations under the Rules of Business 1973

Comprises of

Federal ministries,

Divisions

Attached departments

Auditor General of Pakistan

Define form, principle and methods of accounts of the Federation

Audit the Federation and province financial statements

Controller General of Accounts

Responsible for preparation of the Federation's financial statements

Responsible to preparation of the financial statements of provinces

Pakistan Scenario

Federal Govt. financial statements

- Prepared by the Controller General of Pakistan
- Yearly
- New Accounting Model (NAM) - Modified cash basis
- Audited by Auditor General of Pakistan

Similarly, provinces prepare their financial statements

Pakistan Scenario

Centralized Accounting Entities

Accountant General Pakistan Revenues is responsible

Self Accounting Entities

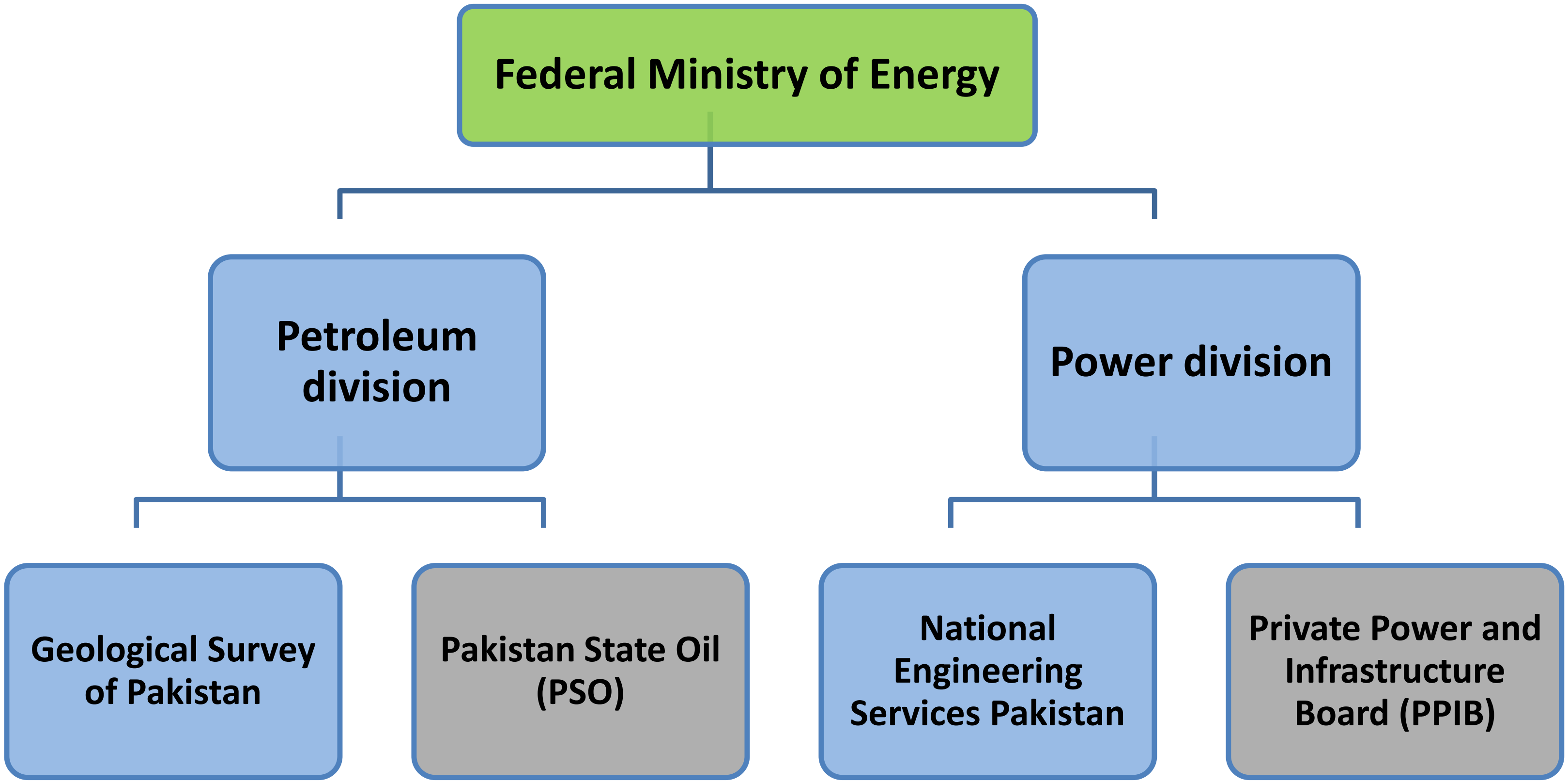
- Defence Services
- Pakistan Post Office
- Foreign Office
- Public Works Dept.
- Central Directorate of National Savings
- Pakistan Mint
- Geological Survey of Pakistan
- Pakistan Railways*

Exempt Entities

- Special purpose authorities/ organizations
- Government owned corporations and companies

Required to prepare financial statements under their specific statute or company law

Pakistan Scenario



Exempt Entities from Govt. Accounting
PSO – Accounting under company law
PPIB – Accounting and audit under Private Power and Infrastructure Board Act 2012

Pakistan Scenario

Government's financial statements comprise of:

1. Statement of Cash Receipts and Payments
2. Statement of Cash Flows
3. Statement of Comparison of Budgeted and Actual Accounts by Function
4. Statement of Comparison of Budgeted and Actual by Division
5. Statement of Appropriation of Grants by Object
6. Notes to the financial statements

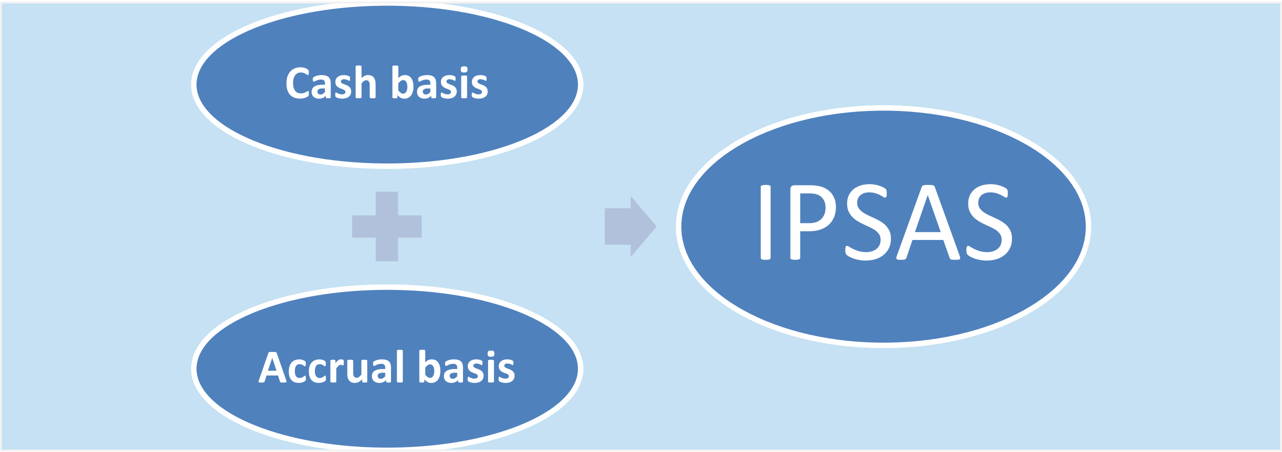
http://www.cga.gov.pk/pdf/annual/Federal/fin_st/2015-2016-Fed.pdf

IPSAS

IPSAS

- Accounting standards
- Issued by IPSAB
- For public sector
- Used in the preparation of financial statements

IPSAS



Cash basis IPSAS	Accrual basis IPSAS
• Comprehensive cash basis IPSAS "Financial Reporting under Cash basis of Accounting" • Includes mandatory and encouraged disclosure requirements	• Converged with IFRS • Adapted to public sector context where needed

IPSAS

Accrual basis IPSAS – Transaction neutral approach

#	Title	Based on
IPSAS1	Presentation of Financial Statements	IAS 1
IPSAS 2	Cash Flow Statements	IAS 7
IPSAS 3	Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8
IPSAS 4	The Effects of Changes in Foreign Exchange Rates	IAS 21
IPSAS 5	Borrowing Costs	IAS 23
IPSAS 6	Consolidated and Separate Financial Statements	IAS 27
IPSAS 7	Investments in Associates	IAS 28
IPSAS 8	Interests in Joint Ventures	IAS 31
IPSAS 9	Revenue from Exchange Transactions	IAS 18
IPSAS 10	Financial Reporting in Hyperinflationary Economies	IAS 29

#	Title	Based on
IPSAS 11	Construction Contracts	IAS 11
IPSAS 12	Inventories	IAS 2
IPSAS 13	Leases	IAS 17
IPSAS 14	Events After the Reporting Date	IAS 10
IPSAS 15	Financial Instruments: Disclosure and Presentation (superseded by IPSAS 28 and IPSAS 30)	
IPSAS 16	Investment Property	IAS 40
IPSAS 17	Property, Plant and Equipment	IAS 16
IPSAS 18	Segment Reporting	IAS 14
IPSAS 19	Provisions, Contingent Liabilities and Contingent Assets	IAS 37
IPSAS 20	Related Party Disclosures	IAS 24

IPSAS

#	Title	Based on
IPSAS 21	Impairment of Non-Cash-Generating Assets	IAS 36
IPSAS 22	Disclosure of Financial Information About the General Government Sector	n/a
IPSAS 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)	n/a
IPSAS 24	Presentation of Budget Information in Financial Statements	n/a
IPSAS 25	Employee Benefits	IAS 19
IPSAS 26	Impairment of Cash-Generating Assets	IAS 36
IPSAS 27	Agriculture	IAS 41
IPSAS 28	Financial Instruments: Presentation	IAS 32
IPSAS 29	Financial Instruments: Recognition and Measurement	IAS 39
IPSAS 30	Financial Instruments: Disclosures	IFRS 7
IPSAS 31	Intangible Assets	IAS 38

#	Title	Based on
IPSAS 32	Service Concession Arrangements: Grantor	IFRIC 12
IPSAS 33	First-time Adoption of Accrual Basis IPSASs	(IFRS 1)
IPSAS 34	Separate Financial Statements	IAS 27
IPSAS 35	Consolidated Financial Statements	IFRS 10
IPSAS 36	Investments in Associates and Joint Ventures	IAS 28
IPSAS 37	Joint Arrangements	IFRS 11
IPSAS 38	Disclosure of Interests in Other Entities	IFRS 12
IPSAS 39	Employee Benefits	IAS 19
IPSAS 40	Public Sector Combinations	IFRS 3 (partially)

International Landscape

40+ countries

Accrual bases IPSAS

Global Institutions / Groups

- UN
- OECD
- NATO
- Commonwealth Secretariat
- Interpol

128 on cash basis

Accrual IPSAS

Some adopt IPSAS directly (e.g. Switzerland, Slovakia, Austria, Estonia, Lithuania, Chile)

Some adopt IPSAS through national standards (e.g. South Africa, Brazil, Indonesia, Malaysia, Spain, New Zealand)

New Zealand: adopted IPSAS in 2014 – with some exceptions; previously IFRS

IFRS

Some of them are virtually compliant with IPSAS (namely Australia) as its government sector uses IFRS

Local standards

USA follows national standards that are broadly consistent with IPSAS

Cash IPSAS

Why accrual based IPSAS

- Globally accepted for public sector
- Global momentum of adoption
- Provides full and reliable picture
- Comparability
- Improved accountability and decision-making
- Improved assessment of govt resources
- Better allocation of resources

ROSC Recommendations

- Develop standard-setting committee in collaboration with AGP to support A&A practices and adoption of IPSAS in federal authorities and other public sector entities.

- The monitoring and enforcement of compliance with applicable A&A requirements by public sector companies will improve with the recent restructuring in the Corporatization and Compliance Department.

- The actual compliance of the Code of Corporate Governance in the public sector companies requires strengthening the governance, accounting, and auditing practices for effective utilization of resources.

Lessons learnt

Challenges

- **Scale** – Entire Government, Various complex and critical areas affected (PPE, Accruals of revenue, Employee benefits, Accruals and payables, Inventories)
- **Resistance** – Political, Departmental, Personnel
- **Cost to implement** – IT systems, Training, Manual upgradation, Availability of qualified accountants

Lessons learnt

Most frequently mentioned lessons learned:

- Perform sound project planning
- Involve all stakeholders
- Ensure political support
- Perform a diagnostic of the current situation
- Estimate the costs of reform
- Develop a country specific strategy
- Phased approach
- Ensure appropriate and integrated IT
- Establish a strong and knowledgeable core