Global survey on accounting and financial reporting by central governments (2nd edition)

14 September 2015
Our ambition

Update on progress since 2012

Covering four areas:

- Accounting practices
- Budgeting practices
- IT environment
- Finance function

120 countries surveyed
Part I

Accounting practices
There is still great diversity in the current government accounting landscape

Cash basis
Modified Cash
Modified Accrual
Accrual basis

31%
But the 5-year trend toward accrual accounting is clear

71%
The trend towards accrual accounting is confirmed and even reinforced

31% of governments apply accrual accounting now as compared to 26% in 2012.

71% of governments will apply accrual accounting in five years’ time (as compared to 63% in 2012).
The trend is visible across all continents, with the biggest shift expected in Africa, Latin America and Asia.
The proportion of governments applying accrual accounting that will apply IPSAS or similar standards (IFRS, IPSAS-like) within the next five years increases from 59% to 77% (+18%).

This is particularly remarkable in non-OECD countries.
The European case - Key learnings from the EPSAS (European Public Sector Accounting Standards) study

1. Costs and benefits of implementing EPSAS

2. Critical analysis of IPSAS as a basis for developing EPSAS
   - Country visits, questionnaire and interviews with the 28 EU Member States

3. Proposals for implementation
The European case - Key learnings from the EPSAS study - Benefits

- Accountability and transparency
- Controls and administrative processes
- Better decision-making
- Labour market
The European case - Key learnings from the EPSAS study - Central governments
The European case - Key learnings from the EPSAS study - State governments
The European case - Key learnings from the EPSAS study - Social security funds
The European case - Key learnings from the EPSAS study -
Local governments
The European case - Key learnings from the EPSAS study - Cost

Cost to implement EPSAS at the EU level assessed between 0,009% and 0,053% of the GDP

1,2 and 6,9 billion

Decision/need to invest or not in a new IT system has a significant impact

Net cost/benefit assessment needed
IPSAS already used as a source of inspiration by most governments

Governments with advanced accounting practices do not want a step back

Governments are overall rather positive about IPSAS

Limited number of topics for which some amendments or further guidance may be needed
<table>
<thead>
<tr>
<th>Focus standard-setting on key issues</th>
<th>Diagnostic in each Member State or government, tailored roadmap</th>
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<tbody>
<tr>
<td>Best implementation practices, pragmatic approach</td>
<td>Continuous improvement process</td>
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Part II

Budgeting practices
Cash budgeting is still largely used, but accrual budgeting is progressing

Budgets largely remain on a cash basis... 82%
... although an upward trend towards accrual budgeting is identified +30%

The number of governments reporting under accrual budgeting is expected to increase from 18% now to 48% in five years (versus from 31% to 71% for accrual accounting).
Part III

IT environment
A trend towards greater IT integration

The use of ERP-systems is seen as best practice to manage the accounting, budgeting and reporting processes.

Greater integration of IT systems is a key priority and a key challenge for most governments.

% with ERP systems in next 5 years

- 64%
- 15%
- 20%
- 15%
- 39%
- 11%

Very fragmented  Neither nor  Very harmonised
Governments indicate a desire to improve their finance function

**Main focus on compliance and control**

**Desire to improve over the next five years**

**Major areas for improvement are fixed asset management, cost accounting, performance management and long-term planning and forecasting**
**Government priorities in the next 5 years**

Moving along the maturity spectrum of the government finance function is a journey and government priorities for the next 5 years depend on their level of maturity along that spectrum.

<table>
<thead>
<tr>
<th>Accrual accounting (based on IPSAS or similar) adoption</th>
<th>Greater integration of IT systems</th>
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<tbody>
<tr>
<td>Capacity building</td>
<td>Improvement of management information systems</td>
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Thanks!

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PwC EPSAS study