

PwC Global survey on accounting  
and reporting by central governments

# ***Towards a new era in government accounting and reporting***

*April 2013*





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# Creating a legacy

***“When we talk about government accounting and public financial management, it all comes down to one question: do we create or do we consume a legacy for the next generation?”***

Jan Sturesson, PwC Global leader  
Government and Public Services

***“To state the facts frankly is not to despair the future nor indict the past. The prudent heir takes careful inventory of his legacies and gives a faithful accounting to those whom he owes an obligation of trust.”***

John Fitzgerald Kennedy

As a result of the global financial crisis and the subsequent sovereign debt crisis, governments and other public sector entities around the world, notably those in OECD countries, are having to cope with substantial pressure due to restricted budgets, significant debts and stagnant economies. At the same time, Asian, South American and African economies are growing at rapid rates, increasing the demand for public goods and services and infrastructure investments.

This context creates a direct challenge to governments to improve management of resources and report high-quality information to their stakeholders (citizens and parliament, donors, investors and financial markets, etc.).

While sound and transparent public accounting does not in itself lead to high-quality public financial management (PFM), it is a necessary component. Better accounting leads to better reporting, which provides the information necessary for better decision-making, which in turn should lead to better use of public resources. Public sector entities and their stakeholders need to understand the full, long-term economic impact of their decisions on financial performance, financial position and cash flows.

Cash accounting systems fail to capture information on public sector assets and liabilities and present a very short-term view of public finances in primary financial reports. Weak financial reporting practices may present the illusion of positive financial results in the short term, at the expense of longer-term fiscal stability.

By introducing accrual accounting, governments demonstrate their desire to achieve greater transparency and accountability, and also to produce better information for decision-making.

Applying financial reporting standards such as the International Public Sector Accounting Standards (IPSAS) or similar standards further improves the quality of financial information and facilitates comparison across governments and organisations.

The full benefits of implementing accrual accounting can be captured as part of a wider finance reform, serving as a catalyst to provide high-quality financial information thus, and even more importantly, improving operational and service performance and contributing to the long-term sustainability of public finances.



**Jan Sturesson**  
Global leader Government  
& Public Services



**Jean-Louis Rouvet**  
Global Public Finance  
& Accounting leader



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Global Public Finance  
& Accounting Partner



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Global Public Finance  
& Accounting Partner

# About the survey

*The PwC global survey analyses key aspects of government accounting and financial reporting in terms of three themes.*

## **1** *Government accounting and financial reporting, today and tomorrow. The dynamic for accrual accounting.*

To establish a baseline understanding of current government accounting and reporting rules, as well as budgetary and auditing practices, and show the trends in terms of reform initiatives that are currently in progress around the world.

## **2** *Making the transition to accrual accounting: benefits and challenges.*

To understand the impact on governments of the transition, or possible transition, to accrual accounting standards based on IPSAS or equivalent and learn more about the resulting benefits and challenges.

## **3** *The future of the government finance function.*

To put government accounting in the context of the wider finance function and evaluate governments' performance in various aspects of financial management, and get insight into how governments envision moving this forward.

## **Survey methodology**

140 countries were targeted to participate in the PwC global survey covering all geographic regions and levels of development. The survey focused exclusively on central governments and did not take into consideration the accounting and financial reporting practices of local governments.

Survey data was collected over a 12-month period ending in March 2013, via interviews conducted in-person and by telephone, or via an online survey questionnaire. Data was then compiled and carefully analysed by our public finance and accounting experts. The results presented are based on individual country responses, which reflect the best judgement of survey respondents as to the current situation and expected future trends in the countries concerned.

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In total, 100 countries are included in the results of the PwC global survey.

Responses were received directly from 75 central governments, including 15 countries in the Asia-Pacific Region, which were gathered with the assistance of the Asian Development Bank. All survey responses have been kept strictly confidential, except where explicit permission has been given by the respondent.

Desk research was performed by PwC experts covering an additional 25 countries.

The 100 countries included in our survey provide a good basis to gauge the government accounting landscape around the globe. The survey coverage provides a balanced view in terms of both its geographical coverage and its inclusion of countries across the development spectrum, from emerging economies to G20 nations. A full list of the countries included in the PwC global survey, as well as a breakdown by continent and level of development (using OECD membership as a proxy) are provided at the end of the report.

The PwC global survey does not serve any scientific purpose, but rather seeks to highlight current practices and expected trends as identified by practitioners in the field of government finance and accounting from around the world. The survey results offer insight into practices and perceptions of government accounting for those interested in the public accounting debate.

### **PwC's global conference on accounting and financial reporting by central governments**

Preliminary highlights of the PwC global survey were presented at a conference organised in Brussels on 17 and 18 December 2012. The conference was attended by over 200 delegates from 43 countries covering all continents and regions.

Keynote speakers were invited to talk about the topics covered by our survey, exchange views and share experience by means of presentations and panel discussions.

This publication is enriched with quotes from speakers and delegates and other key findings conveyed at the conference.



# Key findings from the survey

## The top 10 key messages

## PwC insights

### Government accounting and financial reporting, today and tomorrow ... The dynamic for accrual accounting

- |   |  |
|---|--|
| <p><b>1</b> There is great diversity in accounting practices but the trend towards accrual accounting is clear</p>                      | <p>There is an urgent need for sound and transparent accounting by all governments. Governments financial statements should reflect the full economic impact of political decisions</p>                                  |
| <p><b>2</b> A major shift to accrual accounting is expected in developing countries, with IPSAS serving as a common reference point</p> | <p>Harmonisation of high-quality public sector accounting standards on the international level enhance the credibility of government financial statements and facilitates comparison within the global public sector</p> |
| <p><b>3</b> Budgets remain largely on a cash basis</p>  | <p>Accrual budgeting provides better insight for decision-making, considering the long-term impact of political decisions</p>  |

### Making the transition to accrual accounting (IPSAS or equivalent), benefits and challenges

- |  |  |
|--|--|
| <p><b>4</b> Conversion to IPSAS or similar accrual accounting standards is useful for government stakeholders</p>  | <p>The full benefits of accrual accounting implementation based on IPSAS or equivalent can only be captured as part of a wider finance reform</p>  |
| <p><b>5</b> Greater transparency and accountability, comprehensive inventory of assets and liabilities, and performance assessment are the main benefits</p> | <p>Better accounting leads to better reporting, which provides information for better decision-making, and in turn should lead to better use of public resources</p>   |
| <p><b>6</b> Accounting for fixed assets, application of accruals concepts and disclosure requirements are the major areas of impact</p>                      | <p>The change in accounting rules will impact the numbers, require the production of new data and a cultural shift in the mindset of those involved. The impact will be even greater if consolidation and employee benefits are included</p> |
| <p><b>7</b> More than three years is required on average to transition to accrual-based IPSAS (or similar)</p>   | <p>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</p>   |
| <p><b>8</b> The lack of trained staff and IT system requirements are the main challenges</p>   | <p>A well-designed project and effective change management strategy, which considers people and systems requirements, are crucial for successful implementation</p>  |

### The future of the government finance function

- |  |   |
|--|---|
| <p><b>9</b> Governments indicate a desire to improve their finance function</p>  | <p>By transitioning from scorekeeper to business partner, government finance functions will realise significant improvements</p>                          |
| <p><b>10</b> Cost accounting, performance management, fixed assets management and long-term planning and forecasting are the key areas for improvement</p> | <p>Improving these key areas will contribute to the overall objective of enhanced service performance and long-term sustainability of public finances</p> |

# *Government accounting and financial reporting, today and tomorrow ...*

## *The dynamic for accrual accounting*



### *Part 1*



Key finding

**1**

There is great diversity in accounting practices but the trend towards accrual accounting is clear ..... **8**

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Key finding

**2**

A major shift to accrual accounting is expected in developing countries, with IPSAS serving as a common reference point..... **11**

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Key finding

**3**

Budgets continue to be run largely on a cash basis..... **17**

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



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

## Government accounting around the world

Government accounting practices are generally classified into four categories, moving from the least to the most sophisticated side of the spectrum: cash accounting, modified cash accounting, modified accrual accounting, and accrual accounting.

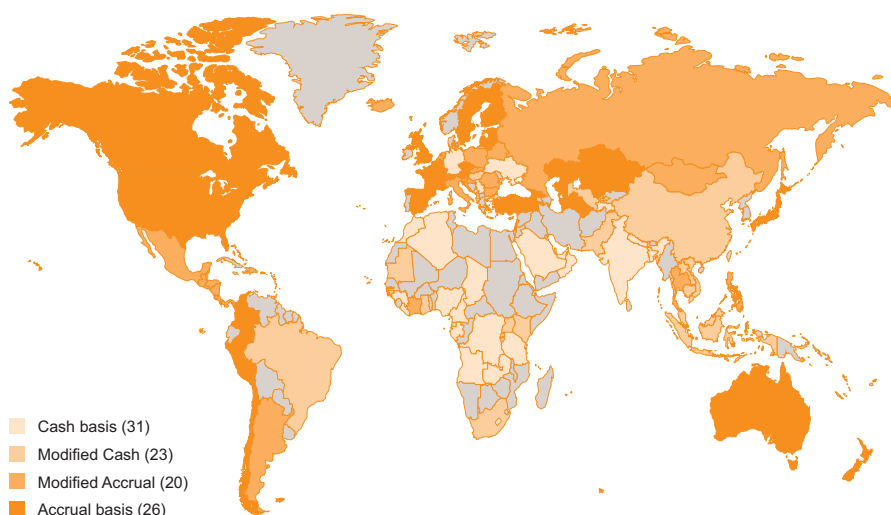
**Figure 1: The spectrum of government accounting practices**

Cash accounting	Modified cash accounting	Modified accrual accounting	Accrual accounting
Cash payments and receipts are recorded as they occur.	Cash receipts and disbursements committed in the budget year are recorded and reported until a specified period after year-end.	Accrual accounting is used but certain classes of assets (e.g. fixed assets) or liabilities are not recognised.	Transactions and economic events are recorded and reported when they occur, regardless of when cash transactions occur.

There is great diversity in government accounting practices worldwide. Classification in one of the four categories requires judgement and is inevitably somewhat subjective.

Cash accounting has been the primary method used in the public sector for many years and remains in place for many governments. However, an increasing number of governments are now using accrual-based accounting frameworks, while others still follow hybrid approaches that can be classified as either modified cash accounting or modified accrual accounting. Over half (54%) of the countries surveyed report that they follow the cash or modified cash basis of accounting, while only 46% follow the accrual or modified accrual basis (see Figure 2).

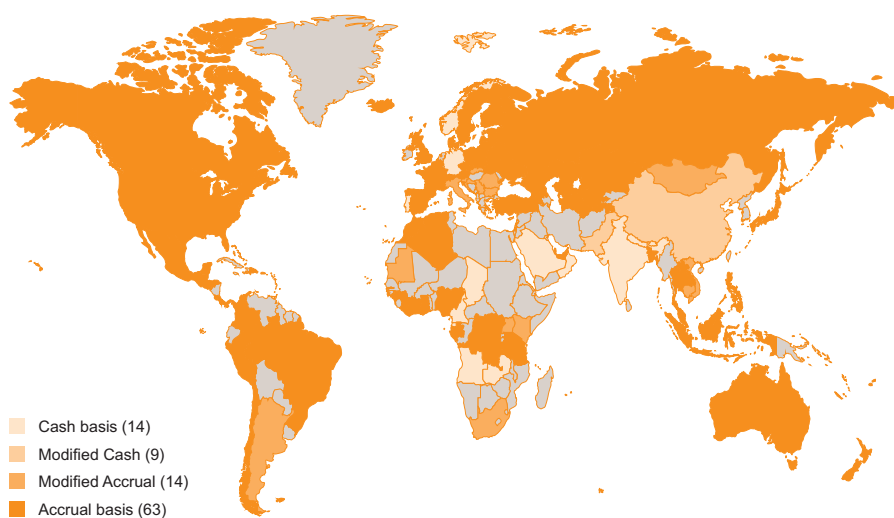
**Figure 2: The government accounting landscape worldwide today**



Looking at the picture five years ahead, we can see a clear trend, with many countries initiating accounting reforms and moving to the more sophisticated end of the government accounting spectrum. Thirty-seven countries express an intention to move to accrual accounting over the next five years, bringing the total adoption rate to 63% of governments surveyed (See Figure 3).

**142%**  
increase in the application  
of accrual accounting over  
the next five years.

**Figure 3: Government accounting around the world in five years**



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***“Cash accounting is simply not fit for the 21st century.”***

Brian Quinn, Director Loan Department,  
World Bank

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***“Governments around the world require private companies to be transparent about their accounting but governments themselves are not transparent. The reasons why governments need to be transparent are very similar to those of companies: we need to know how well they are performing, what their fiscal position is, whether they are well managed and we cannot tell it without good accounting.”***

Ian Ball, Chief Executive Officer,  
International Federation of Accountants

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***“Investors are no longer confident that what governments tell them about their finances is complete and accurate. Greater transparency - not less - is what is required now to increase confidence of investors.”***

Brian Quinn, Director Loan Department,  
World Bank

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***“The State is the single largest public interest entity in every country. Just as the board of directors of a private company is accountable to shareholders, governments should be accountable to parliament and citizens. And to do that you need to be transparent and produce accruals accounts based on the highest-quality standards.”***

Patrice Schumesch, PwC Partner

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## **Getting the foundations right**

The objectives of financial statements are to provide information that is useful to a wide range of users in making and evaluating decisions about the allocation of resources, and to demonstrate the accountability of the entity for the resources entrusted to it.

These objectives can only be fully achieved by applying accrual accounting. Accrual accounts provide a comprehensive view of a government's assets and liabilities, and of its financial performance and cash flows for the period under review. Accrual accounting standards reflect the long-term economic impact of political decisions in the financial statements.

Cash accounting systems simply do not allow for this.

Governments need to step up and provide information that delivers real insight into public financial management and decision-making.

This requires more robust accounting systems in the public sector worldwide, with reporting done on a consistent basis, e.g. with application of IPSAS or equivalent standards, and full reporting of liabilities. This will in turn assist long-term stability in capital markets by increasing the quality and reliability of, and trust in, governments' financial statements and help restore confidence in their ability to manage their fiscal balances.

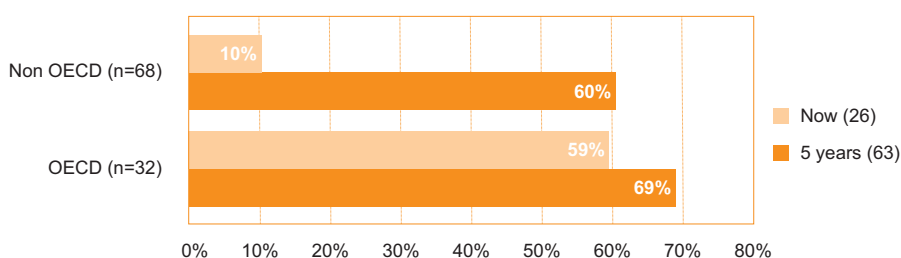
A major shift to accrual accounting is expected in developing countries, with IPSAS serving as a common reference point.



**Harmonisation of high-quality public sector accounting standards at an international level enhances the credibility of government financial statements and facilitates comparison within the global public sector.**

**50%**  
of non-OECD countries plan to transition to accrual accounting over the next five years.

**Figure 4:**  
Expected trend toward accrual accounting among OECD and non-OECD countries



*“We are currently drawing a roadmap for a PFM reform with the IMF regional office. The IMF assistance is also to align the systems to move from cash to accrual. They want to ensure that our systems are strong enough. The goal is to have an integrated financial management information system (FMIS). If we build confidence in the system, donors will be more willing to fund us.”*

Deputy Accountant General, East African country

*“There are number of PFM projects funded by multilateral agencies and donors. These came in a mix of grants, loans and technical assistance. Much of the donors’ activities are in the social sector and all major donors like to have a good PFM system in place.”*

Non-OECD country, South Asia

### The momentum for better public accounting

The momentum for better public accounting is building, with more jurisdictions around the world adopting accrual accounting practices or putting plans in place to do so.

The trend toward accrual accounting is particularly evident in non-OECD countries. Results from the survey indicate that many developing countries recognise the importance of accrual-based accounts, with 34 of the non-OECD countries surveyed expressing their intention to move to accrual accounting over the next five years. Such a shift will bring the overall adoption rate close to that currently observed among OECD countries, at 60% (see Figure 4).

IPSAS often serves as a reference point in the PFM reform programmes of many developing countries. International and supranational organisations contribute to the adoption of accrual accounting and IPSAS by laying down reporting requirements for their members or funding recipients. International organisations such as the World Bank and the International Monetary Fund (IMF), for example, often include financial management reforms in their financial assistance and capacity development programmes. Their role will be key in the implementation of future government finance reforms.

In OECD countries, accrual accounting is generally well established and stable, with certain exceptions noted at present. Nevertheless, a further 10% of OECD countries, currently following cash or modified bases of accounting, indicate that they expect to implement full accrual accounting over the next five years (see Figure 4).

In some cases, these rules are based on the statistical reporting basis. In Europe for example, government finance statistics (GFS) provide the basis for fiscal monitoring. Governments must report under the so-called ESA (European System of Accounts) rules, a macroeconomic accounting framework based on accrual principles.

A number of countries have developed their own public sector accounting standards, based on national standards or IFRS, adapting these rules to the public sector environment and seeking inspiration in IPSAS as they deem appropriate.

***“All Nigerian Government entities, at Federal level and State levels, including agencies, will move to cash basis IPSAS by 31 December 2014, and to accrual basis IPSAS by 31 December 2016.”***

James Nongo, Secretary, Federation Accounts Allocation Committee (FAAC), sub-committee on the roadmap for the adoption of IPSAS, Nigeria

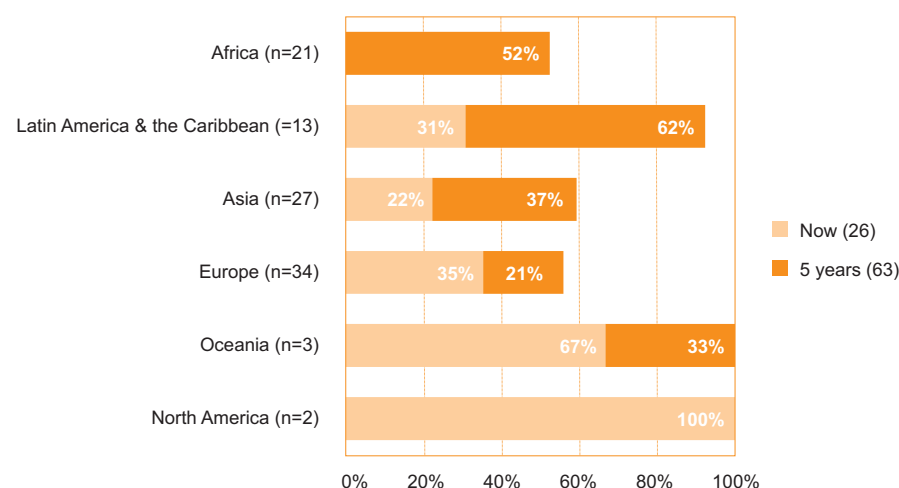
***“We have already achieved compliance with the cash-basis IPSAS. Reforms are now in progress to adopt a full accrual accounting system, and eventually achieve compliance with accrual IPSAS.”***

Non-OECD Country, South East Asia

***“The country is currently applying accrual accounting and we are in the process of converging to IPSAS, with 2015 as target date.”***

Patricio Barra Aeloiza, Head of Accounting Analysis Division, Comptroller General Department, Chile

**Figure 5: Expected trend toward accrual accounting by continent**



### Biggest moves in Africa, Asia and Latin America

The biggest move is expected in Africa (+ 11 countries), but the trend toward accrual accounting is also evident in other parts of the world, with accounting reforms in process or planned in Asia, including the Middle East (+ 10), and Latin America (+8) (see Figure 5).

In many countries, we see an interesting trend whereby the move to accrual accounting begins with an intermediate objective of complying with the cash-basis IPSAS as part of a gradual, or step-by-step, approach to adopting an accrual accounting framework and, in many cases, accrual IPSAS. These accounting reforms are normally accompanied by improvements in government FMIS.

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*“There is a strong need for harmonised accruals-based public sector accounting systems in the EU, in particular for the purposes of fiscal surveillance, and notably, the Maastricht Excessive Deficit Procedure. The proposed way forward is a balanced approach that builds on existing achievements and takes into account the Member States’ resources constraints.”*

Alexandre Makaronidis, Head of Unit, GFS quality management and government accounting, Eurostat



## The European context

In Europe, consideration has been given to public sector accounting standards in the context of the budget surveillance mechanism and fiscal monitoring. While the ESA rules are not designed for entity-level accounting, the European Commission recognises the need for uniform and comparable accrual-based accounting practices for all sectors of general government to ensure the quality of the information on which ESA data is based.

In this context, the Commission (Eurostat) has just finalised its assessment of the suitability of IPSAS as a basis for financial reporting for Member States and has forwarded the assessment to the European Council and European Parliament. Based on the public consultation conducted by Eurostat, there is wide acceptance of the need for a set of harmonised accrual-based public sector accounting standards in Europe. The report concludes that, even if IPSAS cannot be implemented in European Union (EU) Member States as it currently stands, the IPSAS standards represent an indisputable reference for potential development of European Public Sector Accounting Standards (EPSAS), based on a strong EU governance system.

The proposed way forward is a three-stage process:

- a preparatory stage, that includes public debates, to create the necessary momentum and gain co-ownership on the project to move towards harmonised accrual accounting principles within the EU,
- a development stage to put in place the practical arrangements for the new regulatory framework, including synergies and cooperation with the IPSASB,
- the implementation stage.

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*“We are transitioning from IFRS-like standards to IPSAS-like standards in anticipation of greater decision-usefulness and transparency from applying standards developed specifically for public benefit entities with a different set of users in mind ... and enhanced comparability with other governments applying IPSAS or IPSAS-like standards.”*

Fergus Welsh, Chief Financial Officer and Chief Accountant, Treasury, New Zealand

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*“Harmonisation of GFS and IPSAS is desirable. It is very hard for governments to understand why they have to adopt two different reporting systems. There may be a difference in the entity perimeter but there should not be differences in recognition and measurement principles.”*

Andreas Bergmann, Chair, IPSASB

## **Harmonisation of public sector accounting standards at an international level**

Better integration and comparability in government accounting systems are still a challenge. With the increased pressure on countries' credit ratings, protecting sovereign debt holders and demonstrating government's ability to repay debts have been key concerns for investor confidence in recent years.

The G20 has recently emphasised the need for transparent, comparable public sector financial reporting, including public sector balance sheets, to better assess risks related to public sector debt sustainability. Indeed, sound, transparent accounting systems are part of the solution to restore confidence and contribute to sustainable financial management.

Alongside the general trend towards adopting accrual accounting, which is generally inspired by IPSAS, and the developments currently being discussed at European Union level, other initiatives aimed at increased harmonisation can be noted.

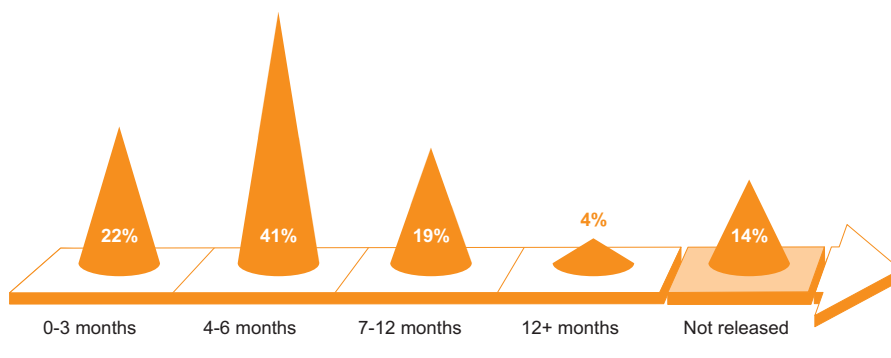
In New Zealand for example, which has been at the forefront of government accounting developments, having implemented accrual accounts two decades ago, the central government is now moving from New Zealand IFRS for the public sector to IPSAS.

Other developments are observed towards an integrated approach to accrual accounting and GFS guidelines, aligning them to the greatest extent possible to avoid creating confusion by having two sets of accrual-based financial statements reporting different results for the same reporting entity.

# 63%

of governments publish their financial statements within six months of the closing date, 37% do not.

**Figure 6: Publication of government financial statements**



## Timeliness and audit of government financial statements

The usefulness of financial statements also depends on the timeliness of the information provided to decision-makers. Institutional structure and processes must be in place to assess the accuracy of government representations and ensure the quality of financial statements.

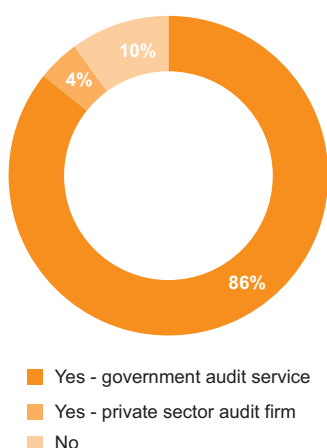
To remain relevant, both for external accountability purposes as well as internal decision-making, financial information must be provided on a timely basis.

Timeliness will depend upon the procedures and systems in place to collect, process and analyse the necessary financial information. Further, people must know how to use the information once it has been provided; knowledge gaps can result in significant delays in preparing and eventually auditing government accounts.

Publishing annual financial statements within six months of the balance sheet date would seem to be the minimum requirement in terms of timeliness. Financial information that is published later than this loses its relevance as it becomes increasingly out-of-date. 23% of governments do not achieve this; 14% do not make government accounts available to the public (see Figure 6).

These statistics should also be interpreted in the light of current reporting practices and bearing in mind the relative simplicity of cash-based financial reports currently produced by many governments. When these governments move to accrual accounting, enhanced processes and change management programmes will be required to ensure an efficient, timely closing process.

**Figure 7:**  
**Overview of government audit practices**



90% of governments have their accounts audited, which means that 10% have not. And 19% of governments that do have their accounts audited declare that they do not make the auditor's report publicly available.

The vast majority of government accounts are audited by a government audit service (e.g. Court of Auditors, National Audit Office, or equivalent). Only 4% of governments indicate that audits are performed by a private sector audit firm.

It is not rare that government accounts are qualified, but little public attention is given to these instances. There is clearly no such tolerance for publicly listed companies.

Despite this, auditors play an important role in the overall quality of public sector financial information. Not only do audit reports add credibility to financial statements, but auditors' pressure leads management to seek continuous improvements in the quality of the financial statements.

An independent audit report that is based on internationally recognised auditing standards and that is made available to the public increases the credibility of government financial statements, and enhances accountability and transparency.

*"There is in Belgium, at the level of the Flemish region, a strong political will to promote the concept of single audit, with the Court of auditors, working jointly with the internal audit and external auditors. It would be interesting, next to introducing accrual accounting and IPSAS, to also have a strong independent and external audit in the public sector as promoted by the EU in the context of the sovereign debt crisis."*

David Szafran, Secretary General, Belgian Institute of Registered Auditors

**90%**  
of governments have their accounts audited... but 19% of them do not make the auditor's report publicly available.

Budgets remain largely on a cash basis.

PwC insight

3

**Accrual budgeting provides better insight for decision-making, considering the long-term impact of political decisions.**

**89%**  
of the countries  
use cash budgets.

*“The crisis has been the trigger for budgeting reforms. We are preparing to take use of an accrual based budget starting from 2014-2015. Accrual-based budget is essential to get better information for decision making.”*

Kadri Jõgiste and Juta Maar, respectively Head of Budgeting Methodology Department and Head of State Accounting Department, Ministry of Finance, Estonia

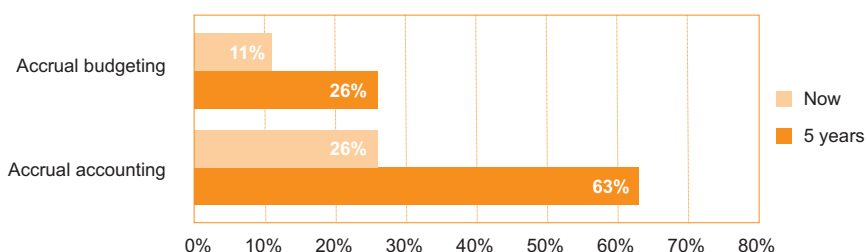
*“Accrual budgeting facilitates far better decision making because it brings more discipline to the process and ensures that the full economic impact of political decisions are considered.”*

Fergus Welsh, Chief Financial Officer and Chief Accountant, Treasury, New Zealand

*“Having a consistent system for accounting and budgeting has value. Why would you present your results in a different way from your budget? Of course you can reconcile but being able to compare is the most compelling reason.”*

Andreas Bergmann, IPSASB Chair

**Figure 8: Comparative trend toward accrual accounting and budgeting**



The budgetary cycle lies at the heart of any public financial management system, proceeding in stages from budget formulation, approval and execution, to audit and performance assessment and evaluation.

While a move toward the accrual basis is clear on the accounting side, there seems to be less appetite for accrual budgeting (see Figure 8). The common reason given is that accrual budgeting is viewed as too complex and that politicians are unwilling to change given their understanding of, and familiarity with, cash budgeting systems.

Cash budgets include only the current period's expected cash receipts and payments; accrual budgeting provides better insight for decision-making by taking the long-term impact of government policies into consideration. The reasoning is exactly the same as for accrual accounting.

The ability to compare budgets against actual results is also important for accountability purposes. Such comparisons are difficult, however, when accounting and budget documents are prepared according to different financial reporting bases (e.g. cash versus accrual).

## ***Making the transition to accrual accounting (IPSAS or equivalent), benefits and challenges***

### ***Part 2***



Key finding

**4**

Conversion to IPSAS or similar accrual accounting standards is useful for government stakeholders ..... **20**

Key finding

**5**

Greater transparency and accountability, comprehensive inventory of assets and liabilities, and performance assessment are the main benefits ..... **21**

Key finding

**6**

Accounting for fixed assets, application of accruals concepts and disclosure requirements are the major areas of impact..... **22**

Key finding

**7**

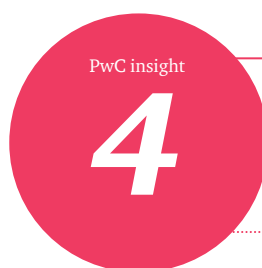
More than three years is required on average to transition to accrual-based IPSAS (or similar) ..... **24**

Key finding

**8**

The lack of trained staff and IT system requirements are the main challenges..... **26**

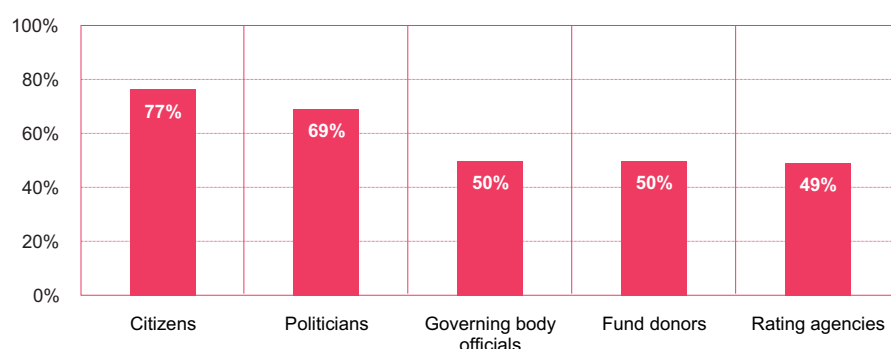
Conversion to IPSAS or similar accrual accounting standards is useful for government stakeholders.



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

Government financial information is used by a wide range of stakeholders, all of whom have an interest in the financial health and management of public resources. Financial information should be transparent in order to effectively hold government accountable for its use of public funds. It should also provide a basis for evaluating the current financial position and past performance for decision-making purposes.

**Figure 9: Usefulness of accrual-based financial statements**



Percentage rated 'very useful' or 'useful' to government stakeholders.

## Citizens are viewed as the main beneficiaries of accrual-based financial statements.

***“The inclusion of a balance sheet and the recording of transactions on an accrual basis contribute to the political debate on the government’s fiscal and economic management.”***

First assistant, Ministry of Finance, OECD country

***“Donors may use the financial statements and disclosures therein to take informed decisions on financing certain programmes and projects.”***

Geoffrey Malombe, Assistant Accountant General, Kenya

Financial statement users include both internal and external groups, all of whom stand to benefit from high-quality accrual-based financial information.

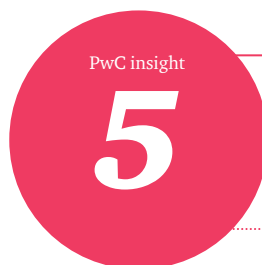
Financial information should be available to the citizens who, as taxpayers and service recipients, hold government accountable for the use of public resources and seek to evaluate overall financial performance, and performance against policy commitments and in specific interest areas. Politicians also have a role to play, representing the interests of the citizens who elect them through the parliamentary process. They need to understand the current position of government finances to understand the government’s financial capacity before making commitments for new programmes and services.

Governing body officials may use accrual accounting information to manage their activities more efficiently; further, they can use measures of past performance as a basis for future resource-allocation decisions with a view to increasing the effectiveness and impact of public spending.

Investors and rating agencies have a particular interest in assessing the overall fiscal health of governments, while donors are more broadly concerned with the government’s financial management practices and ability to meet specified outcomes and objectives.

Conversion to accrual-based IPSAS or equivalent standards is considered to be especially useful for citizens and politicians, as indicated by 77% and 69% of respondents, respectively (see Figure 9). However, it should be noted that, beneath these aggregate results, variance can be seen between developed and developing countries, with developing countries assigning greater usefulness to fund donors and less to citizens.

Greater transparency and accountability, comprehensive inventory of assets and liabilities, and performance assessment are the main benefits.



**Better accounting leads to better reporting, which provides information for better decision-making, which should in turn lead to better use of public resources.**

***“With adoption of accrual accounting standards based on IPSAS, the country will be able to better project its cash flows, evaluate and compare itself with other countries”.***

Gilvan Dantas, Accounting Subsecretary, Ministry of Finance, Brazil

***“For the first time, government can prove whether the state became poorer or richer over a period of time!”***

Gerhard Steger, Head of Budget Section, Ministry of Finance, Austria

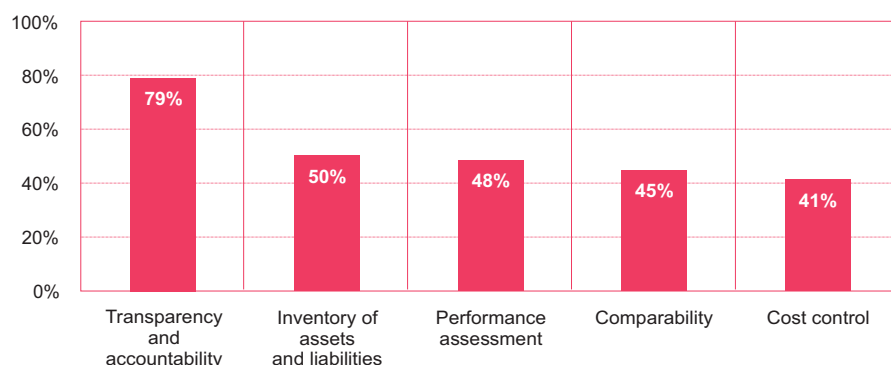
***“Research has shown that more transparent countries have better credit ratings, better fiscal discipline, and lower borrowing costs.”***

Brian Quinn, Director, World Bank

***“Benefits brought by international accrual accounting standards in New Zealand include greater fiscal transparency (with a particular positive impact on debt rating), greater fiscal debate, enhanced credibility and clearer understanding of real impacts of political decisions (and reduced potential of corruption).”***

Fergus Welsh, Chief Financial Officer and Chief Accountant, Treasury, New Zealand

**Figure 10: Benefits of accrual-based financial statements**



*Percentage ranked in top 3 benefits of adopting IPSAS or similar standards.*

## Transparency and accountability

Greater transparency and accountability stands out as the greatest benefit of adopting IPSAS or equivalent standards. Information prepared in accordance with internationally recognised accounting standards provides a basis for comparing governments with one another and making comparisons across individual government units. Transparent accrual-based financial statements help government to demonstrate, and users to evaluate, accountability for the use of public funds.

## Inventory of assets and liabilities

A comprehensive inventory of government assets and liabilities provides a view of government resources and future obligations.

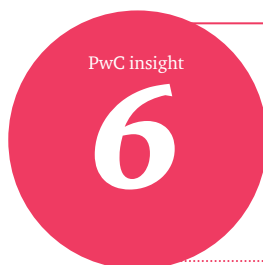
Almost half of the governments surveyed recognise the value of adopting accrual accounting for better management of government resources. It provides a basis for building more-effective administrative processes and controlling costs. Equally, bringing liabilities onto the government balance sheet provides a view of the long-term implications in terms of spending commitments and borrowing needs.

## Performance assessment

Overall, accrual accounting helps to improve the measurement of a public entity's financial performance and financial position and provides more transparent information on government sustainability.

In addition to the top five benefits shown in figure 10, respondents identified benefits in terms of access to better funding sources and reduced risk of fraud and corruption. Developing countries can be seen to place greater emphasis on these benefits.

Accounting for fixed assets, application of accruals concepts and disclosure requirements are the major areas of impact.



**The change in accounting rules will impact the numbers and require the production of new data and a cultural shift in the mindsets of those involved. The impact will be even greater if consolidation and employee benefits are included.**

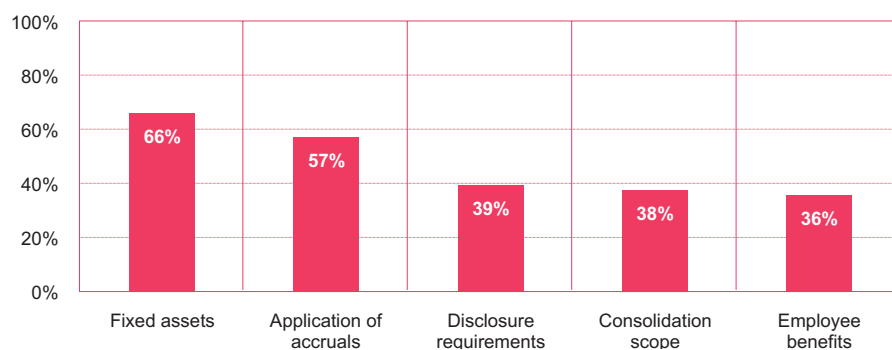
***“The greatest challenge is data collection for fixed assets which involves 26 ministries. The task includes identifying the assets and valuing them.”***

Accountant General, non-OECD country, South East Asia

***“The inventory and valuation of military equipment has been complex, with high-level issues at stake. It was due to keeping insufficient historical accounting track of our assets and the specificity of our assets. To overcome these difficulties, we had to develop a specific approach based on a very precise analysis of procurements expenditures.”***

Véronique Nativelle, Ministry of Defence, France

**Figure 11: Accounting impacts of accrual-based financial statements**



Percentage ranked in top 3 impacts of adopting IPSAS or similar standards.

One of the inevitable consequences governments face in the adoption of accrual accounting is the need to produce an opening balance sheet and put in place accounting policies to track government assets and liabilities on a go-forward basis. Governments agree that moving to accrual accounting has a major impact on the financial accounts.

## Fixed assets

Overall, recording fixed assets in financial statements is seen as presenting the greatest accounting impacts. Accounting for fixed assets includes not only traditional assets such as government land and buildings but also covers more complex items such as infrastructure assets (road networks, railway infrastructure, airports or bridges, etc.), military assets, and assets managed under service concession arrangements and public-private partnerships.

Recording fixed assets in government financial statements therefore has a significant quantitative impact on government financial statements, but policies, processes and systems that are needed to meet data requirements and track assets-related information on an ongoing basis are also heavily impacted.

### **PwC experience in accounting for fixed assets: implementing and embedding**

The effort and complexity of the data-collection exercise should not be underestimated. It is important to involve ministries and include accrual experts from the very outset in order to create capacity and build momentum. The objectives should be set out in a strategy document to present a common vision for all involved. The strategy should be clear and achievable, considering the costs and benefits of intended actions. If it is important to secure quick wins and rapid results and get buy-in from ministries, as the first months of data collection are critical, it is also important to spend sufficient time identifying issues and data gaps.

Any fixed asset project should also go beyond accrual compliance to incorporate key performance indicators that will bring added value to stakeholders. For example, governments can use the inventory of land and buildings to move to more-active portfolio management. It is also an opportunity to simplify and rationalise processes through, for example, better supply chain management. Similarly, determining assets' useful lives and components can help to improve programming and budgeting decisions in terms of maintenance, asset replacement or investments.

### **Application of accruals**

57% of countries view the application of accruals as one of the three most significant impacts of adopting accrual-based IPSAS or similar standards. Applying accrual accounting introduces more-complex requirements for the treatment financial statement items, especially in respect of the year-end closure process.

The treatment of government expenses, for example, is impacted in terms of both measurement and timing for recognition in financial statements. Expenses must be recognised at the time the underlying economic event occurs and will include transactions for which cash payments have not yet been made. Increased effort will be required to analyse a large volume of transactions to determine the appropriate accounting treatment.

The timing of revenue recognition will also be impacted as governments will need to match with the revenue-generating activity and properly reflect the terms and conditions of grants and other cash payments received.

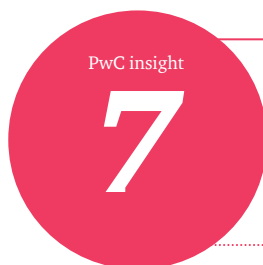
### **Disclosure requirements**

Disclosure requirements are identified as one of the top three impacts for 39% of governments surveyed. Indeed, the quantity of information that must be disclosed under accrual-basis IPSAS increases, including segment information, reconciliations between accounting and budget information, information on government financial assets and liabilities (including guarantees), pension and other employee benefits, contingent liabilities, related parties, etc.

### **Others**

Fewer than 40% of survey respondents ranked consolidation scope and employee benefits in the top three impacts of accrual accounting. These items are often omitted from the scope of the government accounting framework, but their complexity and impact should not be underestimated. As countries move toward full compliance with IPSAS standards, the impact of consolidation requirements and recognition of employee benefits will have a more pronounced impact.

More than three years is required on average to transition to accrual-based IPSAS (or similar).



***The change to accrual-based IPSAS is much more than an accounting exercise; it is a transformation of the government finance function that impacts the whole organisation.***

## ***The conversion to accrual accounting is a multi-year project.***

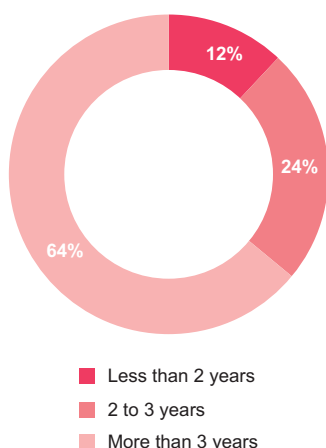
*“The transition to accrual accounting is much more than an accounting exercise; it is a transformation of the finance function. It requires a change of mindset. Embedding the reform after the preparation of the first accrual-based financial statements is crucial.”*

Jean-Louis Rouvet, PwC Partner

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

David Litvan, Director of Accounting, Ministry of Finance, France

**Figure 12:**  
Length of the conversion process



Most conversion projects take more than three years of intensive work, and extend beyond the accounting department to include operational staff and business owners. Transition to accrual accounting concerns the entire organisation, through system changes, process reengineering, and redefinition of roles and responsibilities.

The conversion project does not end with release of the first set of government financial statements. It requires that quality improvement be managed in subsequent years and that accrual practices and mindsets be embedded as ‘business-as-usual’ throughout the organisation.

*“The scope of accounting modernisation project includes accrual accounting, budgetary accounting and management accounting, using a uniform software solution for all federal public services. We have used a gradual approach. Accounting for fixed assets and tax revenue are the last areas for which accrual accounting concepts are implemented.”*

Ludo Goubert, Federal Accountant ad interim, Belgium

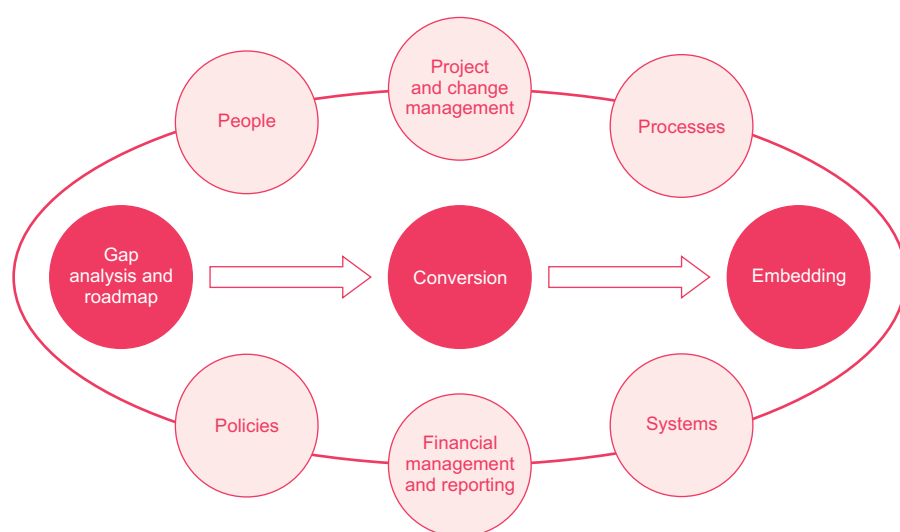
*“We started with initial awareness trainings. Next step is a gap analysis and the development of a roadmap to continue the transitioning towards IPSAS-based standards in a modular or phased approach.”*

Herald Bonnici, Director-General Financial Policy and Management Division, Ministry of Finance, the Economy and Investment, Malta

*“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 that is what is missing.”*

Darshak Shah, Chief Financial Officer, United Nations Development Programme (UNDP)

**Figure 13: PwC conversion methodology for the adoption of IPSAS or similar government accounting standards**



The PwC IPSAS (or equivalent) conversion methodology suggests following a three-phase approach, as illustrated opposite:

- the initial diagnostic involves a detailed gap analysis, which produces a roadmap for successful conversion;
- the actual conversion phase results in production of the first IPSAS or IPSAS-like financial statements;
- the embedding phase ensures that systems, processes, policies and behaviours are adapted to report efficiently under IPSAS (or equivalent) on an ongoing basis.

### Phase one: Gap analysis and roadmap

The objective of a gap analysis (comparison of the situation “as is” with the situation “to be”) is to gain a detailed understanding of the impact of IPSAS (or equivalent) on the organisation, highlight key accounting and reporting issues that need to be addressed, understand which business processes may be impacted, and take an informed decision on how to proceed with the conversion.

The roadmap allows the organisation to develop a detailed project plan, define its needs and estimate the cost of the entire conversion process, including from an information system point of view.

### Phase two: Conversion

The second phase of the conversion methodology involves project set-up, component evaluation and issue resolution, plus the initial conversion. The project set-up is designed to enable the organisation to manage the conversion project to a successful conclusion while continuing to run its activities effectively. For this purpose, the project management structure is set down, conversion tools are tailored, and the project strategy is communicated throughout the entity.

The initial conversion enables preparation of the entity’s first IPSAS or IPSAS-like financial statements and means that an informed decision can be made on the ongoing conversion strategy. For this, IPSAS (or equivalent) reporting process and systems need to be designed, built and tested, adjustments need to be calculated, reporting packs completed for required disclosures, and IPSAS (or equivalent) results consolidated and analysed.

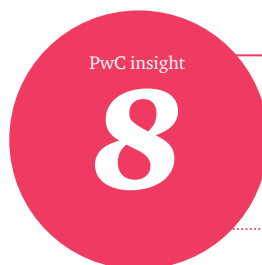
### Phase three: Embedding

The final phase is designed to enable the organisation to move smoothly to a new ‘business-as-usual’ operation, using its ‘new language’ comfortably and authoritatively. Embedding the change involves continuing IPSAS (or equivalent) training throughout the entity, finalising the accounting manual and chart of accounts, completing systems’ design, build and testing, designing and rolling out new business processes and procedures including internal control and risk management, and modifying budgeting processes.

In practice, depending on the needs and time constraints of the project, portions of the work relating to phases two and three may be carried out simultaneously.

Once conversion is completed, the new accounting framework is embedded across the organisation, with modified systems, updated controls and procedural documentation, and fully trained staff.

The lack of trained staff and IT system requirements are the main challenges.



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

***“Adoption of IPSAS-like standards was supported by lots of trainings and organising a help-desk in the Ministry of Finance.”***

Juta Maar, Head of the State Accounting, Estonia

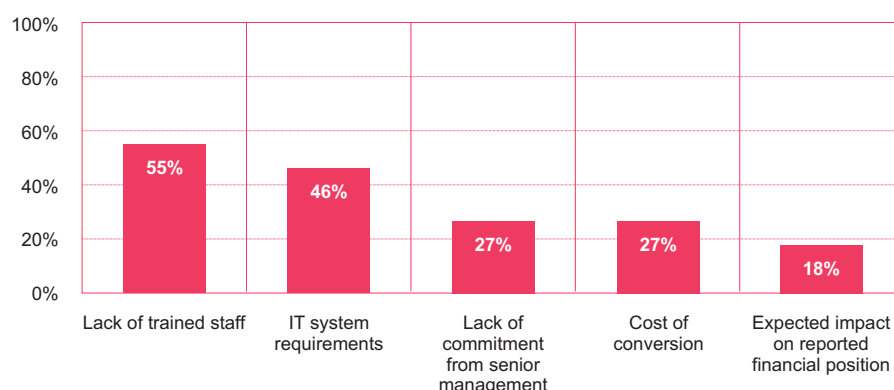
***“The lack of trained staff is our biggest challenge, academic qualifications are not enough, we need professionals.”***

Emmanuel Sinzohagera, Chartered Accountant, Burundi

***“We plan to move the national training plan forward, extending knowledge and coverage, including by creating synergies with the academic world.”***

Pedro Bohorquez Ramirez, Accountant General, Colombia

**Figure 14: Challenges of accrual accounting conversion**



Percentage ranked in top 3 challenges of adopting IPSAS or similar standards.

Accrual accounting conversion requires a significant commitment of resources in terms of time, effort and money. It also demands specialised skills and a general shift in the mindsets of people at all levels of the organisation. IT systems need to be upgraded or new systems put in place in order to support the change. Commitment from senior management and politicians is essential in order to secure the necessary resources and promote buy-in.

### Lack of trained staff

Accrual accounting is more complex than cash accounting. It requires greater technical accounting expertise, increased professional judgment, and greater involvement of non-accounting staff in the decision-making process. Over half of the survey respondents identified the lack of trained staff as the principal challenge faced by governments when implementing accrual accounting.

The expertise required is not limited to understanding the basic accrual concepts; technical knowledge is required for complex accounting areas such as financial instruments, employee benefits, property valuation and consolidation, to name just a few examples. Staff training is also necessary on an operational level in areas such as fixed asset and inventory management.

**55%**

of survey respondents identify the lack of trained staff as one of the top three challenges.



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*“What we see in many countries and consistently in lower income countries is a fragmentation of accounting and financial reporting systems, lack of an integrated FMIS and wide use of spreadsheets. These challenges should be addressed when moving to meaningful reforms.”*

Simon Bradbury, Controller, Asian Development Bank

### IT system requirements

Almost half of the survey respondents identify IT system requirements as one of the top three challenges faced when adopting IPSAS or similar standards. Governments recognise that the right IT systems need to be in place to record and report the data necessary for accrual accounting (e.g. add details of goods and services received in the expense workflow, develop new ways of reporting and communicating financial information, etc.). Technical IT and enterprise resource planning (ERP) expertise is required from the very start of the conversion process, in such activities as system architecture and design, through to embedding activities including staff training for data entry and management.

The scope of the government reporting entity must be considered when designing IT solutions to all consolidated entities and multiple finance functions including procurement, budgeting, accounting and treasury operations.

The initial set-up could be done on a pilot basis with consideration being given to future roll-out with interfaces to local systems that can be integrated in the future. Many public sector entities use their accrual adoption as an opportunity to set up an ERP system and upgrade their financial function with new functionalities like cost accounting and enhanced budget follow up.

The IT system must be configured so as to capture all necessary data inputs in order produce the required outputs (i.e. accrual-based reports). In the area of fixed assets, for example, systems and processes must be in place to capture information over a very large perimeter and resolve complex technical issues. In some cases, governments may have an asset register but the information available is not always exhaustive and the software not designed to embark necessary accrual data.



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***“It is important to train staff and to invest in IT system changes. Furthermore, it is important to deal with politicians in order to make them understand and support the changes.”***

Gilvan Dantas, Accounting Subsecretary, Ministry of Finance, Brazil

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***“To sell the accounting reform project you must bring added-value to the partners. They need to see the value for their purposes. If they had not seen the value added, they would not have come along.”***

Abdelkrim Guiri, Director of Accounting Standards, Kingdom of Morocco

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***“Implementing accrual accounting standards based on IPSAS will require political buy-in and support, intensive training, development partners’ support and improvement of our information system.”***

Blaise Allela, Permanent Secretary, Gabon

### **Lack of commitment from senior management and politicians**

27% of survey respondents identified the lack of commitment from senior management as one of the top three challenges faced in the conversion to accrual accounting.

Strong commitment from senior management and politicians is important to increase the buy-in and participation of key stakeholders and promote the benefits of accrual accounting throughout the organisation. Moving to accrual accounting includes many people in the accounting and decision-making process, as non-accountants become involved in data collection and decision-making.

A significant shift is required in the mindset of management, staff and other stakeholders and effective change management is indispensable to achieve this shift and ensure a successful transition overall. Change management processes should be put in place, including training, project management, awareness campaigns and organisational changes. Change management should take a holistic approach considering the entire organisation and not only focusing on accounting departments.

### **Cost of conversion**

The cost of the conversion is seen as one of the top three issues by 27% of the respondents. Making the transition to accrual-based standards may require significant investment, namely in IT and capacity developments. However, the benefits in terms of increased transparency and improved public finance management should clearly outweigh the costs.

### **The expected impact on the reported numbers**

The expected impact on the reported numbers is identified as a major barrier only by 18% of the respondents. The concern primarily relates to reporting the actual level of government liabilities, including pension liabilities and liabilities arising from various financial transactions.

# *The future of the government finance function*

## *Part 3*

Key finding

9

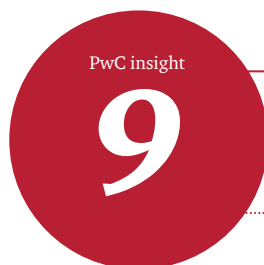
Governments indicate a desire to improve their finance function .....**32**

Key finding

10

Cost accounting, performance management, fixed assets management and long-term planning and forecasting are the key areas for improvement .....**36**

Governments indicate a desire to improve their finance function.



**By transitioning from scorekeeper to business partner, government finance functions will attain significant improvements.**

Survey respondents were asked to evaluate three key dimensions that contribute to the overall effectiveness of the government finance function: compliance and control, efficiency, and insight. These dimensions should be viewed as complementary and mutually reinforcing. Together, they stand to enhance the effectiveness of the finance function and contribute to the sound, accountable, transparent management of public finances.

On average, governments rate their current performance in these areas between 'fair' and 'good' but show a clear intention to improve their finance functions over the next five years (see Figure 18).

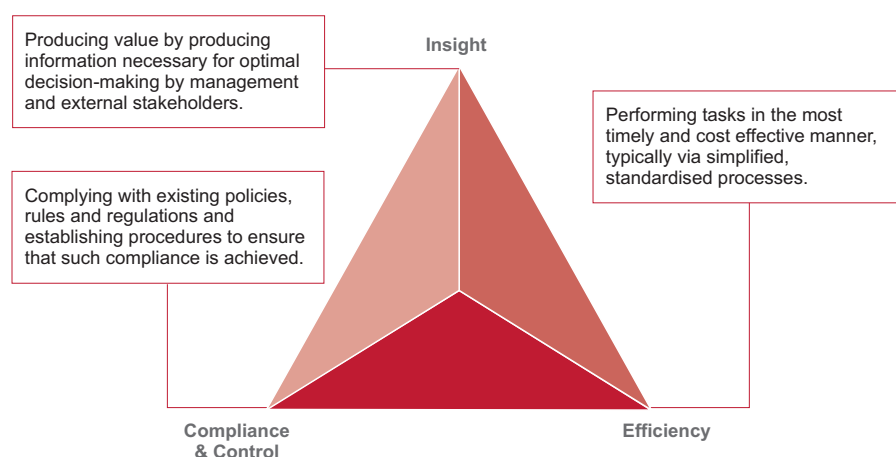
***“Back-office efficiencies are an area of focus. A key initiative is convergence to one standard configuration for one type of ERP system.”***

James Ralston, Comptroller General, Canada

***“Once all data are in the financial records, there are very significant efficiency gains. You can report accurately at any moment, analyse by unpaid invoices, uncollected debts, you know how old your equipment is and can set up a replacement schedule, you can develop scorecards and other management tools.”***

Brian Gray, former Accounting Officer and former Director General of the Internal Audit Service, European Commission

**Figure 15: PwC’s finance assessment framework**



### Improving the compliance, control and efficiency of the government finance function

The conversion to accrual accounting provides an opportunity to rethink the transactional process flow, build accounting capacity and reduce the overall cost of public administration. Internal control frameworks can be revised and reflect the changes in accountability, roles and responsibility resulting from accrual procedures.

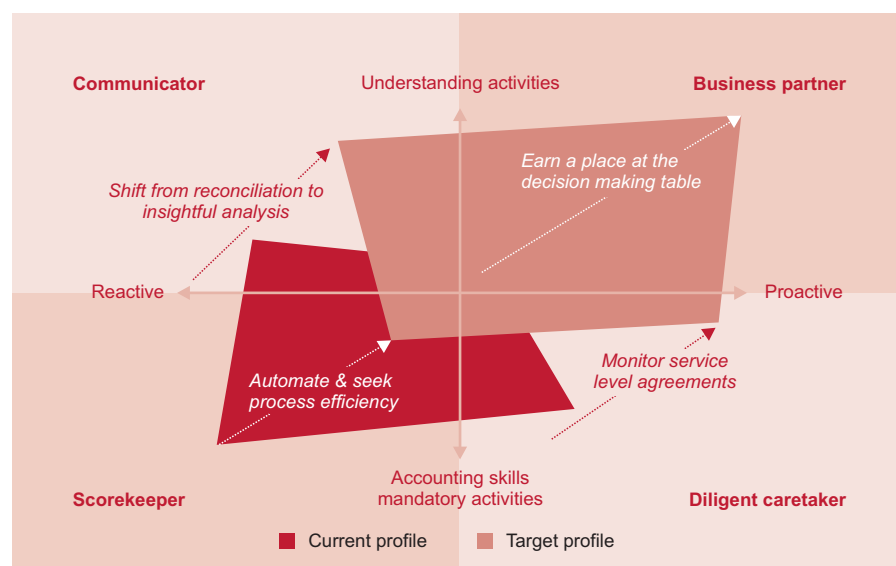
Effective control environments and optimal risk management procedures can be put in place to improve areas of compliance and control, while simplified, standardised processes are typically used as a means of achieving efficiency gains.

Process improvements may leverage technology or involve transactional processing solutions and may include shared service centres or outsourcing arrangements that can handle complex transactions. Policy and procedure manuals would also be updated to reflect the accrual framework and dashboards would be developed to monitor data quality and system outputs. As a result, new standards and processes will flow across the entire organisation.

*“Accrual accounting provides a great view of everything behind you, but you must also look at the traffic ahead.”*

Jean-Philippe Duval, PwC Partner

**Figure 16: Moving from scorekeeper to business partner**



### From scorekeeper to business partner

While accrual accounting provides the basic foundation for a modern finance function, moving finance up the value chain within government needs it to produce more than year-end or historical financial statements in the role of scorekeeper. The finance function must play a proactive role in providing key information that informs strategic, operational decisions, thereby earning a place at the decision-making table as an important business partner within the government entity. To provide this insight, the finance function should go beyond simply maintaining accounts and producing financial statements; it should be concerned with analysing financial data, assessing the cost of public services and offering practical interpretations on the meaning and relevance of financial information.

In fact, such insight lies at the heart of the finance function and places a focus on the way in which information is used. Accrual-based data and dashboards can be used to carry out performance assessment and produce business analytics that feed back into the system, leading to the adjustment of policies and processes as a result of the performance outcomes observed.

In order to successfully transition from scorekeeper to business partner, the finance function must be able to contribute information that is relevant to decisions as they are being made, not after. Thus, the timeliness of financial information becomes crucial. Information should be produced and updated regularly to support decision-making on an ongoing basis.



*“The ultimate aim is a better public service. We are redefining what the objectives are and how we measure achievement of those objectives. We want to establish measures that can be used to help when making marginal decisions.”*

Fergus Welsh, Chief Financial Officer and Chief Accountant, The Treasury, New Zealand

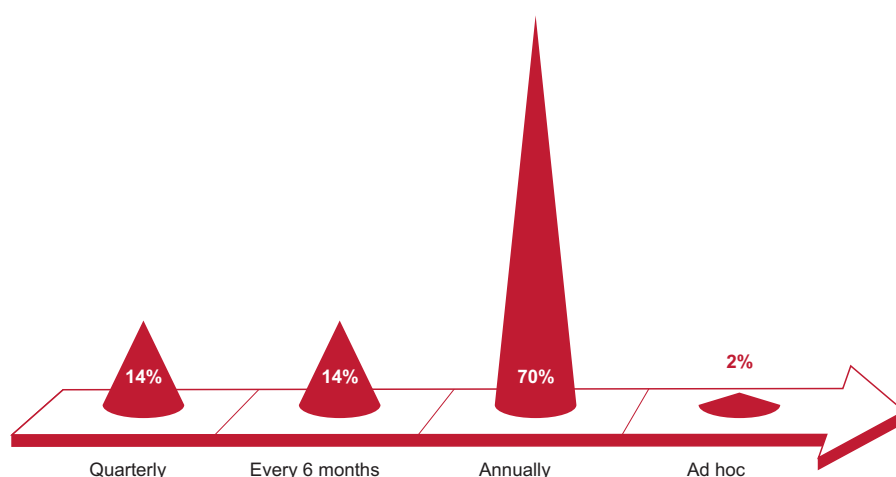
*“It is possible for developing countries to implement best practices. If you look at the case of Kazakhstan, they have moved in a four-year period from passing the legislation to rolling out the full FMIS.”*

Simon Bradbury, Comptroller, Asian Development Bank

*“The department of finance is very focused on being able to interpret the differences between budget and the actual situation. Far and above everything else, it is what gathers attention.”*

James Ralston, Comptroller General, Canada

**Figure 17: Preparation of government financial statements**

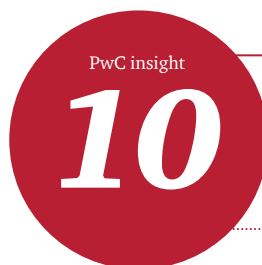


Public entities lag behind their private sector counterparts in terms of in-year reporting. Publication of quarterly reports has become a norm for listed companies, whereas only 14% of survey respondents indicated that they do this. Another 14% produce semi-annual statements, however, the vast majority (70%) of governments produce financial statements just once a year.

Thus, there is significant room for improving public accounting in terms of timing and frequency. Ideally, quarterly financial reports should be produced and aligned with budget reports in order for governments to realise the full benefits of accrual accounting. Interim financial reports prepared on a monthly or quarterly basis provide real-time information that can be used as a monitoring tool throughout the year.

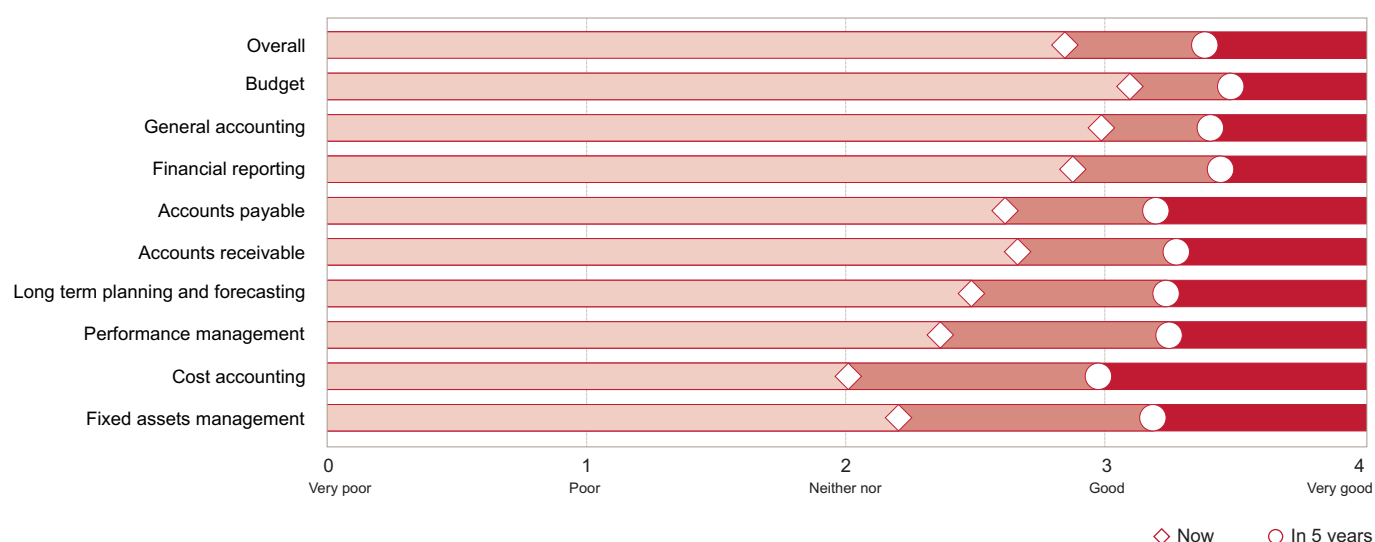
Accrual accounting is a key driver to increasing capacity and improving quality in the government finance function. It is an essential step toward improved public financial management and decision-making. The government finance function must demonstrate its usefulness by providing insights into business performance and contributing to public value creation.

Cost accounting, performance management, fixed assets management and long-term planning and forecasting are the key areas for improvement.



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

**Figure 18: Expected evolution of the effectiveness of the government finance function**



Despite assessing the current capacity of their finance functions between 'fair' and 'good' overall, governments see an opportunity, or even a necessity, to improve in specific areas of financial management. Fixed asset management and cost accounting are key areas in which information improvements can increase insight and, thus, overall effectiveness of the finance function. Performance management and long-term planning and forecasting, provide additional insight in terms of the future of the finance function and the long-term sustainability of government policies (see Figure 18).

### Fixed asset management

Fixed asset management is a vast area for improvement, with governments managing a large and diverse number of fixed assets. Assets are held primarily for their service potential and a significant portion of these assets are of a specialised nature (e.g. bridges, military assets, etc.), for which there is a very limited market. Strong asset management practices will provide information for use in determining financing strategies, repair and maintenance schedules, optimal space allocation, logistic and supply chain management practices, and asset-disposal decisions. Availability of such rich, detailed information in turn helps to identify opportunities for cost savings and optimisation.

### Cost accounting

Cost accounting practices stand to contribute to efficiency and insight objectives within the finance function. Cost accounting provides a basis for evaluating the cost of delivering government programmes and services and can be used to communicate the results of specific government operations. As governments begin to place increased emphasis on managing for performance, cost accounting becomes important to the financial indicators that track government performance.

Cost information must be considered when evaluating government outputs (what it delivers to achieve objectives) and outcomes (impact of the outputs in delivering against objectives) to assess performance in delivering value for money.



***“The focus of our reform was to increase efficiency in government spending especially on operating expenditure and to support cost accounting, performance management and planning, and asset management (especially fixed assets and intangibles).”***

Erik Hammer, Head of Division, Ministry of Finance Agency for the Modernisation of Public Administration, Denmark

## **Performance measurement**

Effective performance measurement systems have a critical role to play in supporting government policy-making and implementation. They must be designed and implemented so as to optimise the link between strategic planning, the subsequent delivery of services, and measurement in both financial and non-financial terms against budgets and overarching policy objectives.

Such an approach helps governments meet their service delivery objectives and thereby add value for citizens.

## **Long-term planning and forecasting**

Accrual-based financial information provides a vast amount of information on government resources and its future obligations. The finance function has an indispensable role to play in planning future government programs and services and assessing the sustainability of government policy, especially in light of demographic trends.

By strengthening the planning and forecasting capacity, the finance function stands to increase its relevance in the decision-making process.

Individual initiatives can be taken for targeted improvements in asset management, cost accounting, performance measurement or any other aspect of the financial management. However these are closely interrelated, with data gathered on area often used in, and necessary for, subsequent reporting and analysis functions. Thus, a holistic approach is often the best approach to improve the finance function as a whole. Accrual accounting will lead to improvements in the quality of financial data, which, can be used in the context of a wider finance function to assess performance and influence resource allocation and other strategic decisions.

# List of survey respondents

Country	Level of country development		Continent					
	OECD	Non OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Algeria <sup>2</sup>		✗	✗					
Angola <sup>2</sup>		✗	✗					
Argentina		✗				✗		
Armenia <sup>1</sup>		✗		✗				
Australia	✗							✗
Austria	✗				✗			
Bangladesh <sup>1</sup>		✗		✗				
Belgium	✗				✗			
Brazil		✗				✗		
Bulgaria <sup>2</sup>		✗			✗			
Burundi		✗	✗					
Cambodia <sup>1</sup>		✗		✗				
Cameroon <sup>2</sup>		✗	✗					
Canada	✗						✗	
Chad <sup>2</sup>		✗	✗					
Chile	✗					✗		
China		✗		✗				
Colombia		✗				✗		
Costa Rica		✗				✗		
Croatia		✗			✗			
Cyprus		✗			✗			
Czech Republic	✗				✗			
Democratic Republic Congo		✗	✗					
Denmark	✗				✗			
Dominican Republic		✗				✗		

Country	Level of country development		Continent					
	OECD	Non OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
El Salvador		✗				✗		
Estonia	✗				✗			
Fiji <sup>1</sup>		✗						✗
Finland	✗				✗			
France	✗				✗			
Gabon		✗	✗					
Georgia		✗		✗				
Germany	✗				✗			
Ghana <sup>2</sup>		✗	✗					
Guatemala		✗				✗		
Guinea		✗	✗					
Honduras		✗				✗		
Hungary	✗				✗			
Iceland	✗				✗			
India		✗		✗				
Indonesia <sup>1</sup>		✗		✗				
Ireland <sup>2</sup>	✗				✗			
Israel	✗			✗				
Italy	✗				✗			
Ivory Coast		✗	✗					
Japan <sup>2</sup>	✗			✗				
Kazakhstan <sup>1</sup>		✗		✗				
Kenya		✗	✗					
Latvia <sup>2</sup>		✗			✗			
Laos <sup>1</sup>		✗		✗				

<sup>1</sup> Gathered with contributions from the Asian Development Bank.

<sup>2</sup> Gathered via PwC desk research.

Country	Level of country development		Continent					
	OECD	Non OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Lebanon <sup>2</sup>		✗		✗				
Liberia		✗	✗					
Lithuania <sup>2</sup>		✗			✗			
Luxembourg	✗				✗			
Malawi		✗	✗					
Malaysia		✗		✗				
Malta		✗			✗			
Mauritius		✗	✗					
Mexico <sup>2</sup>	✗					✗		
Monaco		✗			✗			
Mongolia <sup>1</sup>		✗		✗				
Morocco		✗	✗					
Nepal <sup>1</sup>		✗		✗				
Netherlands	✗				✗			
New Zealand	✗							✗
Nigeria		✗	✗					
Norway <sup>2</sup>	✗				✗			
Oman <sup>2</sup>		✗		✗				
Pakistan		✗		✗				
Panama		✗				✗		
Peru		✗				✗		
Philippines <sup>1</sup>		✗		✗				
Poland	✗				✗			
Portugal <sup>2</sup>	✗				✗			
Qatar <sup>2</sup>		✗		✗				

Country	Level of country development		Continent					
	OECD	Non OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Romania		✗			✗			
Russia		✗			✗			
Rwanda		✗	✗					
Saudi Arabia		✗		✗				
Serbia		✗			✗			
Slovakia <sup>2</sup>	✗				✗			
Slovenia <sup>2</sup>	✗				✗			
South Africa		✗	✗					
Spain	✗				✗			
Sweden	✗				✗			
Switzerland	✗				✗			
Tajikistan <sup>1</sup>		✗		✗				
Tanzania		✗	✗					
Thailand <sup>1</sup>		✗		✗				
Turkey <sup>2</sup>	✗			✗				
Turkmenistan <sup>1</sup>		✗		✗				
Turks & Caicos Islands		✗				✗		
Uganda		✗	✗					
Ukraine <sup>2</sup>		✗			✗			
United Arab Emirates <sup>2</sup>		✗		✗				
United Kingdom	✗				✗			
United States <sup>2</sup>	✗						✗	
Uzbekistan <sup>1</sup>		✗		✗				
Vietnam <sup>1</sup>		✗		✗				
Zambia		✗	✗					
Total	32	68	21	27	34	13	2	3
	100		100					

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## Let's talk

If you have any questions about the PwC global survey on accounting and financial reporting by central governments, or would like to discuss further any of the topics covered in this publication, please get in contact with us.



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