

PwC Global survey on accounting
and reporting by central governments
2nd edition

Towards a new era in government accounting and reporting

July 2015





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Moving along the government's finance and accounting journey

The global financial crisis and the subsequent sovereign debt crisis have brought to light that the lack of transparency in public finances and poor public finance management may put at risk governments' ability to service large public debts and meet their welfare commitments and other public service delivery objectives. There is now growing recognition of the importance of appropriate accounting and financial management in the public sector as a key means of achieving sustainable public finances. Governments need to step up and adopt sound and transparent accounting and reporting rules, as part of the democratic accountability process and the wider public finance management.

Although approximately half of the governments are still using traditional cash-based accounting practices, a positive trend is noted: accounting modernisation reforms are being initiated or planned all over the world, with 7 in 10 governments intending to use accrual accounting in five years' time, often taking IPSAS (International Public Sector Accounting Standards) as a reference point. The trend is visible across all continents and is particularly remarkable for non-OECD countries.

The biggest shift is expected in Africa and Latin America, followed by Asia, with many governments undertaking such a project as part of a wider public finance management reform, often funded by international institutional donors. In Europe, the European Commission is progressing with its plan to adopt harmonised accrual accounting standards for all EU Member States.

Transitioning to accrual accounting is not an end in itself, it is an enabler. Transparent accrual-based financial statements reflect the true long-term implication of political decisions and therefore help governments to demonstrate, and users to evaluate, accountability for the use of public funds. Adoption of high-quality accrual accounting also lays the basis for developing better management information systems, which should in turn contribute to better decision making and a better use of public money. Performance management should help governments to measure the achievement of their service delivery objectives and in doing so add value for citizens. The end goal is to deliver a better public service and to achieve sustainable public finances, therefore creating a positive legacy for the next generation.

Moving along the maturity spectrum of the government finance function is a journey, and government priorities for the next five years include one or several of the following projects, depending on their level of maturity along that spectrum: accrual accounting (based on IPSAS or similar standards) implementation, modernisation and greater integration of IT systems, capacity building and improvement of management information systems. There are obviously challenges linked to these developments. The task is not an easy one, but it is do-able, governments can benefit from experiences of successful reforms and leverage best implementation practices. There is no room for inaction, the cost of not reforming would be much higher than the cost of reform.

To face the challenges ahead, all stakeholders have a role to play, including political decision makers, civil servants, funds donors, the media, accountants and the public at large. This publication is part of PwC's commitment to take up an active role in the government's finance and accounting journey, by stimulating the public debate and by sharing our extensive experience in the implementation of public sector accounting reforms and wider transformation projects.



Jean-Louis Rouvet
Global Public Finance
& Accounting leader



Patrice Schumesch
Global Public Finance
& Accounting Partner



Jean-Philippe Duval
Global Public Finance
& Accounting Partner

About the survey

The second edition of the PwC global survey analyses key aspects of government accounting and financial reporting around four themes: accounting practices, budgeting practices, IT environment, and finance function. It also compares the results with the findings of the first edition of our survey in 2013.

1 Accounting practices

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

2 Budgeting practices

To develop a general understanding of current budgeting practices, and identify possible developments and budgeting reforms launched or envisaged by governments in the next five years.

3 IT environment

To understand the IT capacity within governments to implement accrual accounting and support good public finance management, and learn more about the resulting challenges.

4 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 forward.

Survey methodology

150 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 2015, 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.

In total, 120 countries are included in the results of the PwC global survey.

Responses were received directly from 88 central governments, and desk research was performed by PwC experts covering an additional 32 countries. All survey responses have been kept strictly confidential, except where explicit permission has been given by the respondents.

The 120 countries included in our survey provide a good basis to gauge the government finance and accounting landscape around the globe. The survey coverage ensures 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), can be found 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 insights 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 by PwC in Brussels on 19 March 2015. The conference was attended by 150 delegates from 40 countries covering all continents and regions.

Keynote speakers, including public authorities', international organisations' and global accountancy bodies' representatives, were invited to exchange views and share experiences on public finance and accounting reforms through dedicated presentations and panel discussions.

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



Key findings from the survey

The top 10 key messages

PwC insights

Part 1: Accounting practices

- 1 There is still a high level of diversity in accounting practices, but the trend towards accrual accounting is confirmed and even amplified.
- 2 The trend towards accrual accounting is visible across all continents, with the biggest shift expected for non-OECD countries.
- 3 IPSAS stands out as the global reference framework for accrual accounting reforms.

All governments should produce high-quality and transparent financial statements which are credible and internationally recognised, using IPSAS or equivalent standards. This is a key feature of democratic accountability and intergenerational fairness. It is also an enabler to produce better management information for better decision making, therefore contributing to better service performance and sustainable public finances.

Part 2: Budgeting practices

- 4 Budgets remain largely on a cash basis, although an upward trend towards accrual budgeting is identified.
- 5 The use of consistent accrual accounting and budgeting systems brings more coherence in decision making.

Accrual budgeting provides better insight for decision making, considering the long-term impact of political decisions. It also provides greater consistency with the accounting, therefore making comparisons more understandable and facilitating the democratic accountability process.

Part 3: IT environment

- 6 ERP systems are commonly used to manage the accounting, budgeting and reporting processes.
- 7 Greater integration of IT systems is a key priority and a major challenge for most governments.

Implementation of modern IT solutions should lead to more efficient processes, better data quality and enhanced analytical capabilities, therefore enabling public managers and other decision makers to make informed management decisions, with a consequential positive impact on the use of public resources.

Part 4: Finance function

- 8 Governments mainly focus on compliance and control but also indicate a desire to improve efficiency and insight.
- 9 Cost accounting, performance management, fixed asset management and long-term planning and forecasting are still the major areas that require improvement.
- 10 Governments' key priorities for the next five years are accrual accounting (based on IPSAS or similar) adoption, greater integration of IT systems, capacity building and improvement of management information systems.

Progressing along the maturity spectrum of the finance function should be a priority for every government, taking into account its particular situation and characteristics. The ultimate objective is a better public service and sustainable public finances. There is no room for inaction, the cost of not reforming would be much higher than the cost of reform.

Accounting practices

Part 1





Key finding

1

There is still a high level of diversity in accounting practices, but the trend towards accrual accounting is confirmed and even amplified..... **10**

Key finding

2

The trend towards accrual accounting is visible across all continents, with the biggest shift expected for non-OECD countries **13**

Key finding

3

IPSAS stands out as the global reference framework for accrual accounting reforms **16**

There is still a high level of diversity in accounting practices, but the trend towards accrual accounting is confirmed and even amplified.



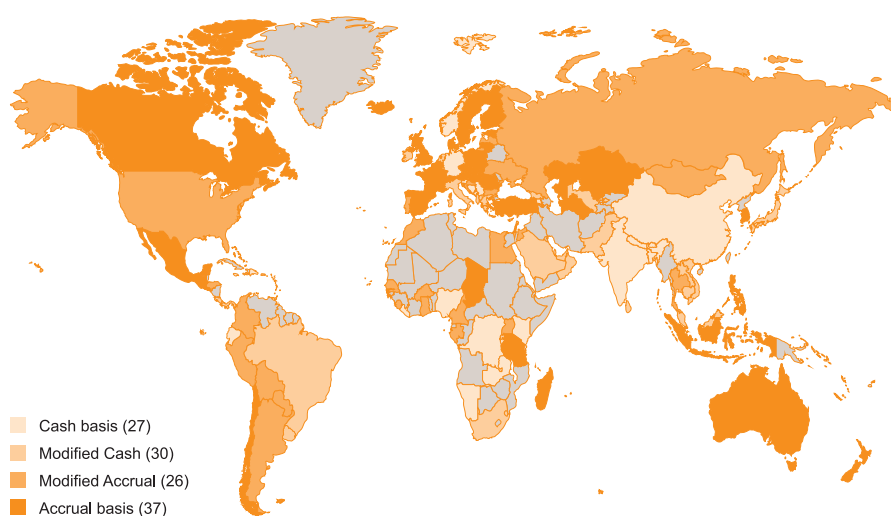
Government accounting practices are generally classified into four categories, moving from the least to the most sophisticated side of the spectrum: cash accounting, modified cash accounting, modified accrual accounting, and accrual accounting. Classification in one of the four categories requires judgement and is inevitably somewhat subjective.

Figure 1: The spectrum of government accounting practices

<i>Cash accounting</i>	<i>Modified cash accounting</i>	<i>Modified accrual accounting</i>	<i>Accrual accounting</i>
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.

Cash accounting has been the primary method used in the public sector for many years and remains in place for many governments. Cash-based accounting practices are still used by approximately half of the governments (48%), while the other half (52%) follow the accrual or modified accrual basis. A 6% progression towards accrual-based accounting practices is noted compared to the 2013 survey, reflecting the gradual move towards the most sophisticated side of the spectrum for an increasing number of governments.

Figure 2: The government accounting landscape worldwide today

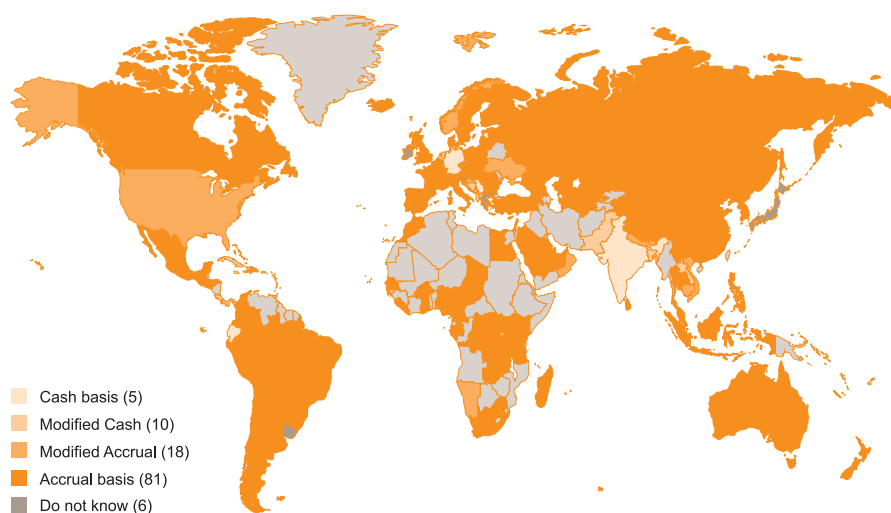


119%

increase in the application of accrual accounting in the next five years.

Looking at the picture five years ahead, we see a clear trend, with many countries initiating accounting reforms and declaring their intention to modernise their accounting systems. 71% of governments surveyed say they will apply accrual accounting in five years (as compared to 63% at the time of our 2013 survey). This reflects a 119% increase in the use of accrual accounting compared to the current situation but also represents an 8% increase in the trend.

Figure 3: Government accounting around the world in five years



“Cash was not giving us enough to understand properly assets and liabilities of government and it was not giving a sense of accountability either.”

Ross Campbell, Deputy Director Government Financial Reporting, HM Treasury, United Kingdom

“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



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 government 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 principles 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. through IPSAS or equivalent, and full reporting on their liabilities. This will in turn contribute to long-term stability in capital markets by increasing the quality and reliability of, and the trust in, governments' financial statements and so help restore confidence in their ability to manage their fiscal balances.

The trend towards accrual accounting is visible across all continents, with the biggest shift expected for non-OECD countries.



“The country has approved the application of IPSAS, which are being gradually implemented. Accounting policies, IPSAS manuals and procedures and specific instruction guidelines are issued to facilitate implementation. When approved, they are published on the website of the Ministry of Economy and Finance.”

Carlos Oliva Neyra, Deputy Minister of Finance, Ministry of Economy and Finance, Peru

“Virtually all South American countries are now pursuing a programme of public sector accounting reform, and have decided to implement IPSAS. Tremendous progress has been made in these countries.”

Andreas Bergmann, IPSASB Chair

“The Consolidated Fund of the Public Accounts of Ghana is currently prepared on a modified accrual basis. The plan is to implement accrual-based IPSAS from 2016, although the full roll-out is expected to take five years.”

Seidu Kotomah, Deputy Controller and Accountant General, Financial Management Services, Ghana

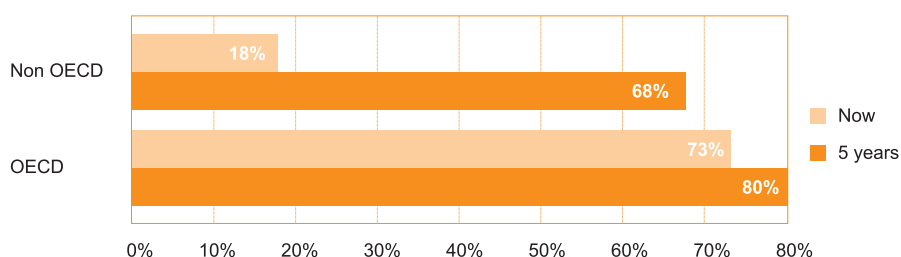
“The timeline for adoption of cash-basis IPSAS was from 1 January 2014 to 31 December 2015, while accrual-basis IPSAS will be adopted from 1 January 2016 onwards.”

James Nongo, Secretary of FAAC's Sub-Committee on IPSAS, Accountant General Office, Nigeria

50%

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

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



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

In OECD countries, accrual accounting is generally well-established, with certain exceptions noted at present. Nevertheless, a further 7% of countries that currently follow cash or modified bases of accounting indicate that they expect to implement full accrual accounting over the next five years, bringing the total adoption rate at 80%.

The trend towards accrual accounting is particularly pronounced in non-OECD countries, where accounting reforms are often initiated as part of a wider finance reform that is funded by organisations such as the World Bank, the International Monetary Fund (IMF) or other donors. 50% of non-OECD countries surveyed expressed an intention to move to accrual accounting in the next five years, bringing the overall adoption rate at 68%. By doing this, developing countries demonstrate their commitment to enhanced transparency, greater accountability and better public finance management.

“The Federal Government of Malaysia (FGOM) is in the final stages of preparation towards accrual accounting. The Malaysian Public Sector Accounting Standards (MPSAS) are primarily drawn from IPSAS. Slight changes have been made to suit the Malaysian jurisdiction. The new accrual accounting system is being developed and data collection for the opening balance is being carried out. Change management and training activities are also in progress. The FGOM hopes to implement accrual accounting in the year 2016.”

Devantri Kaur Santa Singh, Director,
Accountant General's Department, Malaysia

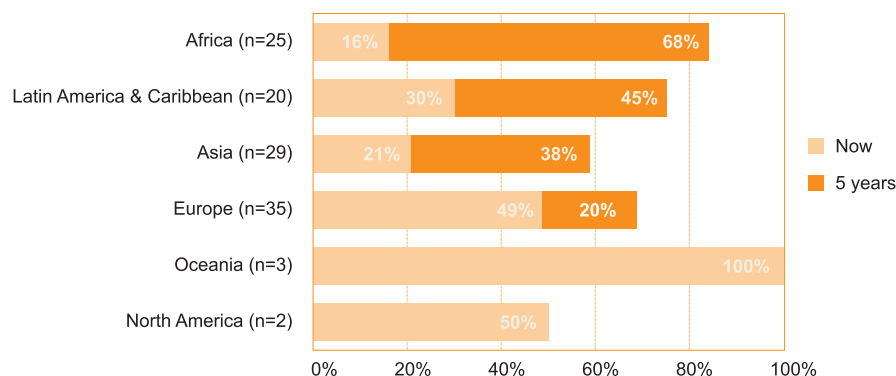
“The process to change the local accounting standards in the public sector to standards that are broadly consistent with IPSAS has already been initiated.”

Svetlana Sivetz, Deputy Director, Ministry of
Finance, Department of Budget
Methodology, Russian Federation

“Malta’s plan towards IPSAS implementation is the following: (1) by December 2017, IPSAS-based financial information will be produced for the Ministry of Finance as a first pilot; (2) a number of pilot roll-outs at other ministries will be undertaken by December 2018; and (3) full implementation of IPSAS-based accounting will be rolled out to 57 ministries/departments by December 2019.”

Alfred Camilleri, Permanent Secretary,
Ministry of Finance, Malta

Figure 5: Expected trend toward accrual accounting by continent



Looking at the geographic distribution, the trend is visible across all continents.

The strongest shift is expected in Africa and Latin America, where the number of central governments that apply accrual accounting should increase from 16% and 30% to 84% and 75%, respectively. The increase is particularly noticeable in Africa, where 17 countries included in the scope of the survey indicate their intention to move to accrual accounting. Although certain responses may embed some degree of optimism in the timing of the reforms, this indicates a positive trend. The evolution in Latin America also reflects the remarkable progress made in this continent, where the vast majority of governments have embarked upon an accounting modernisation reform project.

The survey results also indicate progress towards accrual accounting in Asia (+38%), from the Middle East to Eastern Asia, bringing the adoption rate at 59% in five years' time. In Europe, the evolution is less pronounced, with 20% of the governments surveyed indicating that they will be using accrual accounting within the next five years. This

reflects a degree of caution for several respondents regarding the timing for completion of their reform project, a number of them estimating that it might not be completed yet in five years' time.

Coordinated initiatives are taken in various regions to adopt accrual accounting frameworks. For example, countries that are part of the East African Community agreed on the adoption of public finance management (PFM) standards, including the adoption of IPSAS.

The FOCAL network, the network of accountants general from Latin America, was established in 2014 and has become an important source of knowledge transfer between countries in the region, through sharing of experiences and lessons learnt on topics such as the implementation of IPSAS or other relevant topics related to PFM.

In the European Union (which includes 28 of the European countries), the European Commission has a plan to require all governments to apply EPSAS (European Public Sector Accounting Standards), a set of harmonised accrual accounting rules that should take IPSAS as a primary reference point.

“From an EU perspective, the wide range of public sector accounting standards currently results in a lack of fiscal transparency and comparability due to incomplete and inconsistent primary accounting data. This impacts both general-purpose financial statements and government finance statistics, and demonstrates a clear need for harmonised accrual accounting rules within the EU.”


Alexandre Makaronidis, Head of Task Force EPSAS, European Commission, Eurostat



The European context

In the European Union, all governments in the 28 Member States must comply with the European System of Accounts (ESA), which imposes strict rules in terms of debt and deficit to reinforce fiscal discipline and strengthen budgetary surveillance. While these statistical rules are not designed for entity-level accounting, the European Commission recognises the need for uniform and comparable accrual-based accounting rules for all sectors of general government. The objective is to ensure both the quality of the information on which ESA data is based and to enable increased transparency and accountability and a better management of public resources.

In this context, PwC conducted, on behalf of the European Commission, a study with a view to informing the Commission’s impact assessment of EPSAS implementation by the Member States and the legislative process that should lead to adoption of the EPSAS rules within the European Union. The study ‘Collection of information related to the potential impact, including costs, of implementing accrual accounting in the public sector and technical analysis of the suitability of the IPSAS standards’ was published on the Eurostat website on 30 September 2014:

 <http://ec.europa.eu/eurostat/documents/1015035/4261806/EPSAS-study-final-PwC-report.pdf>

The study analyses the accounting practices in the 28 Member States and capitalises on the experience of those Member States that already introduced an accrual accounting reform. The study proposes a methodology to estimate the cost for implementing EPSAS at EU level, based on high-level assumptions and considering the limitations inherent to such an exercise. It also highlights the benefits captured from the accounting reforms, including the benefits that can be derived if governments go beyond strict compliance with the accounting rules and build management information systems that enable sound and well-informed decision making. The study finally confirms the suitability of IPSAS as a basis for developing EPSAS, with a limited number of accounting topics identified for further discussion during the standard-setting process, and makes proposals for the future implementation of EPSAS.

The Commission is currently continuing its preparatory work for the EPSAS legislative process.

IPSAS stands out as the global reference framework for accrual accounting reforms.

Key finding

3

“IPSAS are in practice used as a primary basis for developing government accounting legislation although no explicit reference to them is made in the accounting legislation applicable to our government.”

Gunta Medne, Deputy Treasurer, Republic of Latvia

“We are currently working on changing our national accounting standards with a view to implementing IPSAS in full within a five-year horizon timeframe.”

Juan Neftali Murillo, Deputy State Treasurer, Ministry of Economy and Finance, San Salvador

“Armenian Public Sector Accounting Standards (APSAS) are developed based on IPSAS and IFRS. The Law on Public Sector Accounting Standards of the Republic of Armenia is applicable to Armenian public sector organisations from 1 January 2015”.

Ara Petrosyan, General Adviser to the Minister of Economy, Armenia

The significant trend towards accrual accounting goes along with the progressive transition of an important number of countries from national public sector accounting standards to internationally recognised frameworks such as IPSAS, IFRS as adapted for the public sector, or similar standards. 59% of governments that have already implemented accrual accounting have also adopted such an international framework.

A few countries have developed their national government standards based on IFRS, but the majority of the governments use IPSAS as the reference accounting framework, either by explicit reference in their own accounting legislation or not. In a number of cases, the IPSAS framework may not be fully implemented and slight deviations may exist to suit the needs of the national context (IPSAS-like standards).



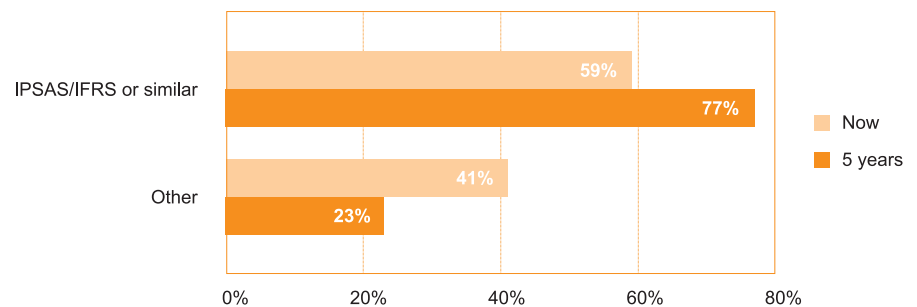
77%

of governments that will apply accrual accounting in five years will use IPSAS or similar standards.

The prevalence of IPSAS as a reference accounting framework is expected to further increase by 18% over the next five years, with 77% of governments that will apply accrual accounting intending to apply IPSAS or similar standards. This trend is particularly visible in non-OECD countries.

Several factors encourage the adoption of the IPSAS framework. IPSAS represent the single public sector accounting framework that benefits from wide international recognition and acceptance. The use of IPSAS facilitates comparisons across public sector entities, and governments wishing to engage in accounting reforms based on IPSAS can rely on the experience and practice of their peers. It also enhances the credibility of government financial statements by providing a comprehensive view of government assets and liabilities and an economic measure of government performance.

Figure 6:
Use of IPSAS or similar standards by governments that apply accrual accounting



International organisations such as the World Bank, the IMF and multilateral development banks also contribute to the adoption of accrual accounting, and IPSAS in particular, by laying down IPSAS reporting requirements for countries to which they provide financial assistance to carry out financial management reforms and capacity development programmes.

“In our assessment of sovereign risks, we are not looking at one country in isolation but at how one country compares with the others. This is why comparability of data is incredibly important, but this is a key challenge that we face.”

Sarah Carlson, Vice-President, Senior Credit Officer, Sovereign Risk Group Moody's Investors Service

PwC insight

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

use of public funds, and pave the way for better public service performance and sustainable public finances. All this also contributes to intergenerational fairness. In addition, harmonisation of public sector accounting standards based on IPSAS or similar standards enhances the credibility of financial statements and facilitates comparison between governments around the world.

Budgeting practices

Part 2



Key finding

4

Budgets remain largely on a cash basis, although an upward trend is identified20

Key finding

5

The use of consistent accrual accounting and budgeting systems brings more coherence in decision making..... 22

Budgets remain largely on a cash basis, although an upward trend towards accrual budgeting is identified.



“For governments, budget is clearly the single most important policy document and it is accounting that gets less attention, because accounting is complex and is often misunderstood. Yet accounting and financial reporting are the foundations of proper budgeting and fiscal projections.”

Brian Quinn, Director Financial Operations,
World Bank

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.

The budgeting method determines the information available provided to policymakers. Therefore, choices about the basis of budgeting convey much more than technical decisions about how to measure costs. Cash budgets include only the current period's expected cash receipts and payments; accrual budgeting, on the contrary, takes the long-term impact of government policies into consideration as accrual budgeting reports transactions when the activity generates the revenue or consumes the resources.

While a move towards the accrual basis is clear on the accounting side, there is still less appetite for accrual budgeting: only 18% of governments surveyed use accrual-based budgeting systems. This percentage has increased compared to the results of our 2013 survey (11% of governments stated they were using accrual-based budgets), but it still represents a low score compared to the use of accrual accounting. 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.

82%
of governments
use cash budgets.



Countries that have already adopted accrual-based budgeting notably include Australia, Austria, Canada, New Zealand and the United Kingdom. The feedback received from them on the benefits derived from the introduction of accrual budgeting is very positive. These countries' early experiences with the benefits, challenges and feasibility of incorporating accrual-based measurement into the budget management may provide insights to countries that are considering implementing accrual budgeting.

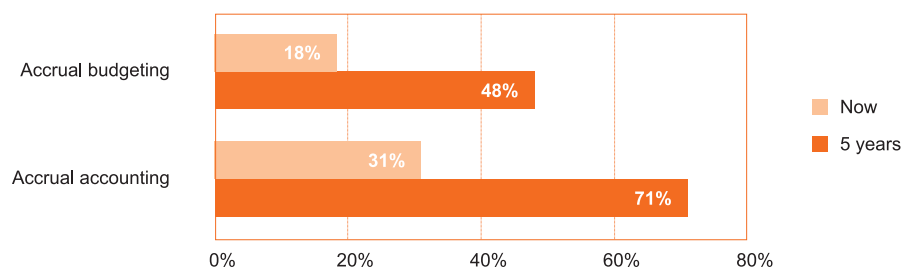
“The main benefits of accrual budgeting have been as follows: first, higher-quality information enabled the government to make consistently better policy choices, and the accrual-based information on the balance sheet generates the ability for decision makers to take a longer-term focus. Second, high-quality information based on accrual accounting is also a vital component of the Crown’s accountability mechanisms and prudent fiscal management.”

Ken Warren, Chief Accounting Advisor,
New Zealand Treasury

The main benefit of accrual budgeting implementation has been a better attribution of transactions to periods, including smoothing out lumpiness of capital expenditure.”

Secretary of Budget Estimates and
Accounting, Department of Finance,
OECD country

Figure 7: Comparative trend towards accrual accounting and budgeting



The number of governments using accrual budgeting (or budgeting practices that are mostly accrual based) is expected to increase from 18% now to 48% in five years (versus from 31% to 71% for accrual accounting).

Many governments responded that they will move to accrual budgeting at the same time they will move to accrual accounting, reflecting the desire to achieve greater consistency between the two. There seems to be a lot of enthusiasm embedded in the responses, especially regarding the timing to get it accomplished. But the ambition is declared.

Countries applying the accrual basis of budgeting consider it an important tool for ensuring a more timely recognition of the complete cost of government activities, and hence a crucial element in addressing performance management challenges. Quotes from our survey indicate that the transition to accrual budgeting is often credited with supporting broader management reform efforts, notably by encouraging more efficient and effective resource management.

When considering benefits brought by accrual budgeting implementation, the following aspects have been highlighted by several respondents to the survey:

- Accrual budgeting enables governments to make better policy choices and take a longer-term focus. By taking account of the long-term impact of political decisions and government policies, accrual budgeting provides better insight for decision making.
- Effective comparison of budgets to actual amounts in the financial statements is facilitated since both are prepared on the same basis: harmonisation of accounting and budgeting systems makes financial reporting more understandable and transparent for financial managers and budgeting people. It also provides a better basis for holding the government accountable for the proper use of public money.

The EPSAS study conducted by PwC on behalf of the European Commission has also revealed that accrual-based budgeting enhances alignment in the way budgets are made, government operations are managed, decisions are made and reporting is done as well as in evaluating actual results, which eventually informs the next budgeting cycle.

The use of consistent accrual accounting and budgeting systems brings more coherence in decision making.



“Accrual budgeting was introduced in combination with accrual accounting, ensuring that the accounting information would also be relevant for and used in decision making by Parliament (i.e. budget allocation decisions). Both were enshrined in the Constitution to ensure the changes would be binding for current and future governments.”

Bernhard Schatz, Deputy Head of Budget Unit, Federal Ministry of Finance, Austria

“Accrual budgeting enables better planning, primarily through the recognition of future liabilities in a timely manner. It also allows for the effective comparison of budget to actual amounts as both are prepared on the same basis.”

Acting Accountant General, Ministry of Finance and Economic Development, Caribbean country

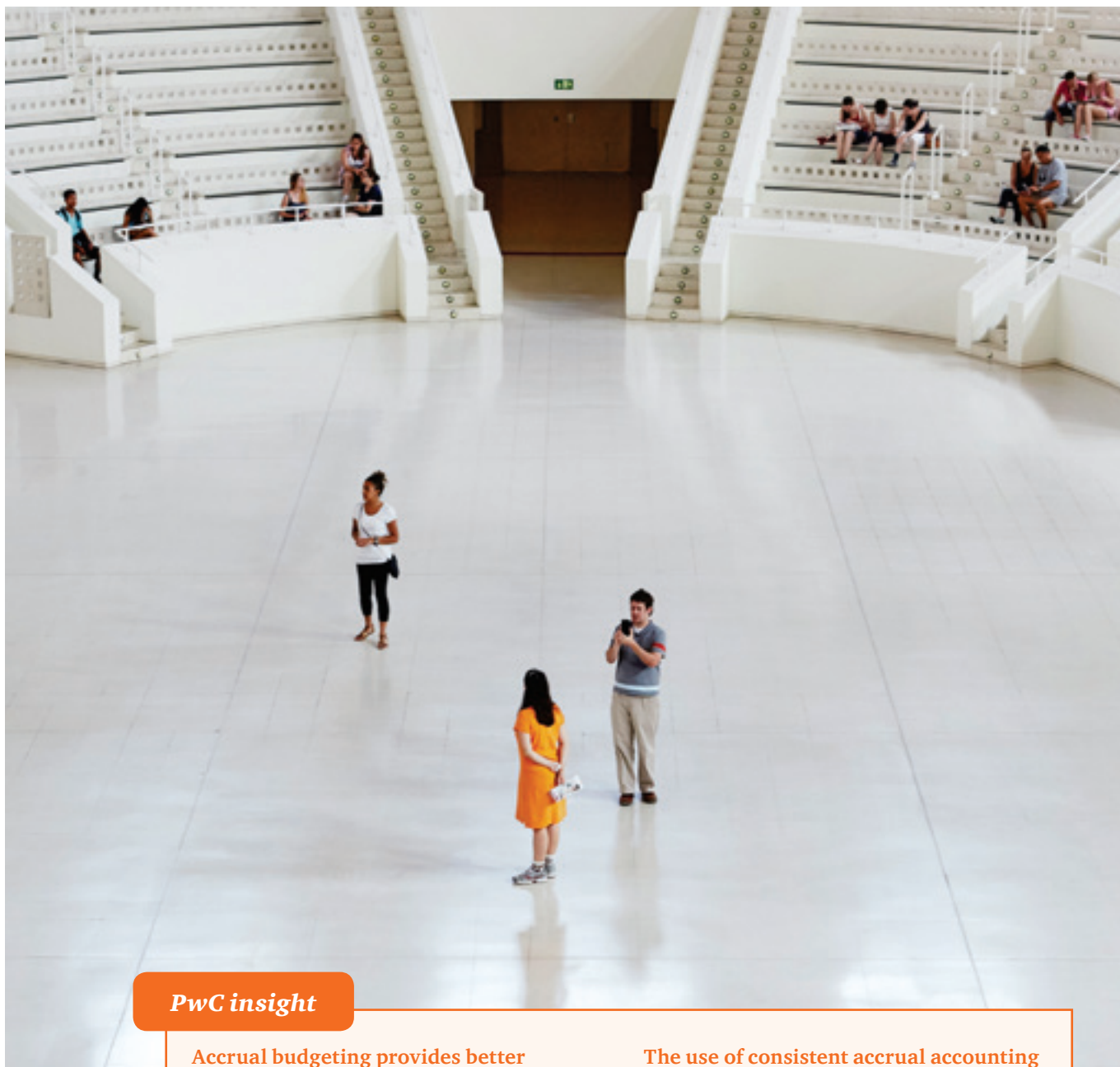
69% of the respondents reconcile the budgetary figures to the accounting figures, which means that 31% still do not. Where accrual accounting is used in full, there is a tendency to include a number of accrual elements in the budgetary reporting, which facilitates the reconciliations.

Implementation of accrual budgeting is often a gradual process. In certain cases, countries that already include accrual elements in their budgets are reluctant to budget depreciation expense, which leaves depreciation and amortisation as a reconciling item between the budgetary basis and the accounting basis.

Respondents confirm that the closer the budgetary basis is to the accounting basis, the more the comparison of budget and actuals will be used for decision-making purposes.

Governments that prepare the budget on the same basis as the accounting show a more dynamic practice of using the variance analysis and the reconciliation for decision-making purposes as these analyses and comparisons are more embedded in the procedures and are performed on a regular basis. In some examples, the budgetary outcome for both revenue and expense is reported on a monthly basis and communicated to Parliament.

Countries with an important gap between the (accrual) accounting base and the (cash) budgetary base are more likely to do the reconciliation between budget and accounting on an annual basis, in which case the reconciliation is not used for decision-making purposes.



PwC insight

Accrual budgeting provides better insight for decision making, considering the long-term impact of political decisions. It also provides greater consistency with the accounting, therefore making comparisons more understandable and enhancing the democratic accountability process.

The use of consistent accrual accounting and budgeting systems brings more coherence in decision making. Introduction of accrual budgeting requires a well-thought-out change management and educational campaign as well as consideration of the related regulatory aspects.

IT environment



Part 3



Key finding

6

ERP systems are commonly used to manage the accounting, budgeting and reporting processes.....**26**

Key finding

7

Greater integration of IT systems is a key priority and a major challenge for most governments**28**

ERP systems are commonly used to manage the accounting, budgeting and reporting processes.



The change to accrual-basis IPSAS or similar standards is much more than an accounting exercise; it is a transformation of the government finance function that impacts the whole organisation and affects not only its policies, but also its people, its processes and its systems. As the focus for public sector bodies has traditionally been on budgetary formulation and execution rather than wider financial reporting, new data needs arise. In order to capture and analyse the increased volume of accounting data and information, investments in new IT systems or adjustments to existing IT systems are often necessary.

Implementing adequate IT systems is thus a key component of any major finance reform. Meeting IT system requirements is a major challenge faced by public sector entities when adopting IPSAS or similar standards. Functional and technical expertise is required from the start of the project in activities such as system architecture and design and further on throughout the conversion process, to incorporate the new accounting and reporting requirements into the systems and procedures.

Designing IT solutions for a government should consider the range of entities included in the scope of the government perimeter, in multiple areas of the finance function such as accounting, budgeting, management reporting, procurement or treasury.

Systems implementation may be envisaged in phases, with the roll-out in the various government entities being spread over a number of years.



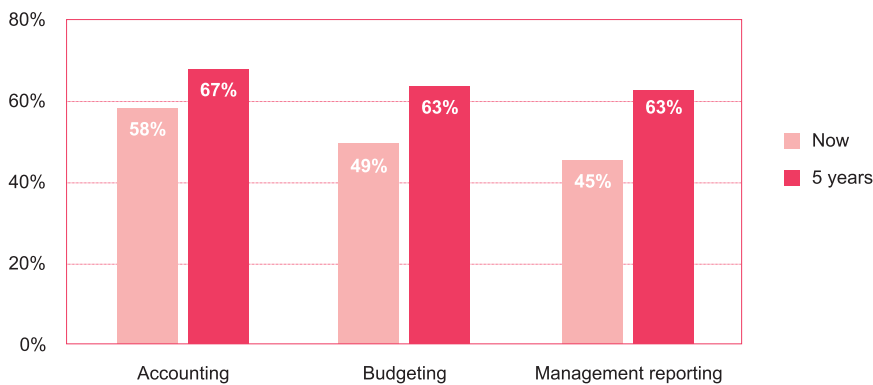
“Since 2012, the accounting of all federal state departments has been directly recorded in or interfaced to the SAP system FEDCOM. We started a project aimed at capturing the accounting and budgeting figures of some 130 federal institutions within a central tool linked to our ERP system in order to be able to automate as much as possible the consolidation at the federal level. This project started in 2015 and runs up to 2017.”

Marc De Spiegeleire, General Manager of the Federal Accountant Department, Ministry of Budget, Belgium

2 in 3

governments expect to use an ERP system in the main areas of reporting in five years.

Figure 8: Expected evolution in the use of ERP systems in the main areas of reporting

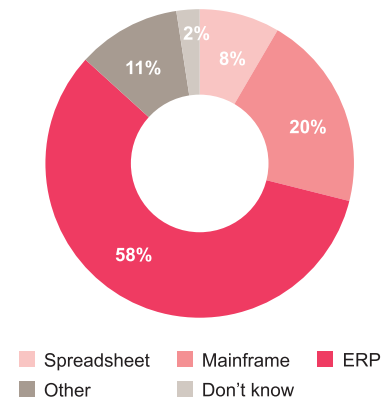


Our global survey shows that Enterprise Resource Planning (ERP) systems are commonly used by governments to manage their accounting, their budgeting processes and their internal management reporting. 58% of governments surveyed use an ERP system for their accounting, 49% to manage their budget, and 45% to manage their internal reporting system.

Regular software (i.e. run on mainframe operating systems) is the second most-commonly used type of IT system for financial reporting purposes, while a limited number of governments still largely make use of spreadsheets.

Based on respondents' feedback, we also expect the proportion of governments using an ERP system to increase over the next five years, exceeding 60% in all three areas of reporting. 68% are expected to use an ERP for accounting purposes in five years, while progress should be the strongest in the "budgeting" and "management reporting" areas, with +14% and +18% of countries implementing an ERP solution in these domains.

Figure 9: Type of IT information systems used to manage the accounting now



Many public sector entities take advantage of their accrual accounting transition project to set up an ERP system and upgrade their financial function with new functionalities like cost accounting and enhanced budget procedures.

Having one organisation-wide system that can be used to manage and coordinate all information, resources, and business processes can produce significant efficiency savings and productivity gains.

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



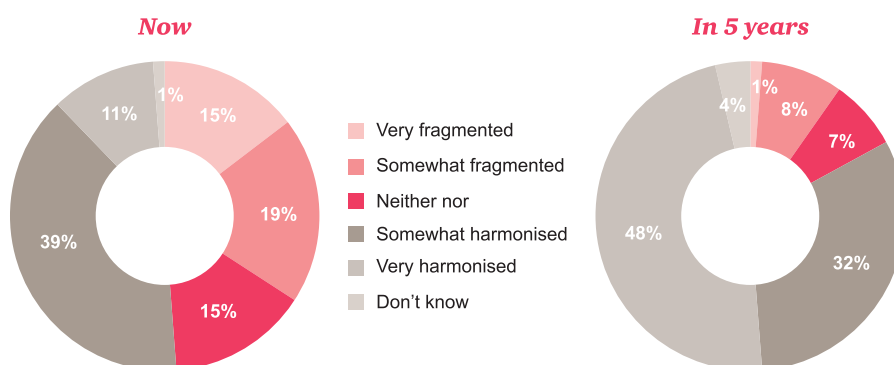
+37%

of governments want to have very harmonised IT systems in place in five years.

“Currently a standard accounting system (Government Financial Management and Accounting System) is being used in federal government. However, there are different front-end systems also being used by responsibility centres to manage payments and to account for receipts. After having performed our gap analysis, we concluded we needed a new IT system that will be capable to generate accrual data. This system is going to be centralised with a single database that will be integrated and interfaced with systems in place in major agencies and lines ministries. The system will enable us to generate both cash and accrual information.”

Devantri Kaur Santa Singh, Director of the Accountant General Department, Malaysia

Figure 10:
Expected evolution in the level of IT harmonisation across government entities



Responses from the survey suggest that the level of IT harmonisation across ministries and major government entities at the central government level is an area of concern.

Only 1 in 2 respondents consider that their government IT systems are currently either very or somewhat harmonised, and 34% of governments declare that their IT systems are very or somewhat fragmented. A certain level of differentiation in IT solutions across ministries and government agencies is understandable as the tools are designed to fit the specific goals and needs of each individual public body (considering the wide variety of assignments).

However, a trend towards greater harmonisation is identified and, even if the situation remains contrasted between countries, an increasing number of governments are implementing business-IT alignment strategies. 4 in 5 governments intend to have very harmonised (48%) or somewhat harmonised (32%) systems in place in five years. Significant efforts will be required to achieve this.



“Due to budget constraints, it is no longer possible to build large unintegrated financial systems.”

Deputy Assistant Secretary for Accounting Policy and Financial Transparency, OECD country

“The Ministry of Finance and Planning is exploring the possibility of implementing an Integrated Financial Management Information System (IFMIS) in support of its PFM reform. Due to financial constraints, other IT solutions and procurement of off-the-shelf solutions are also considered, with the assistance of international donors.”

Annmarie Cummings, Director of Accrual Accounting Implementation, Jamaica

IT investment costs and efficiency savings

In the wake of the global financial crisis and the subsequent sovereign debt crisis, growing budgetary constraints may constitute a limitation to the scope and pace of implementation of ERP systems. Funding by development banks or other donors may provide certain governments the necessary resources to implement such projects.

Many governments see their accrual accounting implementation as an opportunity to set up an enterprise-resource planning (ERP) system or to upgrade their current system, incurring costs that go beyond strict accrual accounting compliance.

Such a cost can be significant and an investment decision needs to be taken on a case-by-case basis.

Transitioning to accrual accounting indeed requires governments to produce specific sets of financial information, using new reporting formats with a specific design. The introduction of accrual accounting in general based on IPSAS or similar standards will generate new data and information requirements. The processing of new data flows will in most cases require adaptations to the existing IT environment.

The significance of these system adaptations will highly depend on the current, pre-reform IT maturity. For governments that already report on an accrual basis, adaptations are expected to be limited, contrary to governments that currently report on a cash basis.

“Indonesia is implementing an Integrated Financial Management Information System (IFMIS), which should allow for integrated management of resources from budgeting, budget execution and accounting across ministries and major government entities at the central government level, from 2015. The IFMIS will also allow internal management reporting using business intelligent tools.”

Binsar Simanjuntak, Chairman Government Accounting Standards Committee, Indonesia

The study recently conducted by PwC on behalf of the European Commission on the potential impact, including costs, of the implementation of accrual accounting within the European Union confirmed this. The study shows – based on a sample of Member States that already experienced an accounting and finance reform – that the higher IT costs have been incurred by governments that have implemented a new ERP system (often as part of a wider finance reform), while the cost is on average significantly lower where governments have realised their reform by adapting their existing IT systems.

While the costs can be significant, the modernisation of public accounting systems provides an opportunity to upgrade management information systems and streamline administrative processes to increase efficiency in public administration.

Governments may implement centralised transaction processing and, in some instances, shared service centres as a key feature of their PFM reforms. Increased administrative efficiency can be seen to generate a return on the initial investment through a reduction both in processing time and in administration costs in the individual reporting entities. With a more streamlined and automated reporting system, fewer resources are required for transaction processing tasks, and staff may instead be used for value-added tasks such as data analysis and forecasting. Integrated IT systems lead to a higher degree of efficiency, more effective data processing and the production of more reliable information, therefore being an enabler for better public financial management.

The use of common accounting systems and the sharing of IT development costs by several entities (where feasible) may also considerably reduce costs associated with the systems dimension.

Leveraging the “digital transformation”

The implementation of finance IT systems involves key challenges, in terms of people capabilities, system architecture and design, and data quality and security. Taking on the opportunities of the “digital transformation” may turn these challenges into opportunities. The future finance function should develop sharper analytical capabilities; exploiting the potential of (big) data analytics in resource allocation and policymaking can strengthen the capacity to drive both public policy and the sustainability of public finances.



PwC insight

Successful implementation of modern IT systems that meet the requirements of an accrual accounting reform based on IPSAS or similar standards, and integrate other dimensions of sound public finance management, is a cornerstone of any public finance reform. Significant benefits can be

derived from the efficiency gains linked to the implementation of new IT and administrative processes and from better management information. This allows informed management decisions to be made, with a consequential positive impact on the use of public resources.

Finance function

Part 4



Key finding

8

Governments mainly focus on compliance and control, but also indicate a desire to improve efficiency and insight**34**

Key finding

9

Cost accounting, performance management, fixed asset management and long-term planning and forecasting are still the major areas that require improvement**38**

Key finding

10

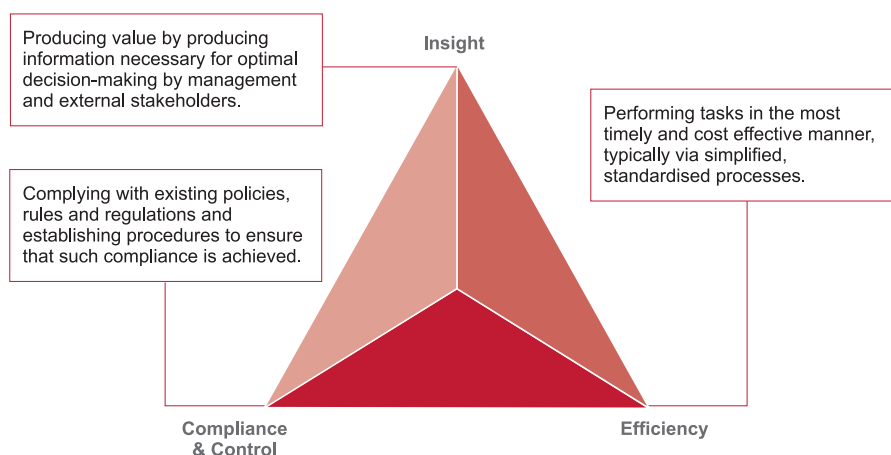
Government key priorities for the next five years are accrual accounting (based on IPSAS or similar) adoption, greater integration of IT systems, capacity building and improvement of management information systems**42**

Governments mainly focus on compliance and control, but also indicate a desire to improve efficiency and insight.



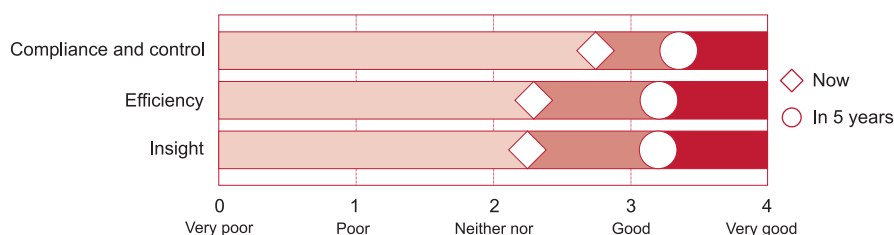
Survey respondents were asked to evaluate three key dimensions that contribute to the overall effectiveness of the government finance function: compliance and control, efficiency, and insight. These dimensions should be viewed as complementary and mutually reinforcing. Together, they stand to enhance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

Figure 11: PwC's finance assessment framework



On average, governments rate their performance in the compliance and control area higher than in relation to the efficiency and insight dimensions.

Figure 12: Governments' performance assessment per dimension



Governments currently assess the performance of their finance function as between “fair” and “good” but indicate a desire to improve. In five years’ time, it should be brought to “good” and “very good”. The expected global trend is positive, the results show that the focus is mainly on compliance and control, but governments also indicate their desire to improve efficiency and insight.

The current picture has not changed a lot over the last two or three years. The declared intention to improve within the next five years, mainly in relation to the efficiency and insight dimensions, was also a finding of the first edition of our global survey.

Governments operate in heavily regulated environments, and complying with the existing policies, rules and regulations is seen as a minimal requirement. Achieving greater efficiency and bringing better insight in government finances reflect a more mature view of the government financial function and require additional investments in systems and processes.



Governments indicate a desire to improve in all dimensions of the finance function

Compliance and control

The compliance and control dimension needs to be upgraded as governments move towards accrual accounting and more mature reporting systems. 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 also be put in place to improve areas of compliance and control.

Efficiency

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.

Improving the efficiency of the government's finance function, however, requires significant and continuous investment in skills and adjustments to processes, systems and working methods as well as organisation and governance over several years.

Simplified and standardised processes are typically used as a means of achieving efficiency gains. Process improvements may leverage technology and involve transactional processing solutions.

Governments that have chosen to implement shared service centres can achieve real-term gains. Outsourcing arrangements can also be concluded to handle complex transactions.

As new standards and processes flow across the entire organisation, policy and procedure manuals should be updated to reflect the accrual framework, and dashboards should be developed to monitor data quality and system outputs.

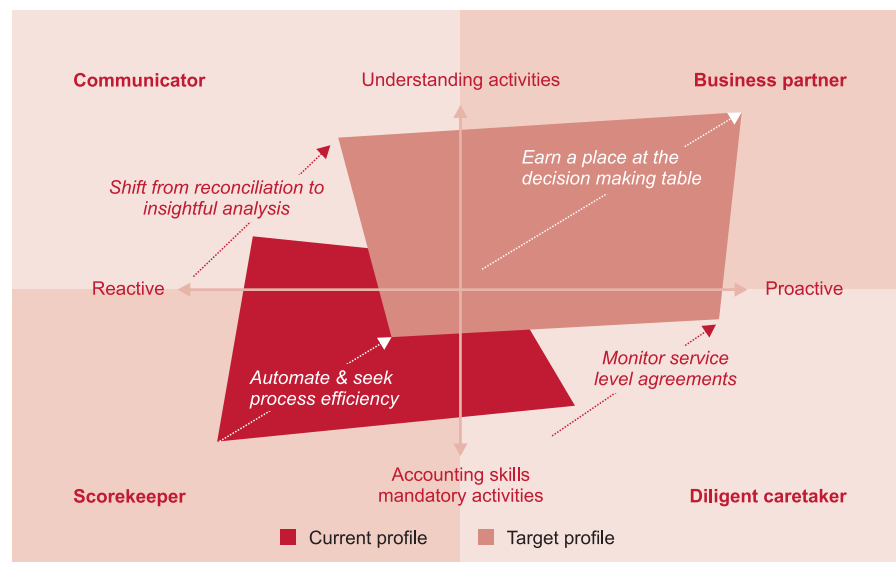
Insight

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

Figure 13: Moving from scorekeeper to business partner

While accrual accounting lays the basic foundation for a modern finance function, moving finance up the value chain within government requires the finance function to play a proactive role in providing key information that informs strategic and 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.



Providing information that is useful for decision making responds to a growing legitimate expectation from stakeholders and business partners who expect government finance managers to base their actions not only on regulatory prerogatives and powers but also on truly recognised expertise and agility in dealing with everyday problems.

Finance functions are experiencing challenges in respect of capabilities, keeping teams connected and motivated, and finding the right balance between technology and people. The most talented government staff are striving to develop their competencies in a more attractive environment and gain access to more appealing jobs. Using accrual accounting based on the best international standards and enhanced public finance management practices will facilitate recruitment of finance staff from the private sector.

Extract from the PwC EPSAS study:

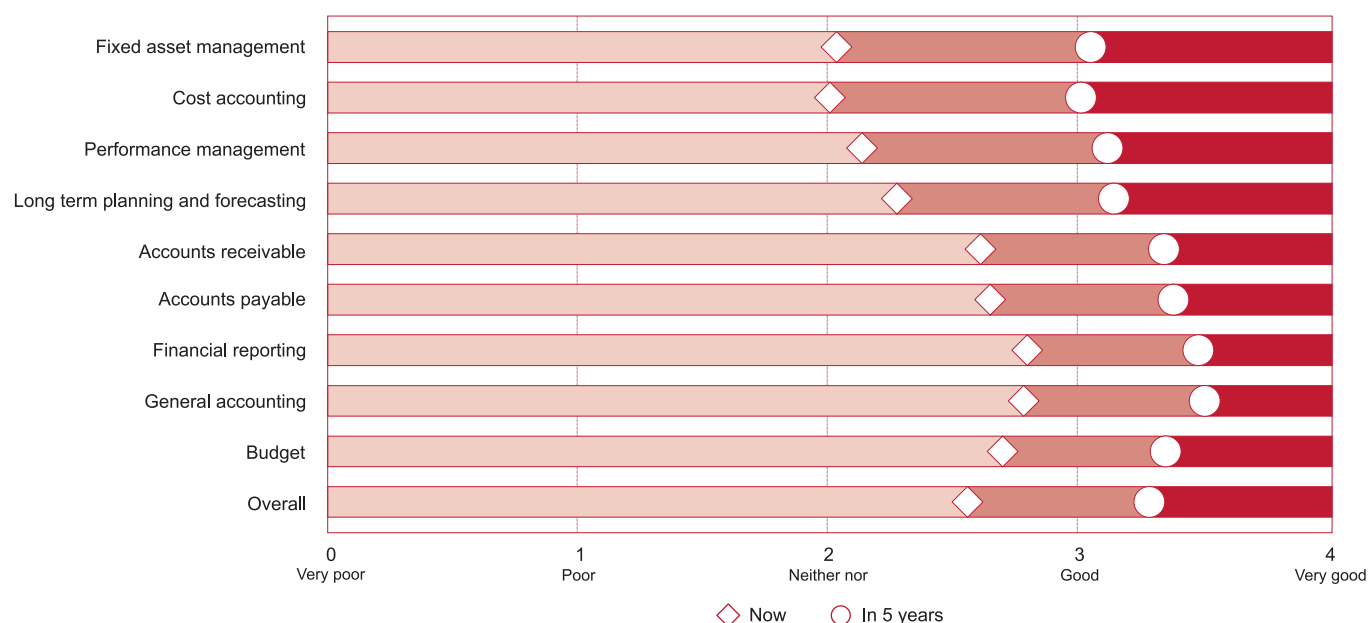
The introduction of accrual accounting in the United Kingdom led to a more professionalised finance function across government. The number of financial professionals increased from less than 1,000 in the early 1980s to now include over 9,000 qualified accountants and trainees across 50 central government departments and agencies. Finance expertise has moved beyond the central treasury and financial departments and into the operational side of government, with 20% of finance professionals working outside of the finance function. All departments now have a qualified finance director. Finance is now more than an administrative function: only 10% of qualified accountants work in transaction processing, and 30% in reporting and control. The remaining 60% work in decision support, providing financial analysis for decision making and policy evaluation.



Cost accounting, performance management, fixed asset management and long-term planning and forecasting are still the major areas that require improvement.



Figure 14: Expected evolution of the effectiveness of the government finance function



Despite assessing the current performance of their finance functions as “good” overall, governments see an opportunity, or even a necessity, to improve in specific areas of financial management.

Fixed asset management, cost accounting, performance management and long-term planning and forecasting are identified as the main areas for improvement, as was already the case in the first edition of our global survey. The comparison and experience feedback show that progress is generally slower than anticipated, but the ambition is confirmed.

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

Fixed asset management

Fixed assets represent a large portion of government assets. They do not only include traditional assets, such as government land and buildings, but also cover 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.

Moving from a cash-based accounting environment to accrual accounting requires significant efforts given the number of assets managed by governments and the data required to report them in accordance with accrual-based principles. As a consequence, implementation of fixed asset accounting and management is a multi-year project that concerns the entire government entity and involves interactions with many of both non-finance (procurement, asset managers, etc.) and finance staff.

Strong asset management practices will provide information for use in determining financing strategies, repair and maintenance schedules, optimal space allocation, logistics and supply chain management practices, and asset disposal decisions. Availability of such information in turn helps to identify opportunities for cost savings and optimisation.

Cost accounting

Recognising costs on an accrual basis offers a better view of the cost of delivering public services and a basis on which to assess the outcomes achieved. The detailed financial information captured in respect of costs also provides key input into cost accounting systems, which capture more detailed information on the cost of government programmes and services to support management decision making.

In practice, implementing a cost accounting system requires significant efforts in terms of business model design and the definition of functions and relevant activities based on clear perimeters and associated with harmonised measurement units to enable comparison of departments or programmes. The diversity of missions and activities within public entities can make this a complex exercise and may be a valid reason for adjustments to be made.

As governments begin to place increased emphasis on managing for performance, cost accounting becomes important to the financial indicators that track government performance.

Performance management

Effective performance management systems must support government policy-making and implementation. They must be designed and implemented so as to optimise the link between the definition of policy objectives, strategic planning, the subsequent delivery of services, and measurement in both financial and non-financial terms against budgets and fiscal or social policy outcomes.

Enhanced management information systems include implementation of cost accounting, results-based management practices, which can help hold public managers accountable for their results, and accrual budgeting.

With better information systems in place, governments are better positioned to assess their performance and make adjustments as necessary to maximise value in the delivery of public goods and services.

Long-term planning and forecasting

Accrual-based financial information gives a comprehensive view of the government's financial position, which in turn provides a basis for assessing fiscal sustainability and understanding the risks that may threaten the government's long-term fiscal position.

Long-term planning and forecasting is important to optimise the use of available resources over the short and long terms to achieve intergenerational fairness. By strengthening the planning and forecasting capacity, the finance function stands to increase its relevance in the decision-making process.

“Forests for harvest are recognised in Estonia’s balance sheet based on the present value of the cash flow to be obtained from future sales of forest products. This measure is a key indicator used in natural resources management.”

Juta Maar, Head of State Accounting,
Ministry of Finance, Estonia

“The implementation of accrual-based accounting was a precondition for management-by-results, with the enhanced financial information being used for results-based management across government. The consumption of resources can now be weighed against the performance of each government entity. Thus, the accounting reform served to shift the focus of financial management in the central government away from an input-driven system toward a more result-based management with a clear focus on outputs and outcomes.”

Pia Heyman, ESV, Swedish National
Financial Management Authority, Sweden

“A re-engineered IFMIS system will be implemented, taking a full cycle end-to-end integrated approach incorporating the following components: plan to budget, procure to pay, revenue to cash, record to report, ICT to support, communicate to change.”

Bernard Ndungu, Director General
Accounting Services, The National Treasury,
Kenya

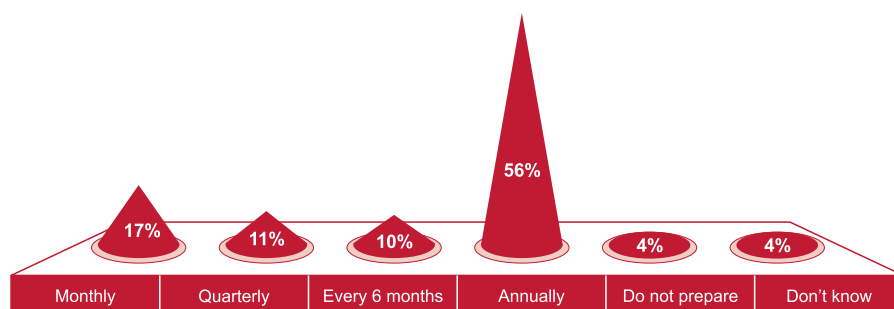
“The current timing of publication of the year-end financial statements cannot be expected to meet the needs of the financial statement users. These cannot make effective economic decisions based on historical information that is two years old.”

Director, Auditor General Office,
Asian country.

“Financial statements and consolidated financial statements for the previous year are made available to the public within six months after the closing date; summary financial statements for the whole public sector within 10 months after the closing date.”

Peter Ivanek, Head of Consolidation and
Summary Reporting Department, Slovakia.

Figure 15: Preparation of government financial statements



Public entities are lagging behind their private sector counterparts in terms of in-year reporting. Publication of quarterly reports is the norm for listed companies, whereas only 28% of survey respondents indicate that they produce monthly reports (17%) or quarterly reports (11%). 10% of governments declare that they produce semi-annual statements, but the vast majority (64%) produce financial statements just once a year (56%) or do not produce information at all (8%).

For the purposes of this question, financial statements are meant to comprise at least a statement of financial position (balance sheet) and a statement of financial performance. However, the above percentages should be interpreted with care as they include references to financial statements prepared using cash-based accounting practices that do not provide the same quality of information as financial statements prepared using accrual accounting principles.

Considering this, there is significant room for improvement. 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.

The frequency of publication of financial statements also reveals an overall weakness about the way in which information on public finances is communicated to the government stakeholders, including citizens who – in their capacity of both taxpayers and service recipients – represent the primary category of users of financial statements.



Truthful transparency is required for true accountability and decision making. This can be facilitated by reliable, relevant, understandable and timely reporting. Indeed, there is an important connection between transparency, accountability and trust. According to a survey jointly conducted by PwC and ICAEW¹ among 10,000 European citizens, the countries with the highest levels of distrust are also the ones where there is a greater demand for information and transparency on the state of public finances and on how public resources are spent. As underlined by the survey, fewer than 1 in 5 Europeans feels that their government provides them with actionable information about the state of public finances.

Shortcomings in accounting and reporting often make it difficult for the wider public to understand the true and complete state of public finances. Furthermore, the provided financial information is generally seen as complex and difficult to understand.

Examples of smart communication by governments on the state of their public finances exist but currently are exceptions rather than the norm.

There is a clear case for governments to communicate more complete and transparent information about their public finances, based on best international practices, and explain it to the public in simple and clear terms. This is a key feature of democratic accountability, a process that requires strong political commitment backed by greater scrutiny by citizens, media and markets. This is one of the elements that should contribute to rebuilding citizens' trust in public finances. The accountancy profession also has a role to play in the whole education process.

“If it is important to increase the supply of financial information, it is equally important to deal with demand. If not, governments produce financial statements that no-one reads or understands.”

Fayezul Choudhury, Chief Executive Officer,
International Federation of Accountants

“The Treasury prepares a “snapshot” of the annual financial statements of the Government, which is a high-level presentation of key facts and figures for the financial year, intended to make the financial statements more user-friendly and accessible. Citizens are more likely to read this snapshot than the full financial statements.”

Ken Warren, Chief Accounting Advisor,
New Zealand Treasury

¹ Trust in public finances, A survey of citizens in 10 European countries, ICAEW-PwC, December 2014.

Government key priorities for the next five years are accrual accounting (based on IPSAS or similar) adoption, greater integration of IT systems, capacity building and improvement of management information systems.



Governments were invited to indicate their key objectives and priorities for the next five years in either of the domains covered by our survey: accounting, budgeting, IT or the wider finance function.

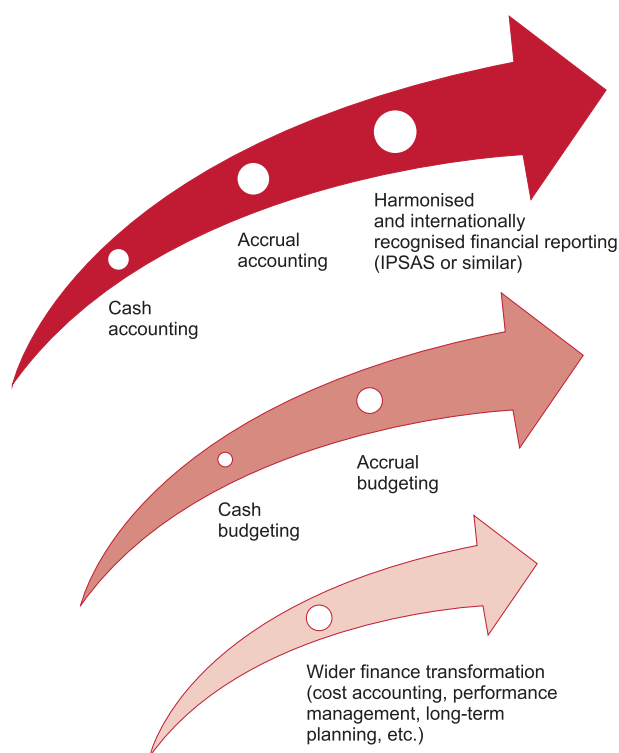
The results confirm that moving along the maturity spectrum of the government finance function is a journey, and government priorities for the next five years include one or several of the following projects, depending on their level of maturity along that spectrum: accrual accounting (based on IPSAS or similar standards) implementation, modernisation and greater integration of IT systems, capacity building and improvement of management information systems.

In any finance reform, introducing accrual accounting is a necessary step that enables the production of information that reflects the true and long-term economic impact of political decisions. Implementing accounting standards that are recognised on an international level, such as IPSAS, is a further step forward to improve transparency and accountability and to build trust.

But ultimately it is important to acknowledge that implementing IPSAS or similar standards is not an end in itself, but a catalyst to providing high-quality financial statements and, even more importantly, improving operational performance, therefore enabling sound public financial management.

The graph below illustrates a typical move towards a mature finance function.

Figure 16: Finance maturity spectrum



Moving towards a greater degree of maturity of the finance function involves implementing tools and processes that form an optimal basis for decision making. It may involve adopting an accrual-based budgeting system, aligning the budgetary process to the accounting process, implementing a reliable cost

accounting system that can measure the costs of activities and programmes, setting up a management information system that allows one to report on the service performance, as well as introducing planning tools and processes to assess the long-term sustainability of public finances.

“The iterative process of continuously improving the quality of accounting implemented by the Directorate General of Public Finances in the entire public sector increases the level of performance in the general government in all areas of management and accounting.”

François Tanguy, Chief Accountant, Ministry of Finance and Public Accounts, Directorate General of Public Finances, France

“Our government is currently undergoing reforms in the area of public financial management. The program is aimed towards improvement of accountability and transparency, and seeks to clarify, simplify, improve and harmonise our financial management processes and information systems.”

Director Department of Finance, East Asian Country



Obviously, quite a few challenges lie ahead. The task is not an easy one, but it is do-able, governments can benefit from experiences of successful reforms and leverage best implementation practices.

To face the challenges ahead, all stakeholders have a role to play, including political decision makers, civil servants, funds donors, the media, accountants and the public at large.

PwC insight

Implementing an efficient finance function that delivers maximal value to governments' stakeholders is a major undertaking; it cannot be done overnight. However, progressing along the maturity spectrum of the finance function should be a priority for every

government, taking into account its particular situation and characteristics. The ultimate objective is a better public service and sustainable public finances. There is no room for inaction, the cost of not reforming would be much higher than the cost of reform.

List of survey respondents

Country	Level of country development		Continent					
	OECD	Non-OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Albania		×			×			
Argentina		×				×		
Armenia		×		×				
Australia	×							×
Austria ¹	×				×			
Bangladesh		×		×				
Belgium	×				×			
Bermuda ³		×				×		
Bhutan		×		×				
Bolivia ³		×				×		
Bosnia & Herzegovina ³		×			×			
Brazil		×				×		
Bulgaria		×			×			
Burkina Faso ³		×	×					
Burundi		×	×					
Cambodia ²		×		×				
Cameroon ³		×	×					
Canada	×						×	
Cayman Islands		×				×		
Chad		×	×					
Chile	×					×		
China ³		×		×				
Colombia		×				×		
Comoros ³		×	×					
Costa Rica		×				×		
Croatia		×			×			
Cyprus ¹		×			×			
Czech Republic	×				×			
Democratic Republic of Congo ³		×	×					
Denmark	×				×			

Country	Level of country development		Continent					
	OECD	Non-OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Dominican Republic		×				×		
Ecuador		×				×		
Egypt ³		×	×					
El Salvador		×				×		
Estonia	×				×			
Finland	×				×			
France	×				×			
Gabon ³		×	×					
Gambia		×	×					
Georgia		×		×				
Germany	×				×			
Ghana		×	×					
Greece	×				×			
Guatemala ³		×				×		
Honduras		×				×		
Hungary	×				×			
Iceland ³	×				×			
India		×		×				
Indonesia		×		×				
Ireland ¹	×				×			
Israel	×			×				
Italy	×				×			
Jamaica		×				×		
Japan	×			×				
Jordan		×		×				
Kazakhstan		×		×				
Kenya		×	×					
Korea	×			×				
Kosovo		×			×			
Laos ³		×		×				

¹ Gathered in the PwC EPSAS study.

² Gathered with contribution from the Asian Development Bank.

³ Gathered via PwC desk research.

Country	Level of country development		Continent					
	OECD	Non-OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Latvia		✗			✗			
Lebanon ³		✗		✗				
Liberia		✗	✗					
Lithuania		✗			✗			
Luxembourg	✗				✗			
Madagascar		✗	✗					
Malaysia		✗		✗				
Maldives		✗		✗				
Malta		✗			✗			
Mauritius		✗	✗					
Mexico	✗					✗		
Mongolia ³		✗		✗				
Montenegro ³		✗			✗			
Morocco ³		✗	✗					
Namibia		✗	✗					
Nepal ²		✗		✗				
Netherlands	✗				✗			
New Caledonia		✗						✗
New Zealand	✗							✗
Nigeria		✗	✗					
Norway ³	✗				✗			
Oman ³		✗		✗				
Pakistan		✗		✗				
Panama		✗				✗		
Paraguay ³		✗				✗		
Peru		✗				✗		
Philippines		✗		✗				
Poland	✗				✗			
Portugal ¹	✗				✗			
Qatar ³		✗		✗				

Country	Level of country development		Continent					
	OECD	Non-OECD	Africa	Asia	Europe	Latin America & Caribbean	North America	Oceania
Romania ¹		✗			✗			
Russian Federation		✗			✗			
Rwanda		✗	✗					
Saudi Arabia ³		✗		✗				
Senegal ³		✗	✗					
Serbia ³		✗			✗			
Sierra Leone		✗	✗					
Slovakia	✗				✗			
Slovenia ¹	✗				✗			
South Africa		✗	✗					
Spain	✗				✗			
Sri Lanka		✗		✗				
Swaziland		✗	✗					
Sweden	✗				✗			
Switzerland	✗				✗			
Tanzania		✗	✗					
Thailand ²		✗		✗				
Trinidad & Tobago		✗				✗		
Turkey ³	✗			✗				
Turkmenistan ²		✗		✗				
Turks & Caicos Islands		✗				✗		
Uganda		✗	✗					
Ukraine		✗			✗			
United Arab Emirates ³		✗		✗				
United Kingdom	✗				✗			
United States	✗						✗	
Uruguay ³		✗				✗		
Uzbekistan ²		✗		✗				
Vietnam		✗		✗				
Zambia		✗	✗					
Total	34	86	25	31	38	21	2	3
	120		120					

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.



Dato' Mohammad Faiz Azmi
Executive Chairman, PwC Malaysia

+603 2173 0867

mohammad.faiz.azmi@my.pwc.com



Datuk Mohd Anwar Yahya
Public Sector Leader, PwC Malaysia

+603 2173 1811

mohd.anwar.yahya@my.pwc.com



Nurul Ain Abdul Latif
Partner, PwC Malaysia

+603 2173 0935

nurul.ain.abdul.latif@my.pwc.com



Ting Choo Wai
Executive Director, PwC Malaysia

+603 2173 0554

choo.wai.ting@my.pwc.com



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