

Public Financial Reporting Reforms: International Experiences



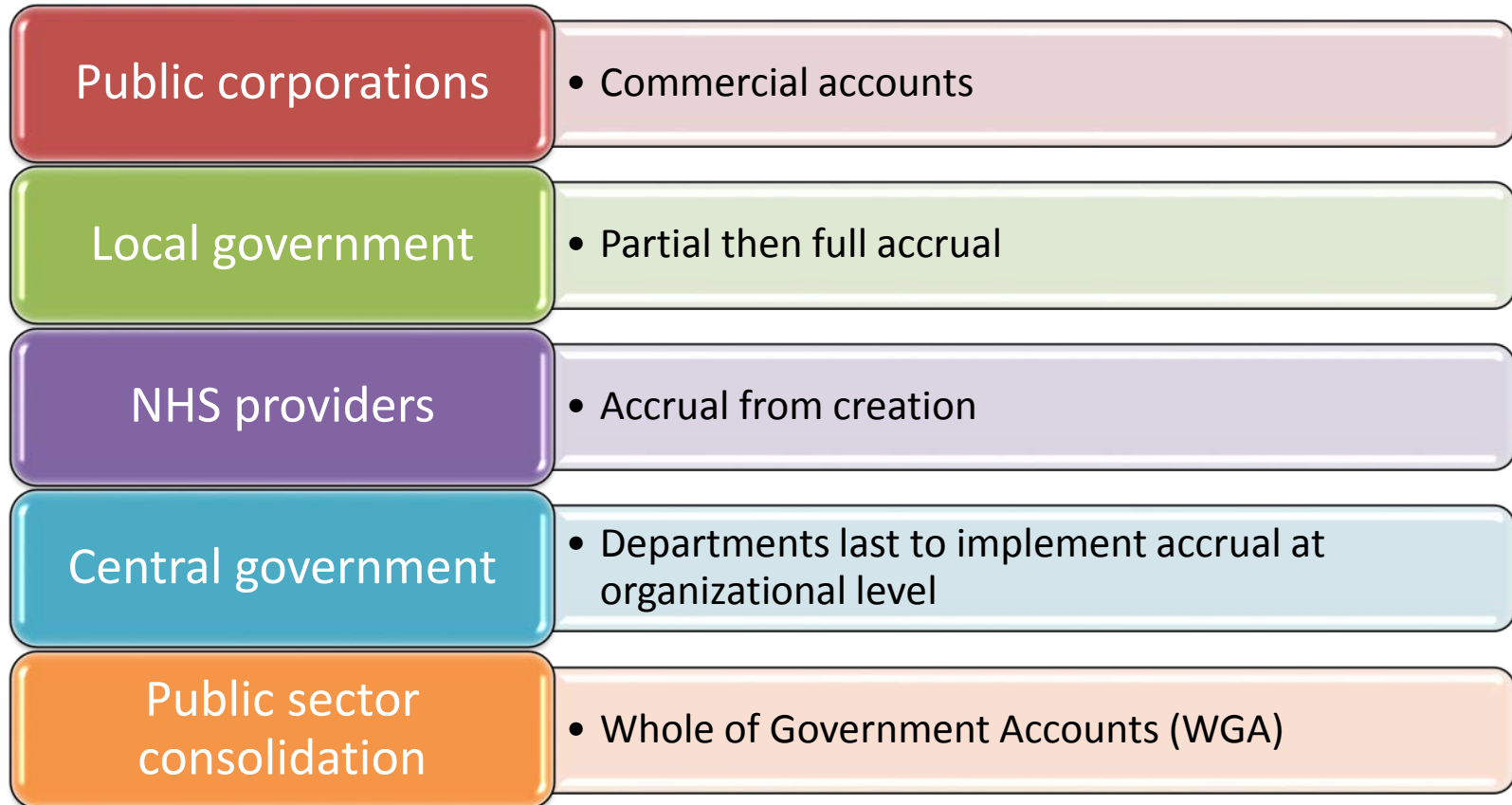
The Canadian Experience

Rod Monette

The UK Experience

Paul Mason

Where did we start?



Reasons for WGA – and accrual accounting

More complete

- Provides a more complete picture of UK's finances - as includes provisions (e.g. nuclear), pensions, contingent liabilities, future contracts (PFI)

Decision making

- Can support longer-term fiscal decision making – better quality information for ONS

Improve efficiency

- Drives conversion of accounting practices and aligning processes
- Highlights discrepancies in interpretations of accounting standards

Transparency

- 'Making public data public'

Accountability

- Improves accountability to Parliament as the only audited set of data across the public sector

Whole of Government Accounts: Reconciliation of public sector net debt

Year ended 31 March 2014	£bn	Year ended 31 March 2014	£bn
Public sector net debt (National Accounts)	(1,402)	<i>Additional net assets in WGA</i>	
<i>Additional net liabilities in WGA</i>		Property, plant & equipment	763
Net public sector pensions liability	(1,302)	Investment property	13
Provisions	(142)	Intangible assets	32
PFI Contracts	(33)	Inventories	12
Unmortised premium or discount on gilts	(29)	Investments	23
Trade and other payables	(47)	Trade and other receivables	39
Accruals and deferred income	(44)	Prepayments and accrued income	80
		Boundary differences (3 entities)	153
		Other	32
		Net liabilities (WGA)	(1,852)

Success Factors



Central Government – Overview

Small HM Treasury project team

Composition evolved with project

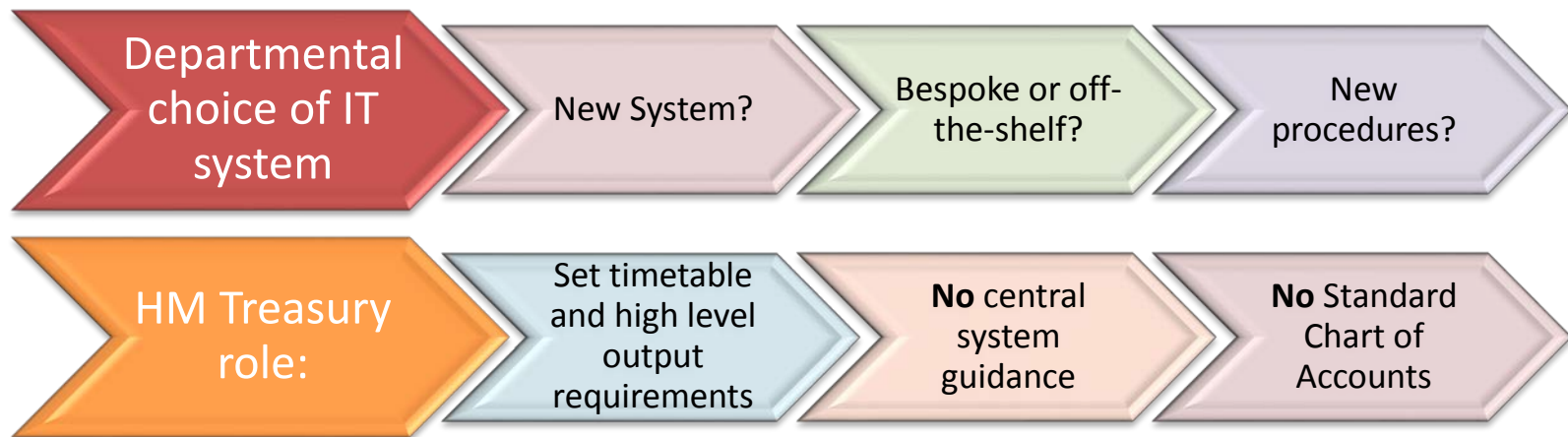
Policy and legislation responsibilities

Developed programme framework – timetables and milestones

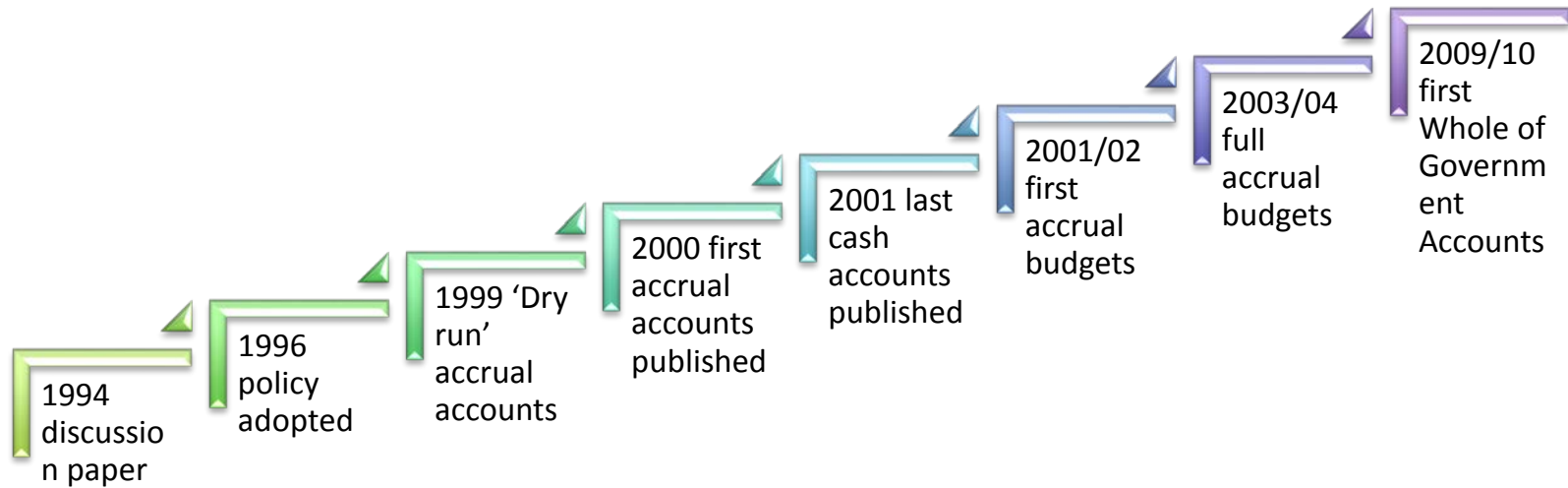
Programme management – monitoring and addressing emerging issues

Stakeholder management - promotion and progress reporting

Central Government – IT Systems



Central Government – Timeline



Central Government – Capacity Building

Limited accounting expertise initially

Training decentralised

Some centrally-written guides

Mainstream role for Finance

Increased number of qualified accountants

Qualified Finance Directors on Department Boards (by 2007)

Applying the Lessons - Malta

Finance function in each ministry/department

Government Finance Profession

Learning and development strategy

The Swedish Experience

Kjell Larsson



My experiences of Swedish PFRA reform

- **Background pieces**
- **Why reform? At this time?**
- **What went well? Why? A personal view**
- **What should I do differently today?**

Quick background 1

- 1988, wide reform of Gvt. public management. New budget process. Management by results.
- Annual report system on performance. And finances
- Modernized accounting (accruals).
- Annual, audited, reports from all 300+ Gvt. entities.
- Audited, whole of Gvt. accounts.
- Local and regional (public) municipalities are not part.

Quick background 2

- Some SE specificities
 - Gvt. entities independent from Gvt. Ministries.
 - 25 years of program budgeting.
 - The Supreme Audit Office (SAO) highly independent but legally at Gvt. level.
 - SAO responsible for all audits of Gvt. entities and
 - for developing Gvt. accounting principles and standards,
 - and for developing, maintain and operate accounting and financial systems including the payment systems

Why reform at this time?

- Modernization of accounting practices / performance reporting proposed several times.
- Verbal support. But limited political interest for this “technical matter”.

Then

- Economy slowed. Unfinanced pensions and other liabilities a worry. Unclear what the society gets from the public sector. Cost of services high and record high taxes on individuals.
- The government (and Parliament) concluded; a result based budget process is the way forward. Such a process demands a radical modernization of all linked performance and financial practices, systems and reports. Urgently. The auditors to give assurance.

What went well? 1 (a personal view)

- Increased transparency. Varied but overall much better reporting on performance, efficiency, outcome, output (?),
- And on all aspects of finances (including liabilities).
- More of accountability? The first years, yes. But later?
- Increased possibilities to compare efficiency.
- More reliable macro economic data
- A budget process where “result” is an important (key?) component.

What went well? 2

Many positive “side-effects”.

- Non-current assets accounted for.
- Valuation – including obligations – of many “forgotten” assets.
- Clarified ownerships.
- A rapid build-up of budget planning, financial, business administration knowledge and competences in the entire Gvt. sector via internal and external training and recruitments.
- Fundamental renewal of Gvt. Accounting systems. Transition from centralized to “coordinated” market solutions.

Why did it go well?

- A unique co-operation and co-ordination between all stakeholders / entities concerned grew into existence.
- Several informal, spontaneous networks formed. (For information and knowledge sharing, training, development of good practices, exchange of expert resources).
- SAO willing to take considerable credibility risks and support implementation.
- Continuous strong support to entities from Min. of Finance and SAO.
- Participants felt being part of a historic administrative reform.

Any problems faced?

- Many, of course, including:
 - Time needed severely underestimated
 - Existing “knowledge capacity” overestimated
 - Some accounting concepts and standards not really well known
 - Performance concepts and “standards” even more open for debate.
 - Accounting professionals, budget experts, auditors become much sought after (of several reasons) which resulted in high turnover.
 - The next crises saw essential parts of the financial system collapse. The political interest for the public sector and its results diminished.

What would I do differently today? 1

- Keep all stakeholders (incl. Parliament) regularly updated.
- Networks.
 - Invest even more efforts in building up, use competence from and maintain networks.
 - Create new career paths to keep excellent staff in the Gvt. sector and competence in the project.
- Key persons from every entity to get the same introductory training / mind-setter early.

What would I do differently today? 2

- Early propose a couple of business schools to deliver professional training.
- Avoid “the best will be the enemy of the good” e.g. loosing valuable time being grinded by difficult valuation matters. Take the easy options when they exists.
- Set up one / several “good enough accounting practices at this point in time” group(s) which also deliver training.

What would I do differently today? 3

- Project

- Prepare accountants to be able to present the reform in a non technical language in all for a, including media.
- Set up an advisory hot line.
- Define a step-wise and partly parallel approach. Based on realistic time estimates.
- Convince some of the Gvt. entities to lead some steps.
- Facilitate communication within the project with all possible technical solutions.
- Go public on FB/Twitter and in other media.

