

The Mediterranean  
and Latin-American  
Accounting Profession

Tools  
for  
Growth and  
Investment



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FCM 14th Annual Conference & XXXI CILEA International Conference, Porto, Portugal

# Public Sector Accounting: Developments and Opportunities for Professional Accountants

FCM 14<sup>th</sup> Annual Conference &  
XXXII CILEA International Conference  
Porto, Portugal, April 2016

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The World Bank Group



**WORLD BANK GROUP**  
Governance

## Vision, mission and delivery structure

### OUR VISION

Trustworthy Institutions for Development.

### OUR MISSION

Support countries in building open, effective, and accountable institutions for inclusive development.

### DELIVERY STRUCTURE

1. Regional Teams
2. "Global Solutions Groups" (Technical Streams)
3. Collaboration and joint operations with other Global Practices



## Quality PFM & Public Sector Accountability: Important for Development



## Foundations of a Good PFM System & Public Sector Accountability



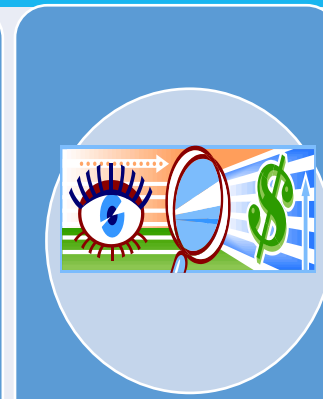
Budgeting



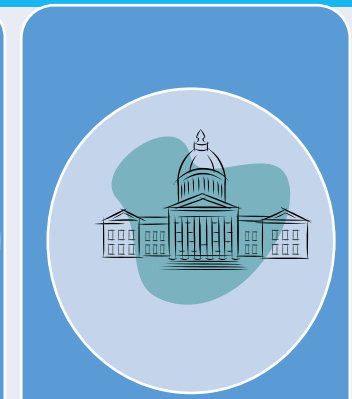
Budget  
Execution



Debt  
Management



Audit



Parliamentary  
Oversight

Accounting and Reporting

## Foundations of a Good PFM System & Public Sector Accountability

Ensuring governments are held accountable for using resources economically, efficiently and effectively for intended purposes to achieve sustainable development





# Key Risks of Weak Accounting Practices in the Public Sector

- Debt is Under (PPPs) or Over stated (Greece 2015)
- Contingent liabilities in state enterprises
- Public-private partnerships not recognized
- Falsified data
- Corruption undetected



## What challenges need to be addressed?

- ü *Increased demand for fiscal transparency*
  - ü *Opaque reporting of fiscal deficits and sovereign debt*
- ü *Under resourced government institutions*
  - ü *Low capacity of accountants and auditors*
- ü *Raising awareness amongst parliamentarians and CSOs*
  - ü *Developing global and regional networks to share knowledge*
- ü *Sustainable professional education and training programs*
  - ü *Building IT systems to support reform agenda*





# Governmental Accounting and Financial Reporting: Questions

- Is accrual accounting taking hold?
  - Or is cash still “king”?
- How does the World Bank and other entities support reform?
- What are the opportunities for the accounting profession?





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**LATIN AMERICA: SAIs in OLACEFS countries report that 32% of countries use accrual accounting, 23% modified accrual ... and others are moving towards IPSAS adoption. Only one of 22 countries uses the cash basis**

http://www.olacefs.com/caracteristicas-principales-de-las-politicas-de-contabilidad-gubernamental-de-los-paises-cuyas-efs-integran-la-olacefs-stpbg-2/

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## CARACTERÍSTICAS PRINCIPALES DE LAS POLÍTICAS DE CONTABILIDAD GUBERNAMENTAL DE LOS PAÍSES CUYAS EFS INTEGRAN LA OLACEFS

25 26 27 28 29 30 1

Ver todas las actividades

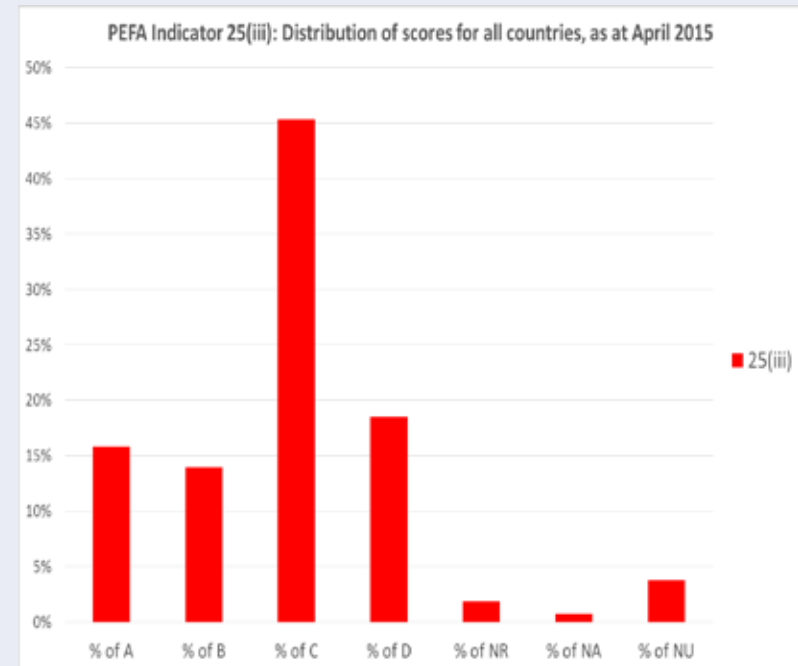
### PRÓXIMOS EVENTOS

ABR 26	9a Reunión del Grupo de Trabajo sobre Indicadores Nacionales Clave (KNI) de la INTOSAI
ABR 27	9a Reunión del Grupo de Trabajo sobre Indicadores Nacionales Clave (KNI) de la INTOSAI
ABR 28	9a Reunión del Grupo de Trabajo sobre Indicadores Nacionales Clave (KNI) de la INTOSAI

## Public sector accounting and financial reporting – performance 2008-2014

### PEFA Indicator 25(iii): Accounting standards used:

- 30% of countries use IPSAS or corresponding national standards
- 45% of remaining countries disclose some accounting standards
- 10% did not rate this indicator
- High correlation between countries with comprehensive financial statements and application of accounting standards



Source PEFA Secretariat 2008-2014 PEFA Assessments

## World Bank support for capacity building

- Just-In-Time policy papers – China
- IPSAS training – Chile, Poland, Macedonia, Tunisia
- ISSAI training: Mexico
- Capacity Building Support to SAI's
- Reform roadmaps and action plans
- Practice Manuals and Guidelines

- CReCER Annual Conference on Accounting & Accountability for Regional Economic Growth
- PEMPAL Communities of Practice in accounting standards, public assets management and consolidated reporting

- PER, ROSC, PEFA Assessments
- Review of Public Sector Accounting Practices – GAP Analysis – Europe, Latin America and South Asia

- Global Bodies – IPSASB, IFAC, INTOSAI
- Regional networks: OLACEFS, FOCAL
- Other IFIs – IMF, OECD, IADB
- In Country – PAO, SAIs



## Support for PFM and Public Sector Accountability reforms in LAC

### Supporting Supreme Audit Institutions:

Chile, Mexico

- ISSAI implementation and training
- Partnerships - Promoting Global, Regional, and Bilateral SAI relationships

### Implementing IPSAS:

Argentina, Chile, Colombia, Honduras, Mexico, Panama

- Modernization of public sector accounting systems
- IPSAS implementation and training
- Regional study on PP&E
- PP&E stock-taking, valuation, and reconciliation with accounting records

### Strengthening internal controls:

Brazil and Mexico

- Strengthening and consolidation of the Internal Control framework
- Development of an internal control IT system



## Example of Support to Public Financial Reporting and Audit: Brazil TCU

- Bank supported the *Tribunal de Contas da União's* (TCU) to build institutional capabilities to carry out audits and issue audit opinions consistent with international auditing standards
- TCU review of accounts during 2015 may lead to impeachment of the President



# Finance Minister to committee: Government's accounts are within law

- 31/03/2016 *Carolina Gonçalves and Daniel Lima report from Agência Brasil*



Finance Minister Nelson Barbosa said this Thursday (Mar. 31), on the Impeachment Special Committee, that the government's accounting practices comply with the current legislation and that there is no crime to justify impeachment proceedings against

# Opportunities for the Accounting Profession in the Public Sector

- ü **Implementation** of Accounting and Audit Reforms: Training, Guidelines, Change Management
- ü **Technical Advice:** IPSAS = IFRS for Public Sector
- ü **New members:** Public Sector Accountants can increase PAO Membership
- ü **Partnerships** such as CReCER and FRED (Firms involved: Global Public Policy Committee)



## CReCER – Accounting and Accountability for Regional Economic Growth

- Since 2007 a leading forum for decision makers and stakeholders in Latin American and Caribbean
- Promoting improved accounting, financial reporting and auditing practices in the private and public sectors
- Organized by Global Partners – WB, IDB, IFAC and GPPC, Regional Partner – AIC, and Local Partners
- Flagship annual conferences and other knowledge sharing activities with evolving themes
- Most recent CReCER Conference in May 2015 in Quito, Ecuador was a great success
- Next conference will take place in spring 2017, call for expressions of interest will be launched shortly





## FOCAL – Network of Government Accountants of Latin America

- Country-driven network of 18 Latin American countries launched in 2014 with the support of WB, IDB and IMF
- Aim: Regional catalyst for the modernization of accounting
- Inaugural and first high-level working conference took place in Santiago, Chile in November 2014, hosted by Chile's SAI.
- 2<sup>nd</sup> in Cartagena, Colombia July 2015 focused on challenges faced in the process of implementing IPSAS and showcased lessons-learned from FOCAL countries
- Third conference will take place in Asunción, Paraguay in July 2016





## KEY TECHNICAL CHALLENGES WHEN IMPLEMENTING IPSAS

- Fixed Assets (PP&E)
- Provisions, Contingent Assets and Liabilities
- Concessions/Public-Private Partnerships (IPSAS 32)
- Employee benefits
- Consolidation of the Financial Statements

## Regional Study on Fixed Asset Accounting and Management

- Study financed by the Korea Development Institute (KDI)
- Based on recent WB report indicating that management of public investments and accrual account for fixed assets is one of the most important technical challenges
- Study analyzes country experiences in Chile, Colombia, Mexico, Panama, Paraguay, Uruguay
- Regional workshop was held in March convening 100+ participants from 15 countries, featuring high-level presentations
- Results to be presented during third FOCAL conference in Paraguay





## Other Recent Publications

- *“Improving Financial Reporting in the Public Sector”*

New Zealand Office of the Comptroller and Auditor General

<http://www.oag.govt.nz/2016/financial-reporting/docs/financial-reporting.pdf>

- *“Public Financial Management in Latin America: The Key to Efficiency and Transparency”* [IDB and IMF]

<http://blog-pfm.imf.org/pfmblog/2015/11/idb-and-imf-launch-a-new-book-on-pfm-reforms-in-latin-america.html>



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# Thank You

Daniel Boyce  
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Public Resource Mobilization and Management  
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Governance Global Practice





## DANIEL BOYCE

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Daniel Boyce is a Practice Manager in the Global Governance Practice in Latin America and Caribbean (LCR) region of the World Bank Group. He is a Certified Public Accountant (CPA) in California and holds a Ph.D. in Political Science from the University of California, Los Angeles (UCLA).

In his current position, Dr. Boyce is responsible for overseeing quality in the World Bank Group's fiduciary work and capacity building activities conducted by financial management staff in the LCR region. One of his specific duties is leadership of the CReCER activities managed by the World Bank.

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El Sr. Daniel Boyce es Gerente de la Práctica Global de Gobernabilidad en la región de América Latina y el Caribe (LCR) del Grupo Banco Mundial. Es Contador Público Certificado (CPA) en California y posee un PhD. en Ciencias Políticas de la Universidad de California, Los Ángeles (UCLA).

En su posición actual, Dr. Boyce es responsable de supervisar la calidad de trabajo fiduciario y la capacidad de crear conductas constructivas para el manejo financiero en la región de LCR en el Grupo Banco Mundial. Una de sus funciones específicas es el liderazgo de los eventos CReCER realizadas por el Grupo Banco Mundial.