

New International Public Sector Financial Accountability Index to Stimulate Reform

At the Chartered Institute of Public Finance and Accountancy (CIPFA)'s 2017 Conference in Manchester, UK, IFAC and CIPFA announced the launch of the *International Public Sector Financial Accountability Index*. Developed jointly by both organizations, with the Zurich University of Applied Sciences as knowledge partner, the Index aims to provide a better understanding of accounting and budgeting reform plans to help stimulate wider public financial management (PFM) reform efforts. It covers the following arrangements in each jurisdiction:

- Current accounting basis and the reporting standards used in financial statements
- Financial reporting standard-setting structure and processes
- Current recognition basis for budgets
- Budget and accounting reform plans

75% of OECD Countries Use Accrual Accounting for Year-End Financial Reports

A report by IFAC and the International Organisation for Economic Co-operation and Development (OECD) explores accounting and budgeting practices at the national government level in OECD countries. It concludes that nearly three-quarters of OECD countries have adopted accrual accounting for their year-end financial reports and more than a quarter now prepare their annual budgets on an accrual basis. While there is low direct adoption by national governments of international accounting standards, such as the International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS), many standard setters use IPSAS or IFRS as primary or explicit references for developing their national standards.

Caribbean Countries: On the Reform Path

For years, Caribbean countries have been motivated to incorporate international accounting standards into their national regulations. *Accrual Accounting Practices and Reform Expectations in the Caribbean*, a survey organized by the Institute of Chartered Accountants of the Caribbean (ICAC), IFAC and the World Bank, charts the state of the region's public financial management (PFM) reforms. It facilitates a better understanding of reform designs, implementation challenges,

and associated benefits. After reported reforms are implemented, the regional balance will move toward accrual-based accounting with nine of the surveyed countries expected to implement IPSAS and another six to use N-IPSAS.

OECD Budget Transparency Toolkit, An Addition to Global Efforts

Developed in partnership with members of the Global Initiative of Fiscal Transparency (GIFT) Network, including IFAC, the OECD's Budget Transparency Toolkit offers a gateway to global budget and fiscal transparency institutions. It also highlights official instruments, standards, and guidance materials and demonstrates how these tools can be applied across various areas of the budgeting cycle.

Budget transparency is a timely and important topic, fundamental to questions of accountability between government and citizens. It helps us answer such basic questions as: *How much money is the government raising? Are national finances on a sound and sustainable course? Are civil servants using public money efficiently, wisely, and well?*

Recent events have given us more reason to value budget transparency. In the wake of the global economic crisis, confidence in the ability of governments to manage public finances has been shaken. We now have a greater appreciation of the hidden risks to public finances—for example, contingent liabilities in the financial sector or state-owned enterprises, vulnerabilities in the tax base, and accumulation of annual financing costs from public-private partnerships. A transparent approach to recognizing and managing these risks can help us to steer clear of these dangers in the future.

Given its systemic importance, it is not surprising that international organizations have developed official standards and guidance on budget transparency over the years. The Organisation for Economic Co-operation and Development OECD has Best Practices on Budget Transparency and a Recommendation on Budgetary Governance. The IMF recently updated its comprehensive Fiscal Transparency Code. IFAC's *Accountability. Now.* initiative promotes the benefits of modern financial accounting and reporting practices to improve financial management in the public sector. The global PEFA Framework is used for assessing the robustness and transparency of countries' budgeting frameworks, and is supported by the World Bank Group and other international

International Update

stakeholders. The International Budget Partnership compiles the independent *Open Budget Index*, which scores budget transparency in over 100 countries using a range of criteria. Bringing all of these bodies together is the *GIFT Network* (Global Initiative on Fiscal Transparency), which helps coordinate global action in this area and maintains *High-Level Principles on Fiscal Transparency*.

Challenges and Solutions to Implementing International Education Requirements

Accountancy education involves many different elements, from syllabus development to producing learning materials, from establishing tuition arrangements to delivering examinations and requiring practical experience. It can take years to build the foundation for a professional qualification, and while PAOs may not have the legal authority for every aspect of accountancy education, they play a key role in supporting educational programs and delivering qualifications. To support PAOs and this central role they play, more than 80 professional accountancy organization (PAO) representatives from 25 countries came together for a half-day, interactive workshop to discuss accountancy education successes and challenges. The workshop, organized by IFAC and the Pan African Federation of Accountants, and held alongside the 4th Africa Congress of Accountants in Kampala, Uganda. The workshop generated discussion on PAO efforts to design, develop and maintain their professional qualifications, as well as IFAC member organizations' work to adopt and implement the International Education Standards (IES)—a requirement for all IFAC members as part of IFAC's *Statements of Membership Obligation—issued by the International Accounting Education Standards Board*.

ISA 600 Project Update

This publication was prepared by the IAASB Group Audits Task Force to update the issues under consideration in the revision of ISA 600, *Special Considerations—Audits of Group Financial Statements*, and other projects that address other international standards, including ISA 220, *Quality Control for an Audit of Financial Statements*, and ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. It also explains the linkages between these projects as they relate to group audit issues.

2016 IFAC Annual Review

IFAC advocates for high-quality reporting that demonstrates how organizations are preserving and creating value over time using integrated reporting principles and concepts, as set out in the International Integrated Reporting Council's International Integrated Reporting Framework. In line with the objective, the recently published 2016 Annual Review outlines IFAC's strategic objectives, governance arrangements, and financial highlights. It describes how we strengthen organizations and enhance economies—by supporting and developing our member organizations and the global accountancy profession, advocating on behalf of the public interest, contributing to high-quality information and improved decision making, and spearheading initiatives that demand global reach, freedom from commercial interests, and the ability to spark dialogue and debate. The Review is part of IFAC's 2016 suite of reporting, which also comprises IFAC's Financial Statements for the year ended December 31, 2016.

Stavros Thomadakis Reappointed Chair of IESBA

Dr. Stavros B. Thomadakis has been reappointed Chair of the International Ethics Standards Board for Accountants® (IESBA®) for a renewable one-year term commencing January 1, 2018, the key post Dr. Thomadakis has held since 2015. Over the past three years, Dr. Thomadakis has championed the key role ethics play for the global accountancy profession in the public interest. He has also led the IESBA through significant projects relating to the *Code of Ethics for Professional Accountants* (the Code) and enhancing its understandability and accessibility, including responding to non-compliance with laws and regulations (NOCLAR) and restructuring the Code.

IPSASB Chair Ian Carruthers Reappointed

The International Public Sector Accounting Standards Board (IPSASB) has announced re-appointment of its Chair, Ian Carruthers, for a second three-year term commencing January 1, 2019. As Chair, Mr. Carruthers will continue to lead the Board as it establishes high-quality accounting standards for use by public sector entities, promote adoption and implementation of International Public Sector Accounting Standards (IPSAS), and issue guidance on public sector financial reporting. The Nominating Committee reappointed Mr. Carruthers early in his tenure to ensure leadership continuity as global adoption of IPSAS continues to advance.