

# International Update

## 65% of Governments Globally Will Report on an Accrual Basis by 2023, Finds New Report

Within five years, 65% of governments will report on an accrual basis, according to a recent report by IFAC (the International Federation of Accountants) and CIPFA (the Chartered Institute of Public Finance and Accountancy). The report was drawn from the International Public Sector Financial Accountability Index, which captures current and future use of public financial reporting bases and frameworks by governments around the world. The 2018 Index Status Report, which captures information from 150 countries, finds that while 25% of governments currently report on an accrual basis, 65% of governments will report on accrual by the end of 2023. Asia, Africa, and Latin America and the Caribbean will lead the projected increase by the end of 2023.

By providing a comprehensive view of government finances, accrual reporting helps ensure that expenditure of public funds is transparent, public officials are held accountable, and future liabilities are recognised officially and planned for properly. *“Accruals-based accounting and auditable financial statements are essential if governments are to promote trust and transparency, identify and fight corruption, and above all deliver the outcomes their citizens expect and deserve,”* said Rob Whiteman, Chief Executive of CIPFA. Public financial reporting frameworks are developed in various ways, with many using International Public Sector Accounting Standards (IPSAS). IPSAS provide high quality financial reporting guidance for governments and other public bodies around the world, in order to improve their consistency and transparency.

51% of governments that currently report on an accrual basis use IPSAS directly, indirectly or as a reference point. By the end of 2023, nearly three-quarters (73%) of governments that report on accrual will use IPSAS in one of these three ways. The report also outlines key actions for successful accrual reforms. According to the report, successful implementation of accrual reforms requires coordinated planning and sustained support. Additional recommendations include: frequent and clear communications, a change management program, and coordinated training and capacity building.

## New Global Survey Reveals Digital Transformation, Talent Management as Key to Growth for Small Accounting Firms

Accountants working in small- and medium-sized practices (SMPs) are embracing technology to better serve clients and attract and retain top talent, according to 2018 IFAC Global SMP Survey results released recently. IFAC (International Federation of Accountants) received more than 6,000 responses from SMPs, representing 150 countries, about their performance in 2018 and marketplace factors most likely to affect them in the future. The survey found over a quarter of SMPs (28%) plan to allocate more than 10% of practice revenue over the next year to technology investment, reflecting its critical importance in practice management and operations. The most frequent responses to technological advances have been the development of in-house expertise in IT and the adoption and use of cloud options to better serve clients.

*“As the first-choice strategic adviser to their clients, firms are recognizing the importance of adopting technology to provide insights and expertise and strengthen their role as trusted business partners,”* said IFAC CEO Fayeze Choudhury.

**Tech-enabled Service Offerings:** As transactional activities become increasingly automated, firms are also leveraging technology to provide business insights from data analytics as a new service offering. A significant majority (86%) provide business advisory and consulting services, with a majority (51%) predicting a moderate or substantial fee revenue growth over the next 12 months in this service line.

### Talent in the Digital Economy

Talent remains a top challenge for SMPs. The majority (54%) have difficulty attracting next generation talent, with 66% stating the number one reason is the lack of candidates with the right mix of skills. This highlights the importance of continuing education and the development of new competencies for the digital global economy. Additionally, firms are implementing talent management initiatives to both attract and retain staff. The most popular initiative is the introduction of flexible working hours or work days.

**Survey Method:** The 2018 IFAC Global SMP Survey received 6,258 responses, representing 150 countries. It was conducted March–May 2018 in 24 languages. The survey design and reporting were undertaken in collaboration with Sarah Webber and Donna L. Street, lead researchers from the University of Dayton (US). Designed to be completed by senior SMP professionals, whose clients are predominately small and medium-sized entities (SMEs), the survey takes a snapshot of key issues, and tracks important trends and developments, facing this critical sector.

## IAASB Seeks Public Comment on Exposure Draft on Agreed-Upon Procedures

The International Auditing and Assurance Standards Board (IAASB) seeks public comment by March 15, 2019 on its Exposure Draft of proposed ISRS 4400 (Revised), *Agreed-Upon Procedures Engagements*.

The demand for Agreed-upon procedures (AUP) engagements continues to grow across jurisdictions. Changes in regulation, such as the increase in audit exemption thresholds in many jurisdictions, have also driven increased demand for AUP engagements. This is especially relevant for smaller entities, as the increased audit exemption thresholds prompt stakeholders to look for alternative services to an audit.

To ensure that the IAASB's standard on AUP engagements remain relevant in the current business environment, the IAASB proposes to enhance key concepts in the standard, including:

- The role of professional judgment in an AUP engagement.
- Disclosures relating to the practitioner's independence or lack thereof.
- Guidance on appropriate or inappropriate terminology to describe procedures and findings in AUP reports.
- The use of a practitioner's expert in an AUP engagement.
- Restrictions on the distribution and use of the AUP report.

In developing proposed ISRS 4400 (Revised), the IAASB has received significant stakeholder input, including feedback from its November 2016 Discussion Paper, *Exploring the Demand for Agreed-Upon Procedures Engagements and Other Services*, and targeted continuing stakeholder outreach.

## Public Sector Experts Sought to Join International Public Sector Accounting Standards Board

At a critical moment of development and adoption of international public sector accounting standards, the Nominating Committee has issued its Call for Nominations to join the International Public Sector Accounting Standards Board (IPSASB) for a term beginning in January 2020. Volunteers are central to the effective functioning of the IPSASB, through active participation in meetings, task forces and outreach activities.

The Nominating Committee is looking for candidates with the following background:

Experience as public sector national standard setters;

Preparers of accrual-based financial statements at both national and sub-national levels, including ministries of finance and treasury departments, and international organisations, especially those reporting directly or indirectly in accordance with IPSAS; and

Users of general purpose financial reports, such as parliamentarians, budget offices, and credit-rating agencies.

Nominations can be submitted online from the date of the issue of this Call until February 15, 2019. Instructions on how to apply are available on the Nominating Committee's webpage at <http://www.ifac.org/about-ifac/nominating-committee/nomination-instructions>.

## IFAC Seeks Volunteers for Board, Committee Positions

IFAC (International Federation of Accountants) seeks volunteers with a strong commitment to the public interest to contribute to the strength and vitality of accountancy globally and its future by serving on the IFAC board and committees. The *Call for Nominations for the IFAC Board and Committees in 2020* details openings and requirements for successful nominations for membership on the IFAC Board and three IFAC committees— Professional Accountancy Organisation Development, Professional Accountants in Business, and Small and Medium Practices Committees. The Nominating Committee encourages all IFAC members to review the *Call for Nominations*, including vacancy details and composition targets. Gender equality is especially important to the Nominating Committee to ensure balance; nominations of qualified female candidates are strongly encouraged. The companion guide offers strategic guidance in selecting candidates, including identifying the most qualified and diverse nominee for each available position to reflect the depth and breadth of the global accountancy profession. Nominations can be submitted online via the Nominations Database by February 15, 2019. Additional information on the Nominating Committee and its open, transparent selection process is available on the Nominating Committee web page at <https://www.ifac.org/about-ifac/nominating-committee>. ■