



THE WORLD BANK

# **Public and Private Sector Financial Management – Global Trends, Regional Implications, Local Impacts**



ADB-CAPA-World Bank  
Financial Management Forum  
Manila, Philippines, 24 March 2014



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# Public and Private Sector Financial Management—Global Trends, Regional Implications, Local Impacts



*ADB-CAPA-World Bank Financial Management Forum  
Manila, Philippines, Monday 24 March 2014*



## AGENDA

### 1: OPENING

08:00	Registration and welcome refreshments	
08:30–08:45	Welcome and Opening Remarks	<ul style="list-style-type: none"> <li>– Kathleen Moktan, Senior Advisor (Financial Management), ADB</li> <li>– Sujeewa Mudalige, President, CAPA</li> <li>– Roberto Tarallo, Manager, Financial Management, Partnerships and Trust Funds, World Bank</li> </ul>

### 2: THE 2013 GLOBAL DEVELOPMENT REPORT ON PROFESSIONAL ACCOUNTANCY ORGANIZATIONS—FINDINGS, IMPLICATIONS AND RESPONSES

Jointly published under the Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC), this report provides (i) a high-level review of the status of PAO development worldwide; (ii) a shared and mutual understanding of the development of these organizations; and (iii) direction to MOSAIC's goal of increasing PAO capacity to improve the quality of public and private sector accounting and financial management and ultimately enhance economic growth and reduce poverty.

Reference: <https://www.ifac.org/publications-resources/professional-accountancy-organization-global-development-report>

08:45–09:45	Introduction (2 mins)	Barry Reid, Principal Financial Management Specialist, Financial Management Unit, ADB
	Presentation (20 mins)	Sylvia Tsen, Director, Quality and Member Relations, IFAC
	Panel comments (15 mins)	<ul style="list-style-type: none"> <li>– Simon Bradbury, Controller, ADB</li> <li>– Regis Cunningham, Financial Management Hub Leader (China/Mongolia), World Bank</li> <li>– Brian Blood, Chief Executive, CAPA</li> </ul>
	Open discussion (18 mins)	
	Chair summary (5 mins)	
09:45–10:00	<b>Refreshment Break</b>	

### 3: IMPROVING FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR—THE ROLE OF PROFESSIONAL ACCOUNTANCY ORGANIZATIONS

The accountancy profession is committed to protecting the public interest, encouraging government accountability and transparency, and supporting accountants and auditors in the public sector. PAOs around the region are being encouraged to enter into dialogues with their governments to ensure the profession is doing all it can to assist. This session will see the launch of CAPA's new publication: *Improving Financial Management in the Public Sector - the Eight Key Elements of Success*.

10:00–11:10	Introduction (2 mins)	Chair: Brian Blood, Chief Executive, CAPA
	Presentation (15 mins)	Geoff Applebee, Chair Public Sector Financial Management Committee, CAPA
	PAO Response (20 mins)	– Gillian Fawcett, Head of Public Sector, ACCA – Sumita Shah, Regulatory Policy Manager, ICAEW
	Panel comments (10 mins)	– Srinivasan Janardanam, Senior Financial Management Specialist, Financial Management Unit, ADB – John Nyaga, Senior Financial Management Specialist, World Bank
	Open discussion (18 mins)	
	Chair summary	

### 4: PUBLIC SECTOR AUDITING: APPLYING THE SAI PERFORMANCE MANAGEMENT FRAMEWORK—INITIAL EXPERIENCE, EARLY GAINS

The Supreme Audit Institution Performance Measurement Framework (SAI PMF) was endorsed for a second round of piloting (July 2013–March 2015), after which it will be finalized and presented for approval at INCOSAI 2016. This session will explore early lessons from the PMF's application.

Reference: <http://www.idi.no/artikkel.aspx?MId1=102&AId=704>

11:10–12:00	Introduction (2 mins)	Rajeev Swami, Lead Financial Management Specialist, World Bank
	Presentation (15 mins)	Shourjo Chatterjee, Knowledge Manager, IDI
	Panel comments (10 mins)	– Guohua Huang, Board Member, IPSASB – Rajat Narula, Financial Management Hub Leader (Indonesia), World Bank – Sherazade Shafiq, Financial Management Specialist, South Asia Department, ADB
	Open discussion (13 mins)	
	Chair summary (5 mins)	Chair

12:00–13:00 **Lunch Break**

### 5: PUBLIC SECTOR FINANCIAL REPORTING—DEVELOPMENTS AND IMPLEMENTATION STATUS

An increasing number of governments and public sector entities prepare financial statements in accordance with (cash or accrual) international public sector accounting standards (IPSAS). This session will review developments in public sector financial reporting, including the status of IPSAS implementation in the Asia-Pacific region.

13:00–14:30	Introduction (2 mins)	Gill Cox, Board Member, CAPA
	Presentation 1: IPSASB Context, status and direction (20 mins)	Guohua Huang, Board Member, IPSASB
	Presentation 2: Regional status of IPSAS (5 mins)	Xu Yi, Senior Financial Management Specialist, Central and West Asia Dept, ADB
	Group discussions (28 mins)	
	Report back and moderated discussion (30 mins)	
	Chair summary (5 mins)	

## 6: PUBLIC SECTOR AUDITING—DEVELOPMENTS AND STATUS OF ISSAI IMPLEMENTATION

Formally established in 2007, the International Standards of Supreme Audit Institutions (ISSAI) framework reflects INTOSAI's ambition to provide a framework of professional high-quality auditing standards—the first complete set of ISSAIs was presented and endorsed at INCOSAI 2010.

14:30–15:15	Introduction (2 mins)	Bonnie Sirois, Financial Management Hub Leader (Philippines), World Bank
	Presentation 1: ISSAI Context, status and direction (15 mins)	Shourjo Chatterjee, Knowledge Manager, IDI
	Presentation 2: EAP implementation status of ISSAI (3 mins)	Agnes Albert-Loth, Senior Financial Management Specialist, World Bank
	Panel comments (5 mins)	– Anwaruddin Chowdhury, Board Member, CAPA – Abbas Kizilbash, Financial Management Specialist, Financial Management Unit, ADB
	Open discussion (15 mins)	
	Chair summary (5 mins)	

15:15–15:30 **Refreshment Break**

## 7: PROFESSIONAL STANDARDS—STATUS AND DIRECTIONS

This session will provide an update on the status of international professional standards, including IAASB developments and directions. Reference: <http://www.ifac.org/publications-resources/iaasb-s-proposed-strategy-2015-2019-and-proposed-work-program-2015-2016>

15:30–16:00	Introduction (2 mins)	Bonnie Sirois, Financial Management Hub Leader (Philippines), World Bank
	Presentation (15 mins)	Sylvia Tsen, Director, Quality and Member Relations, IFAC
	Open discussion (10 mins)	
	Chair summary (3 mins)	

## 8: SUMMARY AND CONCLUSIONS

16:00–16:45	Summary of sessions (10 mins)	– Kathleen Moktan, Senior Advisor, ADB – Roberto Tarallo, Manager, Financial Management, Partnerships and Trust Funds, World Bank
	Institutional remarks and conclusions (25 mins)	– Kathleen Moktan, ADB – Sujeewa Mudalige, President, CAPA – Roberto Tarallo, World Bank – Sylvia Tsen, IFAC – Guohua Huang, IPSASB – Shourjo Chatterjee, IDI
	Final questions and answers (5 mins)	
	Host thank you (5 mins)	Kathleen Moktan, Senior Advisor, ADB

16:45 **CLOSE**

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# List of Participants

## LIST OF PARTICIPANTS

### International Agencies

- |   |                    |  |
|---|--------------------|--|
| 1 | Sylvia Tsen        | Director, Quality and Member Relations, International Federation of Accountants (IFAC) |
| 2 | Guohua Huang       | Board Member, International Public Sector Accounting Standards Board (IPSASB)          |
| 3 | Shourjo Chatterjee | Knowledge Manager, INTOSAI Development Initiative (IDI)                                |

### ADB

- |    |                            |  |
|----|----------------------------|--|
| 4  | Kathleen Moktan            | Senior Advisor , OSFMD   |
| 5  | Simon Bradbury             | Controller, CTOC   |
| 6  | Barry Reid                 | Principal Financial Management Specialist, OSFMD               |
| 7  | Srinivasan Janardanam      | Senior Financial Management Specialist, OSFMD                  |
| 8  | Abbas Kizilbash            | Financial Management Specialist, OSFMD                         |
| 9  | Jessana Hilay              | Senior Financial Management Officer, OSFMD                     |
| 10 | Xu Yi                      | Senior Financial Management Specialist, CWRD                   |
| 11 | Diep Ngoc Thi Pham         | Financial Management Specialist, CWRD                          |
| 12 | Sherazade Safiq            | Financial Management Specialist, SARD                          |
| 13 | Keiichi Tamaki             | Senior Urban Development Specialist, SARD                      |
| 14 | Agustina Musa              | Financial Management Specialist, SERD                          |
| 15 | Amuerfina Santos           | Senior Programs Officer, SERD                                  |
| 16 | Anna Marie Mendoza         | Consultant, SERD   |
| 17 | Lili Zou                   | Senior Financial Management Specialist, EARD                   |
| 18 | Fang Wang                  | Senior Project Officer (Financial Mgmt.), PRCM                 |
| 19 | Chongli An                 | Senior Financial Control Officer, PRCM                         |
| 20 | Flordeliza Asistin         | Senior Operations and Institutional Coordination Officer, PARD |
| 21 | Genevieve Buenaventura     | Consultant, PARD   |
| 22 | Yoshinobu Tatewaki         | Senior Financial Control Specialist, CTL                       |
| 23 | Oliver Domagas             | Financial Control Specialist, CTL                              |
| 24 | Hyun Chol Park             | Financial Control Specialist, CTL                              |
| 25 | Viliami Sefesi             | Financial Control Specialist, CTL                              |
| 26 | Yasumitsu Hirao            | Financial Control Specialist, CTL                              |
| 27 | Luchi Holganza             | Senior Financial Control Officer, CTL                          |
| 28 | Cristina Liwag             | Financial Control Officer , CTL                                |
| 29 | Audrey Hwang               | Financial Control Specialist, CTAC                             |
| 30 | Hiroshi Fukukawa           | Assistant Controller, CTL                                      |
| 31 | Hock Chye Ong              | Auditor General, OAG   |
| 32 | Calixto Seroje             | Senior Audit Officer, OAG                                      |
| 33 | Bernadette Bigasin         | Senior Audit Officer, OAG                                      |
| 34 | Sarath Lakshman Athukorala | Principal Staff Development Specialist, BPMSD                  |
| 35 | Rona Yngson                | Associate Integrity Officer, OAI                               |

### CAPA/PICPA

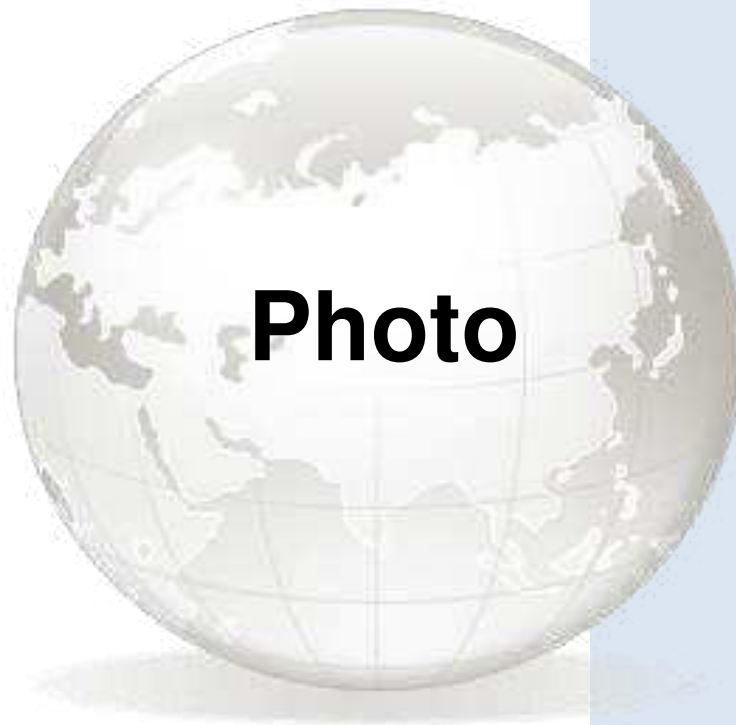
- |    |                  |   |
|----|------------------|---|
| 36 | Sujeewa Mudalige | President   |
| 37 | Brian Blood      | Chief Executive   |
| 38 | Khoo Mei Ling    | Manager   |
| 39 | Geoff Applebee   | Institute of Chartered Accountants in Australia Representative for ICAA & CPA Australia |



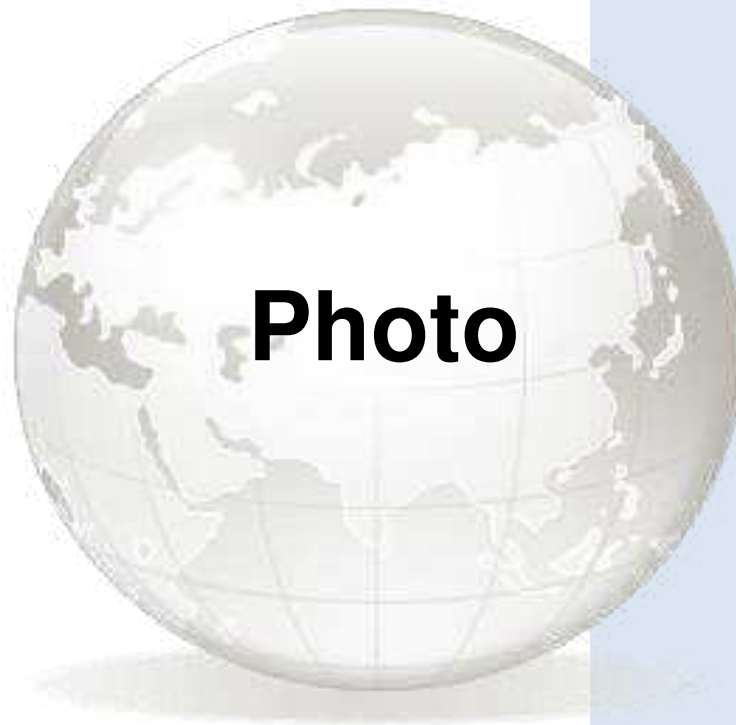
40	Andrew Stringer	Institute of Chartered Accountants in Australia - Director, Asia
41	Anwaruddin Chowdhury	Institute of Chartered Accountants of Bangladesh - Council Member
42	Young Jin Park	Institute of Certified Public Accountants - Vice President, International Affairs
43	Anna Jung Won Yoon	
44	Gill Cox	New Zealand Institute of Chartered Accountants - CAPA Director
45	Maresh Kumar Gugarain	Institute of Chartered Accountants of Nepal - President
46	Jitendra Kumar Mishra	Institute of Chartered Accountants of Nepal - Council Member
47	Krishna Prasad Devkota	Institute of Chartered Accountants of Nepal - Council Member (government)
48	Gillian Fawcett	ACCA - Head of Public Sector
49	Sumita Shah	Institute of Chartered Accountants in England & Wales - Regulatory Policy Manager, Public Sector
50	Gordon Ferrier	Chartered Institute of Public Finance & Accountancy - Global Head of Professional Development
51	Violeta Josef	National President
52	Roberto De-Torres-Flores	Vice President, Government
53	Cynthia Molina	Vice President, Commerce & Industry
54	Estelita Aguirre	Secretary
55	Divina Jugueta	Assistant Secretary
56	Rodelio Acosta	Treasurer
57	Jose Ireneo	Executive Director
58	Rosalinda Evangelista	Chairman, International Affairs Committee
59	Maria Pilar Ramos	Sectoral Director, Government
60	Ruby Seballo	Regional Director, Metro Manila
61	Rolando Leyble	Regional Director, Southern Tagalog

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62	Roberto Tarallo	Manager, Financial Management, Partnerships & Trust Funds, EASFM
63	Agnes Albert-Loth	Senior Financial Management Specialist, EASFM
64	John Nyaga	Senior Financial Management Specialist, EASFM
65	Rajeev Swami	Lead Financial Management Specialist, EASFM
66	Rajat Narula	Financial Management Hub Leader (Indonesia), EASFM
67	Regis Thomas Cunningham	Financial Management Hub Leader (China/Mongolia), EASFM
68	Robert Gilfoyle	Financial Management Hub Leader (Pacific), EASFM
69	Frederick Yankey	Financial Management Specialist, EASFM
70	Christopher Robert Fabling	Financial Management Hub Leader (Viet Nam), EASFM
71	Bonnie Sirois	Financial Management Hub Leader (Philippines), EASFM
72	Enzo de Laurentiis	Operational Services Manager, EASR1
73	Cecilia Vales	
74	Manuela Adl	
75	Patricia de la Fuentes Hoyes	
76	Miguel Santiago Oliveira	
77	Haiyan Wang	

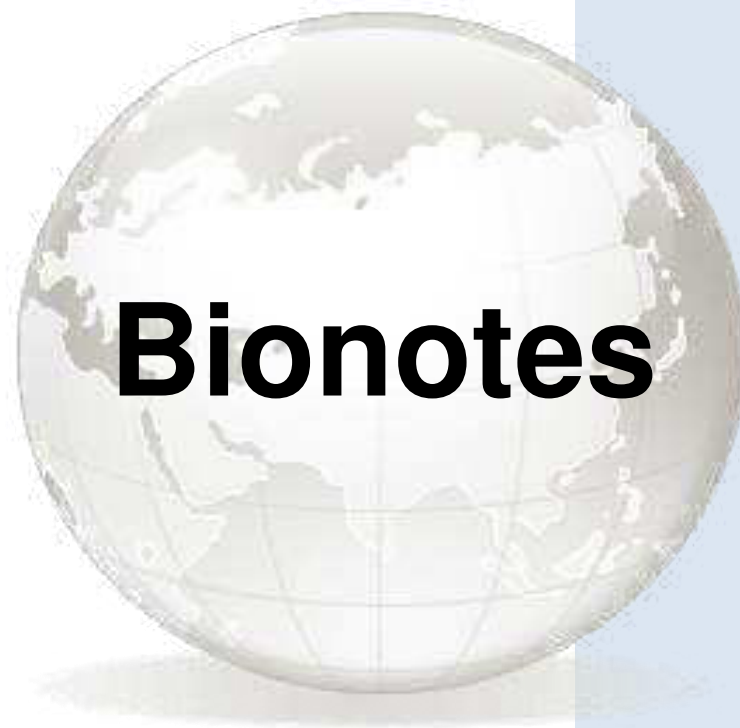
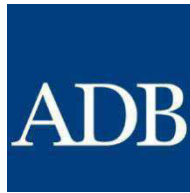












### **Geoff Applebee, Chair, CAPA Public Sector Financial Management Committee**



During his 34 years with Ernst & Young, 22 years as a partner, Geoff served as Head of Government Business for the National Firm. He was involved in restructuring of Government Entities to be more commercial including the adoption of accrual accounting for financial and management reporting purposes. He is currently chair of an accounting firm, a director of a public company, a government corporation and two private company groups. He chairs two Audit Committees of Commonwealth Government entities. He is also an active board member of several not-for-profit organizations. He represents CPA Australia and the Institute of Chartered Accountants in Australia on the CAPA Board and chairs the CAPA PSFM Committee

### **Blood, Chief Executive, Confederation of Asian and Pacific Accountants**

Brian has been CAPA Chief Executive since September 2009 and was previously Australia's representative on the CAPA Board for two years. He was with global Big 4 accounting firms for 27 years in the UK and Australia, including 16 years as a Partner. As an audit partner he worked with many large, multi-national corporations. In the last ten years, he worked increasingly with public sector clients, in both an audit and advisory capacity. He is currently an independent chair/member on a number of Australian public sector audit and risk committees. Brian was the President of CPA Australia in 2002. In 2003, he was honored with a Centenary Medal for services to the accounting profession in Australia.



### **Shourjo Chatterjee, Knowledge Manager, INTOSAI Development Initiative**



Shourjo Chatterjee has been working as the Knowledge Manager in the INTOSAI Development Initiative, Oslo, Norway since October 2012. Prior to that, he worked for over a decade with the Comptroller and Auditor General of India as Deputy Director/Director for Revenue Audit and Defense Audit. During this period he was involved in the audit of the Income Tax Department of the Ministry of Finance, Government of India and the capital and revenue procurements of the Indian Air Force. He holds masters degrees in Botany, Education and Management with Specialization in Finance. He is also a Certified Information Systems Auditor.

### **Gill Cox – New Zealand Representative on CAPA Board**

Gill was a Partner of Deloitte for 25 years; initially in audit and later in the areas of financial and strategic consulting. He was President of the New Zealand Institute of Chartered Accountants (NZICA) in 1992/93. Gill currently chairs and serves on the Boards of a number of significant public sector and community-owned business organizations. He also serves as a





non-executive director and chair of a number of privately-owned companies, and public and private sector not-for-profit organizations.

### **Anwaruddin Chowdhury – Bangladesh Representative on CAPA Board**

Anwar is a Financial Management Specialist with varied experience in the corporate, financial services and development sectors, and in the fields of professional training and academia. He was the Founder CEO and now Technical Advisor to Credit Rating Agency of Bangladesh Ltd. He is presently engaged as team leader and Challenge Fund Manager of DFID funded Business Finance for the Poor Program. Anwar is a founder partner of ACNABIN Chartered Accountants, an associate firm of Baker Tilly. He served as Director of Dhaka Stock Exchange and several public sector authorities and corporations. He was a Technical Advisor at the IFAC Board and Executive Secretary of SAFA. He participated in several UNCTAD-ISAR Intergovernmental Experts meetings in Geneva and was Chair of the ISAR Corporate Governance workshop. He has presented many technical papers in national and international conferences and seminars on contemporary economic topics and professional issues. He was also a lecturer and professional trainer for over two decades. Anwar is Council Member and Past President of the Institute of Chartered Accountants of Bangladesh. He is also a member of the CAPA PSFM Committee. A strong proponent for harmonization of private and public sector financial reporting (PSFM) and audit practices, Anwar is now focused on strengthening PSFM and implementation of sustainability reporting in Bangladesh.



### **Gillian Fawcett – Head of Public Sector, ACCA Global (Association of Chartered Certified Accountants)**

Gillian is responsible for developing international policy on technical matters affecting finance professionals in public services. She was previously a Senior Fellow working with the Office for Public Management in the organizational development and policy team. She also worked for the Audit Commission in UK as Head of Policy with expertise in corporate governance, financial management, performance management and human rights and equalities. In 2005 she was seconded to the UK Parliament as Head of Finance of the Scrutiny Unit, responsible for providing professional support to a wide range of select committees. Gillian was recently appointed as a Trustee of Freedom from Torture, a UK charity and the Editorial Board of the Guardian Public Leaders Network. Also, she was formerly Specialist Advisor on audit policy to a House of Commons Ad Hoc Committee and Communities and Local Government Parliamentary Select Committee, She was formerly also Vice Chair of the Macro Economic Committee for the European Centre of Employers and Enterprises providing Public Services (CEEP) and a non-executive of the Legal Action Group (UK). Gillian is a member of the public sector committees of the Federation of European Accountants (FEE) and the Confederation of Asian & Pacific Accountants (CAPA)





### **Guohua Huang, Board Member, IPSASB**



Guohua Huang became a member of the International Public Sector Accounting Standards Board (IPSASB) in January 2013. He previously served as a technical advisor to the IPSASB. Dr. Huang was nominated by the Chinese Institute of Certified Public Accountants.

Dr. Huang currently serves as deputy director for the Treasury Department of the Ministry of Finance of the People's Republic of China. His work involves promoting accrual government accounting reform and drafting government banking account management regulation. He has a Ph.D. in economics from Peking University.

### **Sujeewa Mudalige, President, Confederation of Asian and Pacific Accountants**

Sujeewa is CAPA President for 2013-2015. He was President of the Institute of Chartered Accountants of Sri Lanka from 2010-2011, having served in the Council since Dec 1999. He served on several regulatory bodies including the Securities & Exchange Commission and the Sri Lanka Accounting & Auditing Standards Monitoring Board. He is also a member of the Accounting Standards Committee, the Auditing Standards Committee, and the Financial System Stability Consultative Committee of the Central Bank of Sri Lanka. Sujeewa qualified as a Chartered Accountant in 1991, and is a Fellow of CIMA and ACCA. He is currently a Partner at PricewaterhouseCoopers Sri Lanka having previously worked at large public listed companies in Sri Lanka and overseas.



### **Sumita Shah – Regulatory Policy Manager, ICAEW**



Sumita is responsible for ICAEW's policy on a wide range of public sector financial management issues. Sumita works with key stakeholders within the UK, Europe and internationally. She has assisted the Cypriot Government in developing a framework to meet one of the terms of its bailout agreement. She has provided written and oral evidence to select committees. Sumita authored ICAEW's 'A CFO at the Cabinet Table?'; the recommendations of which have, to an extent, been taken up by the UK government. She is currently developing a publication on 'a whole of government approach to investment and infrastructure planning'. She is also author of numerous technical publications and articles, and was previously technical editor of ICAEW's publications 'Audit & Beyond' and 'By All Accounts Public Sector Supplement'. Her career includes 10 years as an auditor within the public sector and 3 years advising on technical policy before joining ICAEW in 2001. She is a qualified ACA and CIPFA member as well as a fellow member of AAT.

## **Sylvia Tsen, Director, Quality and Member Relations, IFAC**



In her current role at IFAC, Sylvia Wei Yen Tsen oversees three distinct activity areas: the Compliance Advisory Panel (CAP) and Compliance Program; the Small and Medium Practices (SMP) Committee; and the Forum of Firms, an association of international networks of accounting firms connected to IFAC through the Transnational Auditors Committee. Her portfolio of projects and activities ultimately contribute to advancing IFAC's mission to support the development of strong professional accountancy organizations (PAOs) and to high-quality practices by professional accountants around the world.

Ms. Tsen oversees compliance with IFAC Statements of Membership Obligations (SMO), which require IFAC members to adopt and implement international standards, as well as establish quality assurance and investigation and disciplinary systems. She also engages with the donor community to establish sustainable support mechanisms that will ensure the growth and development of PAOs. Her responsibilities also include working with the SMP Committee and the Forum of Firms to develop guidance and resources to assist in the implementation of international standards and to provide a forum for PAOs and standard setters to address issues of relevance to practitioners.

Having worked previously for KPMG in their Audit and Assurance Practice and International Head Offices, and practicing as an accountant in the Netherlands, New Zealand, and Canada, Ms. Tsen brought a diverse range of public practice experience when she joined IFAC in 2003 as a technical manager for the International Auditing and Assurance Standards Board. She went on to oversee the then newly established Member Body Compliance Program and SMO implementation as senior technical manager before advancing to her current role.

Ms. Tsen is a graduate of the University of British Columbia (Canada) with a bachelor's degree in Commerce. She is a Canada-qualified Chartered Accountant and a member of CPA Canada.



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# Opening Remarks



Confederation of Asian and Pacific Accountants

# **ADB-CAPA-WORLD BANK FINANCIAL MANAGEMENT FORUM**

**Sujeewa Mudalige**

**President**

*24 March 2014, Manila*

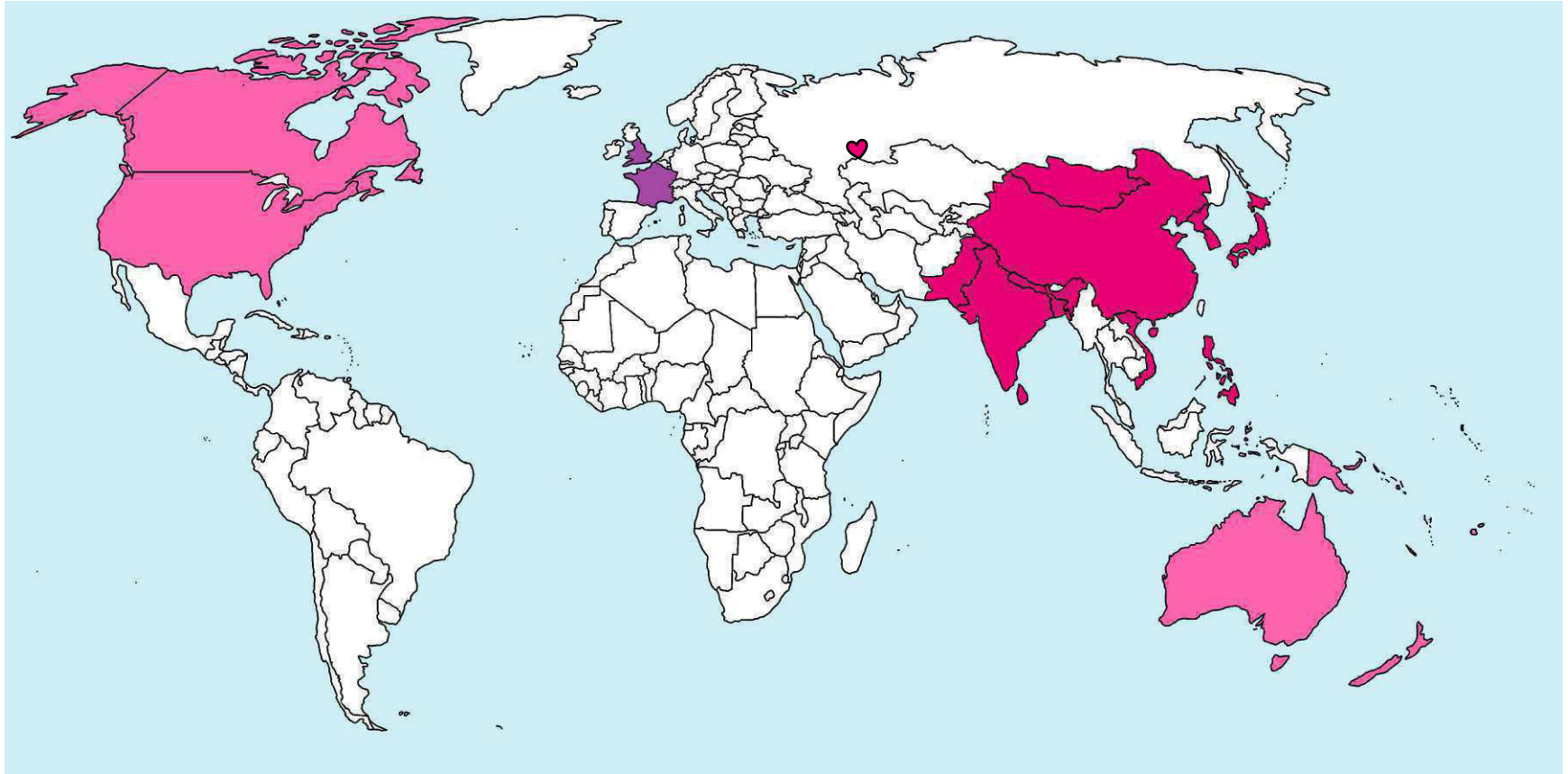
# OVERVIEW OF THE PROFESSION



# CAPA MEMBERS

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**31 Professional Accountancy Organisations (PAOs) in 23 jurisdictions**



**Asia – 17 PAOs**



**Pacific – 10 PAOs**



**Affiliates – 4 PAOs**

# CAPA MISSION

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***To **develop, co-ordinate, and advance** the  
accounting profession in the region***



# 7 KEY OBJECTIVES

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Contributing to the formation and **development** of strong and sustainable PAOs

Fostering a cohesive accounting profession by facilitating the development of **relationships** and **sharing** of knowledge

Promoting the benefits of high quality financial management and reporting, including **international standards**

Influence the development of **public sector** financial management

Influence the development of efficient and effective **capital markets**

Promoting the **value of professional accountants** in the region

Providing input to, and **supporting the global profession**





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# **The 2013 Global Development Report on Professional Accountancy Organizations- Findings, Implications and Responses**



International  
Federation  
of Accountants

# **MOSAIC: Enhancing Cooperation in Support of PAO Development**

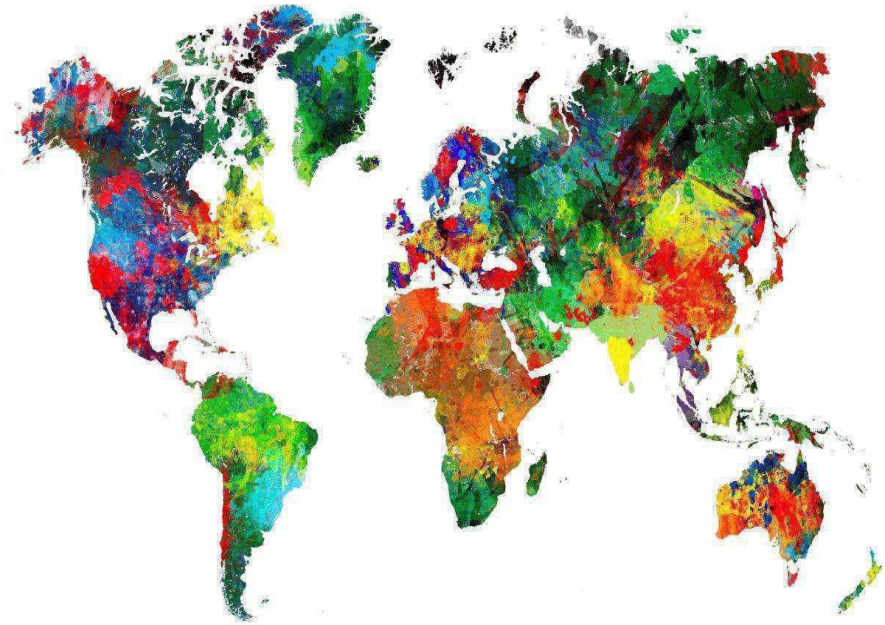
Sylvia Tsen  
Director, Quality and Member Relations

March 2014  
Manila, Philippines

# International Federation of Accountants

*Supporting a truly global profession*

1. Quality and capacity initiatives for the profession
  - PAO into IFAC Membership
  - Compliance with requirements
  - Collaboration with development agencies
2. Facilitating international standards development
3. Knowledge and support
4. Speaking out – public policy and regulation



# PAOs are best defined by their role and function in the economy...

- Operate in the public interest
- Develop and produce capable and competent accountancy professionals
- Promote strong professional and ethical standards
- Further the quality of financial reporting
- Act as a resource to government



# The power of PAOs in advancing economic growth and reducing poverty



# Areas requiring support and assistance

## Challenges

- Legislative challenges,
- Lack of national support,
- Accountancy sector at early stage,
- Internal capacity weaknesses, and
- Other development obstacles

# MOSAIC: rising to the challenge

MOU  
Signing  
(Nov 2011)

Inaugural  
Steering  
Committee  
(Feb 2012)

2<sup>nd</sup> Steering  
Group  
Committee,  
Draft GDR  
reviewed  
(Oct 2012)

GDR report  
published  
(Oct 2013)

## PAO GLOBAL DEVELOPMENT REPORT



MOSAIC: THE MEMORANDUM OF  
UNDERSTANDING TO STRENGTHEN  
ACCOUNTANCY AND IMPROVE  
COLLABORATION

# 13 Signatories to MOU to Strengthen Accountancy and Improve Collaboration (MOSAIC)

- World Bank
- Asian Development Bank (ADB)
- African Development Bank (AfDB)
- Inter-American Development Bank (IDB)
- UK Department for International Development (DFID)
- Finland (FINIDA)
- Swedish International Development Cooperation Agency (SIDA)
- United States Agency for International Development (USAID)
- Australian Agency for International Development (AusAID)
- New Zealand (NZAid)
- The Global Fund to Fight AIDS, Tuberculosis and Malaria
- Global Alliance for Vaccines and Immunisation (GAVI)



# Objectives of the Global Development Report (GDR)

Create a high-level report to “tell the story” of global PAO development

Provide a shared understanding of PAO development.

Provide a starting point and give direction to MOSAIC efforts.

# GDR Approach

- Use publicly available research on the subject of PAO development
- Consult with signatories, observers, and stakeholders, and
- Identify and apply 10 Essential Elements of PAO development at the global, regional and national levels



# GDR Ten Key Findings

1. Undertaking PAO development comprehensively
2. Strengthening legal and regulatory foundations
3. Furthering implementation of international standards
4. Monitoring and providing support to fragile states
5. Support internal strengthening of PAOs
6. Developing PAO education and certification capacity
6. Broadening PAO membership bases
7. Supporting PAO orientation to the public sector
8. Strengthening Regional Organizations
9. Facilitating PAO mentoring relationships



# Three key findings for today?

1. Undertaking PAO development comprehensively / Strengthening legal and regulatory foundations
2. Broadening PAO membership bases / Supporting PAO orientation to the public sector
3. Developing PAO education and certification capacity / Furthering implementation of international standards

Via partnerships and mentoring

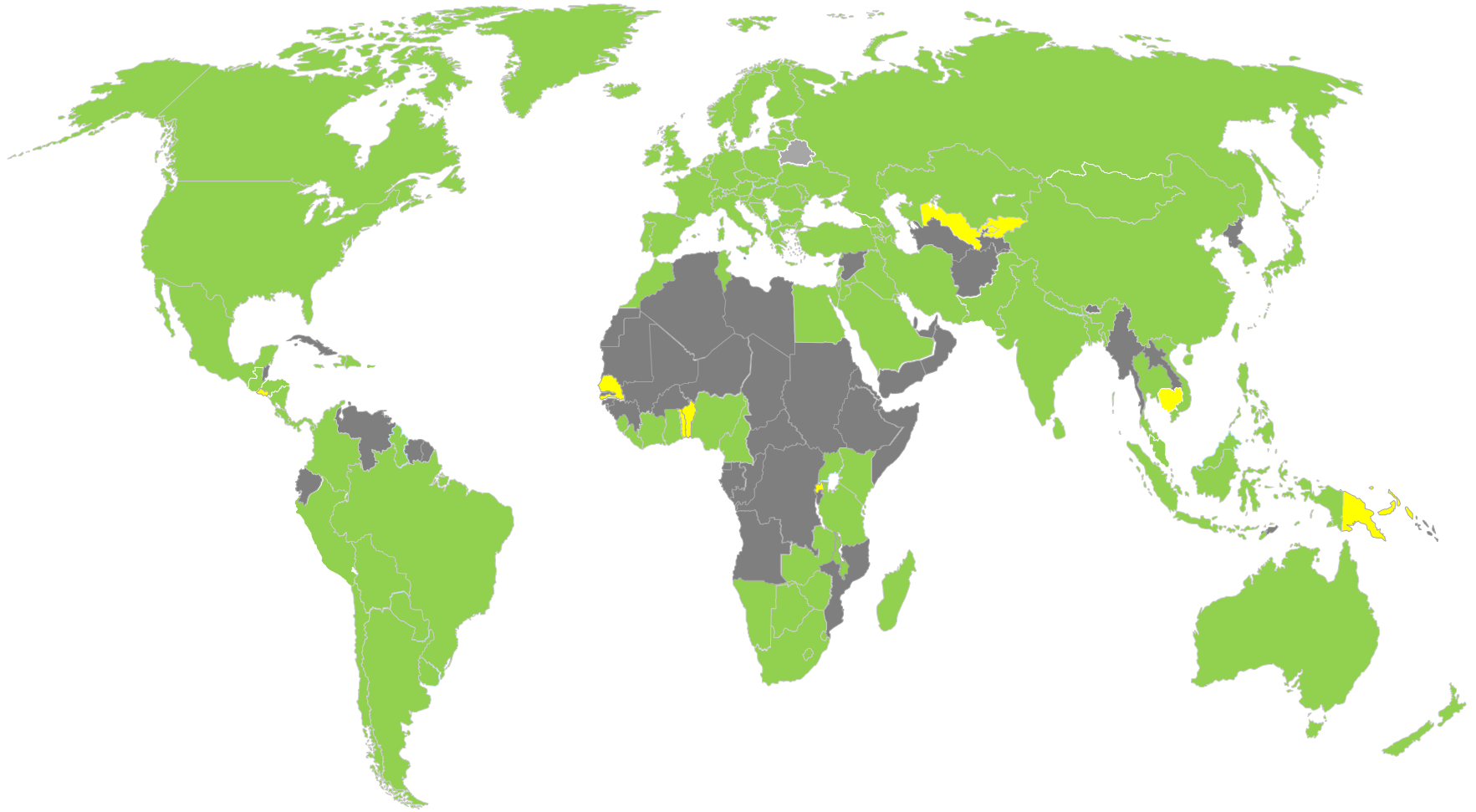


# Looking Forward: MOSAIC

- Development of MOSAIC work-plan
  - Agreement on short to medium-term MOSAIC activities given current resources
- MOSAIC website “clearing house”
- Continued cooperation with donors in identifying and supporting targeted PAO development
  - Dialogue and assistance to donors interested in PAO development projects, activities and engagement
- Ongoing efforts to seek financing for MOSAIC Secretariat

# IFAC Members and Associates (green, yellow)

## No PAO (grey)





<https://www.ifac.org/about-ifac/professional-accountancy-organization-development-committee/mosaic>

[www.ifac.org](http://www.ifac.org)

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# **Improving Financial Management in the Public Sector – The Role of Professional Accountancy Organizations**





# **IMPROVING FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR – THE EIGHT KEY ELEMENTS OF SUCCESS**

**Presented by: Geoff Applebee – Chair, PSFM Committee**

**ADB-CAPA-WB Financial Management Forum**

***24 March 2014, Manila***

# WHY PFM?

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*Governments are responsible to their citizens and taxpayers for implementing **effective systems of public financial management (PFM)** and for utilising those systems to **safeguard, and ultimately enhance, a country's economic sovereignty.***

# THE ROLE OF THE ACCOUNTANCY PROFESSION

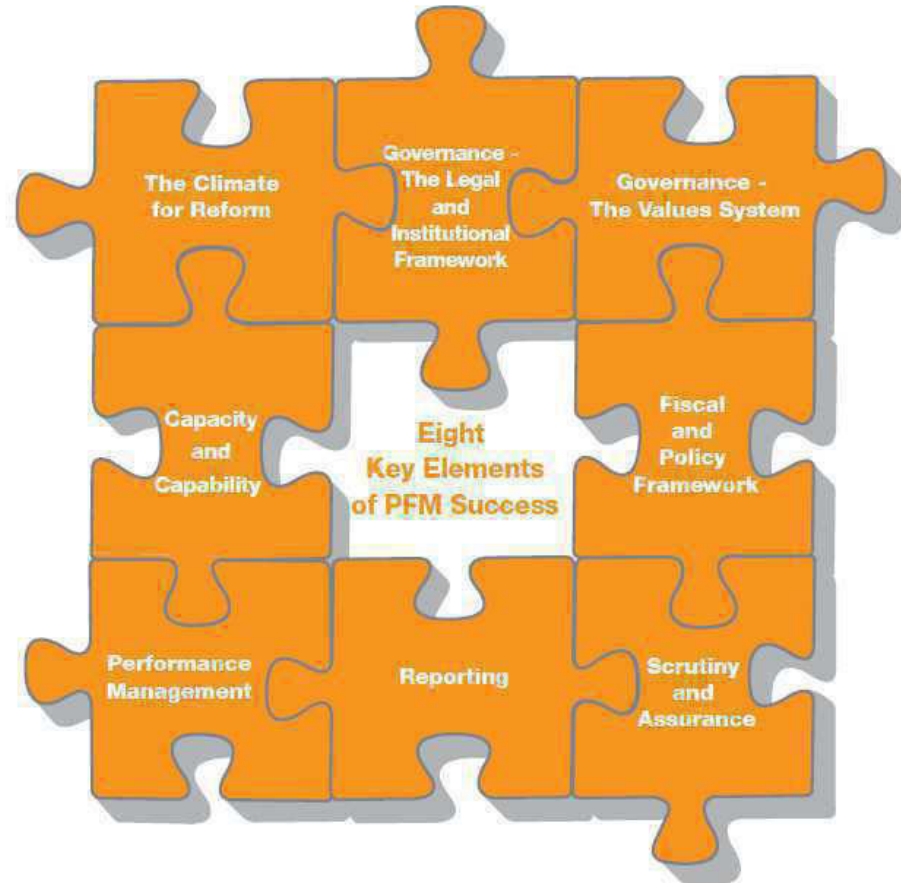
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*The accountancy profession is committed to **protecting the public interest and encouraging accountability and transparency** from governments around the world. The **involvement of professional accountancy organisations is vital to the implementation of the eight key elements of PFM success.***

# PFM GUIDE

## Improving Financial Management in the Public Sector – The 8 Key Elements of Success

*8 Key Elements  
are necessary  
to create a  
comprehensive  
and coherent  
Public Financial  
Management  
(PFM) System*



# THE 8 KEY ELEMENTS OF PFM SUCCESS (1)

---

Key Element	Description
The Climate for Reform	The widespread recognition and acknowledgement that change is required, along with a commitment from key stakeholders to effect the necessary reforms.
Governance – The Legal and Institutional Framework	A well-defined legal and regulatory framework – one that facilitates the implementation of efficient and effective public-service arrangements. Appropriate institutions must be in place, as well as a set of recognised codes, standards and practices.
Governance – The Values System	An open, honest and responsible approach to the way services are planned, executed and reported, which signifies a strong intent to work in the public interest.
Capacity and Capability	The appropriate resources available to support the application of each aspect of PFM, particularly in terms of people and systems.

# ASPECTS IN A KEY ELEMENT (1)

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## 1. The Climate for Reform

- 1.1 Public Interest/Expectations
- 1.2 Economic and Social Drivers
- 1.3 Donor Interest/Expectations
- 1.4 Political Will
- 1.5 Reform/Change Management Abilities

## 2. Governance – The Legal and Institutional Framework

- 2.1 Parliament and Legislation
- 2.2 Institutional Framework
- 2.3 Regulations
- 2.4 Donor Requirements
- 2.5 Identification/Adoption/Implementation of Recognised Codes and Standards

## 3. Governance – The Values System

- 3.1 Transparency
- 3.2 Accountability
- 3.3 Ethics
- 3.4 Corruption

## 4. Capacity and Capability

- 4.1 Human Resources
- 4.2 Information and Communication Technology Systems
- 4.3 Professional Accountancy Organisation (PAO)
- 4.4 Leadership: Governing Body and Senior Management



# THE 8 KEY ELEMENTS OF PFM SUCCESS (2)

---

Key Element	Description
Fiscal and Policy Framework	A clearly defined and comprehensive fiscal and policy framework, whereby a credible budget can be prepared to reflect the expected financial impact of the government's policies and its use of resources.
Performance Management	Successful implementation of the budget, both in macro terms and at the organisational level. The budget must be well managed, monitored and reported to achieve the anticipated outcomes, with three things – value for money, the efficient and effective delivery of services and financial compliance – acting as overriding performance principles.
Reporting	Appropriate transparent reporting against planned outcomes to help governments be accountable for their fiscal actions.
Scrutiny and Assurance	Subjecting information to effective scrutiny and assurance, thus generating confidence in its veracity.

# ASPECTS IN A KEY ELEMENT (2)

---

## 5. Fiscal and Policy Framework

- 5.1 Overall Framework
- 5.2 Policy Making
- 5.3 Planning: The logical organisation of activities in to achieve national objectives
- 5.4 Budget and Forecasts: The financial representation of the planning outcome
- 5.5 Outcome Focus
- 5.6 Taxation and Revenue

## 6. Performance Management

- 6.1 Non-financial
- 6.2 Financial (Procurement)
- 6.3 Managing Revenues and Costs

## 7. Reporting

- 7.1 Financial and Performance Reporting Framework
- 7.2 Transparent Reporting
- 7.3 Consolidation
- 7.4 Compliance

## 8. Scrutiny and Assurance

- 8.1 Parliament
- 8.2 Central Agencies
- 8.3 Entity Governance
- 8.4 Other External Oversight
- 8.5 Supreme Audit Institution Roles (e.g. financial, performance audit)

# DIALOGUE WITH GOVERNMENTS

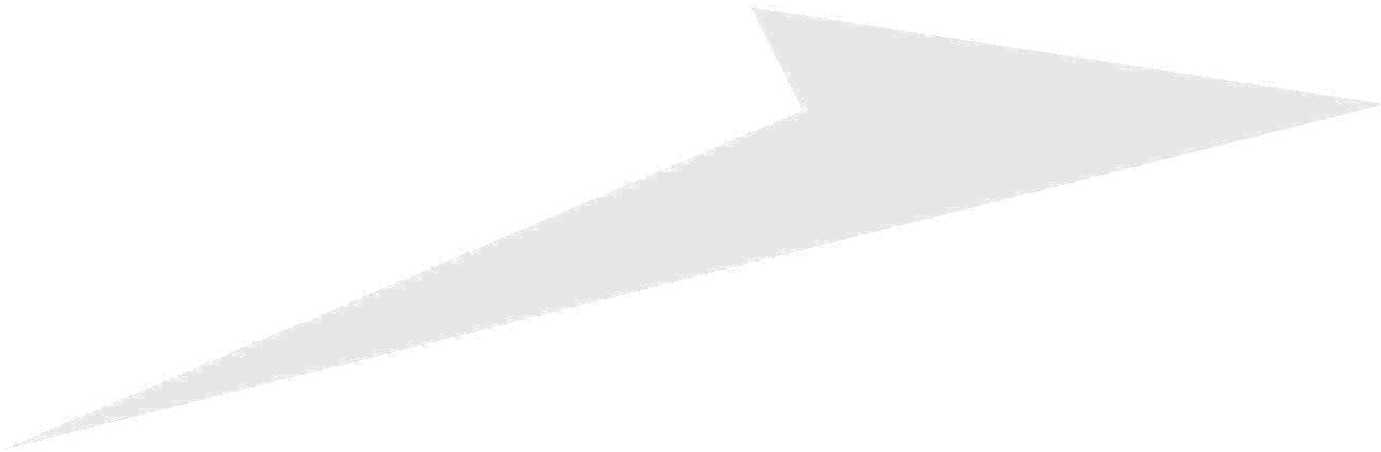
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## Suggested Approach:

- **Scope** - Identify the elements of PFM success to be covered in the dialogue.
- **Audience** - Identify the organisations and individuals to be involved in the dialogue.
- **Dialogue** - Use the questions within each element to initiate discussions as appropriate.
- **Assessments** - Find agreement on the current state of PFM.
- **Outcomes** - Identify areas of opportunity for PFM improvement, then prioritise them based on their importance and potential contribution to more highly effective PFM.
- **Review** - Where appropriate, undertake subsequent assessments of previous initiatives and consider further potential improvements.

# DISCUSSION & QUESTIONS

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# A CFO at the Cabinet Table?

ADB-CAPA-World Bank Financial Management Forum

24 March 2014

***Sumita Shah, Regulatory Policy Manager, ICAEW***





# A CFO at the Cabinet Table?

- 1. A more modern and proactive finance ministry**
- 2. A Group CFO role**
- 3. Empower Departmental Finance Directors**

Find it [here](#) on ICAEW.com



<http://www.nationaldebtclock.co.uk>

A large, semi-transparent globe is centered in the background of the title section, showing the outlines of the continents.

# **Public Sector Auditing: Applying the SAI Performance Management Framework-Initial Experience, Early Gains**



# **SAI Performance Measurement Framework**

ADB-CAPA

Manila, March 2014



# What is SAI PMF ?

**SAI PMF is a tool for measuring, monitoring, managing and reporting the performance of a Supreme Audit Institution.**



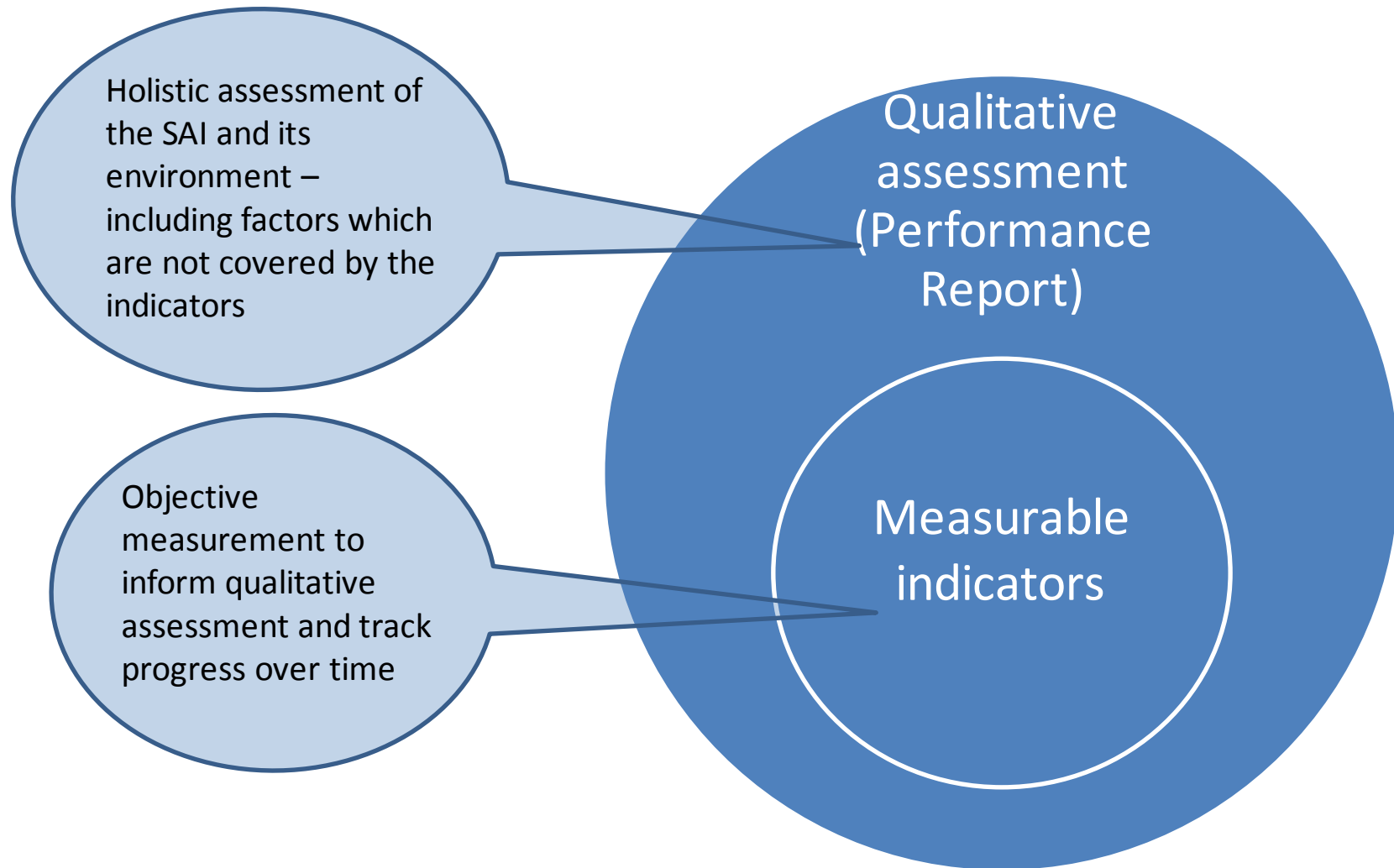


## Purpose of a SAI PMF Assessment

- Identify strengths and weaknesses
- Introduce / strengthen internal performance management and accountability
- Enable external reporting to stakeholders
- Demonstrate progress in capability and performance
- Demonstrate the value and benefits of the SAI to citizens
- Support ISSAI implementation / improve audit standards & quality
- Obtain & maintain external support for capacity development



## SAI PMF: Evidence Based Assessment of Performance



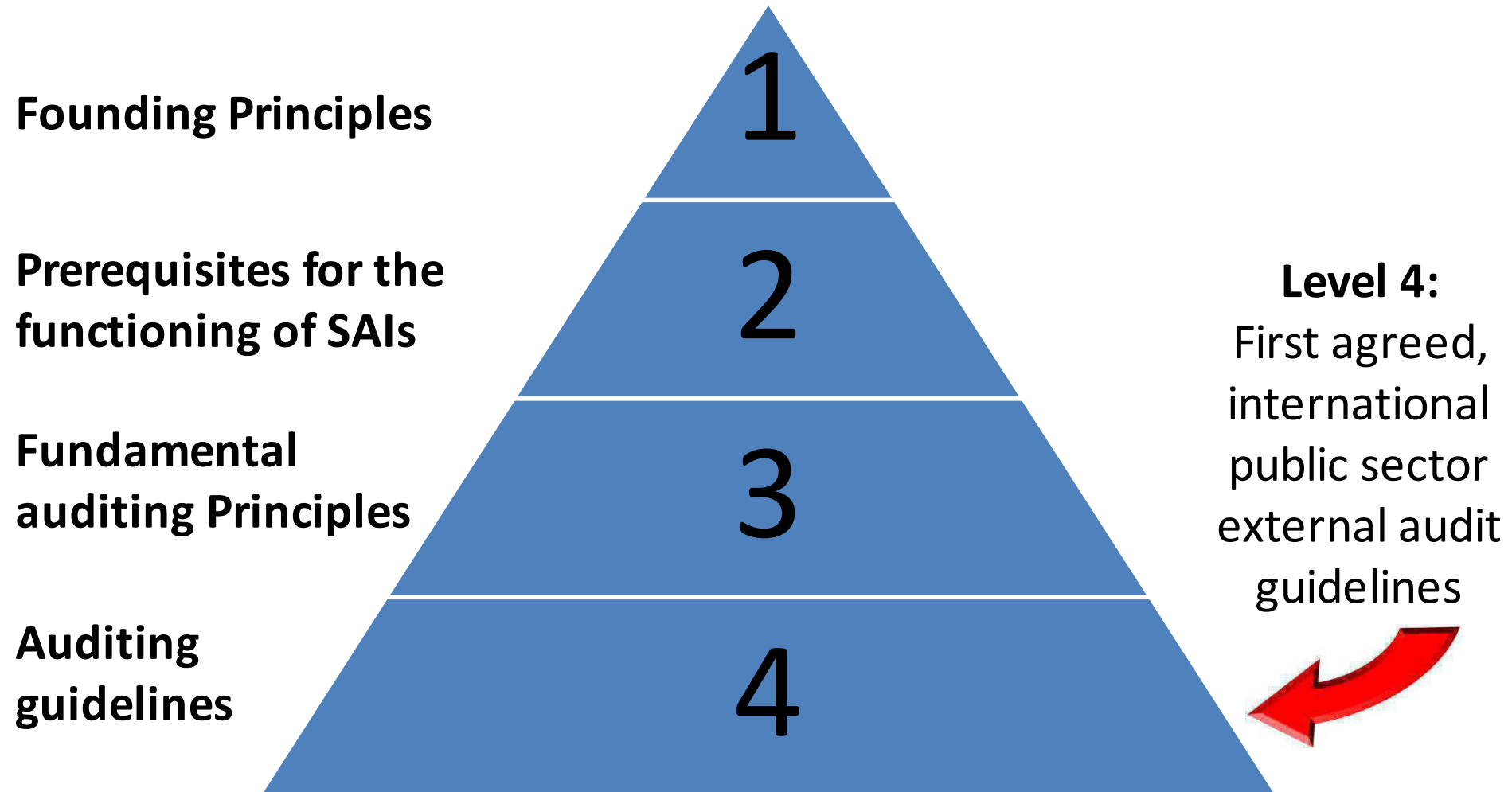


# Why Develop a Global Framework for Measuring SAI Performance?





# ISSAI Framework adopted in 2010





# Why SAI PMF?

ISSAI 20 calls for SAIs  
to assess and report  
publicly on their  
performance

No internationally agreed  
common framework for  
measuring SAI's  
performance

The INTOSAI Congress (2010),  
decided to develop a  
framework for measuring SAI  
performance (PMF)



## Progress made in the development of SAI PMF

- Version 2.0 published 2012 and piloted in Djibouti, Sierra Leone & Norway
- Global consultation on version 2.0 in 2012
- Updated SAI PMF Pilot Version published July 2013
- SAI PMF training courses planned/delivered in Europe, Africa, North & South America, Asia, Pacific – in Arabic, English, French & Spanish





## Phase 2 Pilots - Volunteers

### Completed:

- Slovakia

### In Progress:

- Barbados
- Brazil
- Ecuador
- Guatemala
- Latvia
- Mozambique
- Palestine

### Planned:

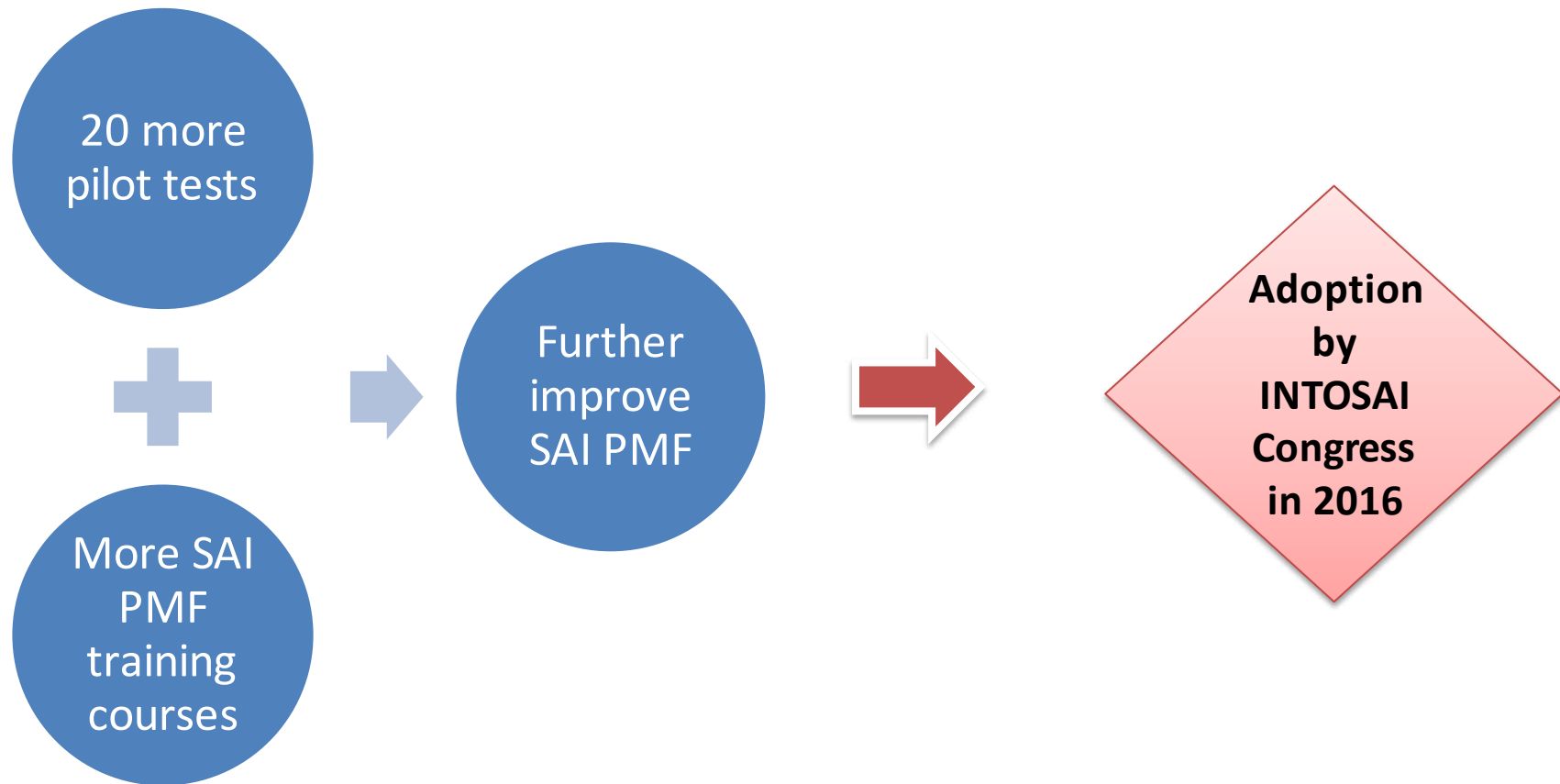
- Bangladesh
- India
- Nepal
- Maldives
- Mexico
- Bhutan
- Latvia

### Recently Expressed Interest:

- Dominican Republic
- PASAI(Fiji, Guam, Tuvalu, Solomon Islands)
- Sudan
- Vietnam
- Afghanistan



# What is next?





## SAI Performance Measurement Framework

Structure

7  
Domains

B.  
Independence  
and Legal  
Framework

SAI Capability

C. Strategy for Organizational Development

D. Audit Standards and  
Methodology

E.  
Management &  
Support  
Structures

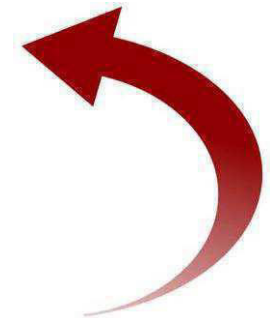
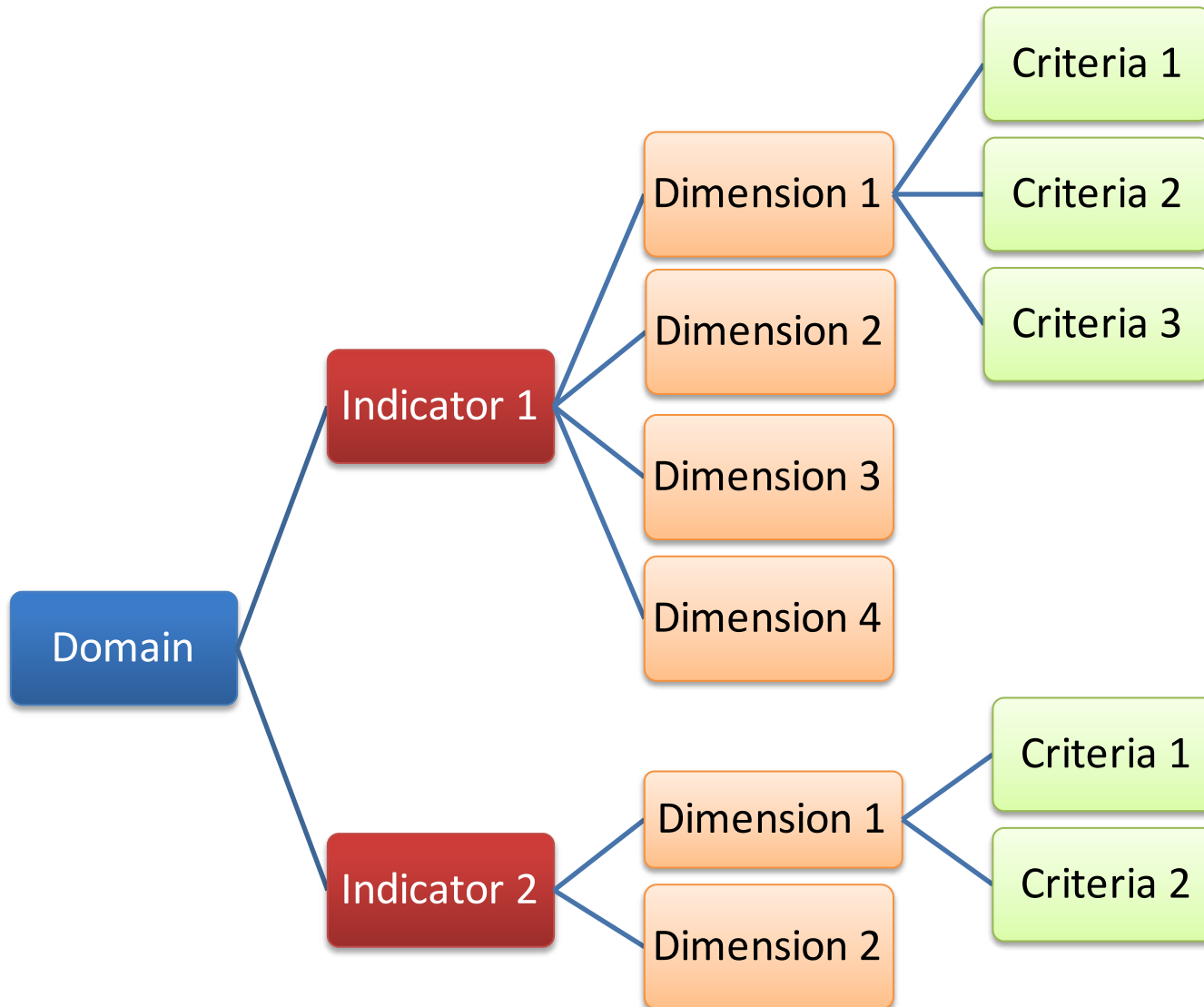
F. Human  
Resources and  
Leadership

G.  
Communication  
and Stakeholder  
Management

A. SAI  
Reporting

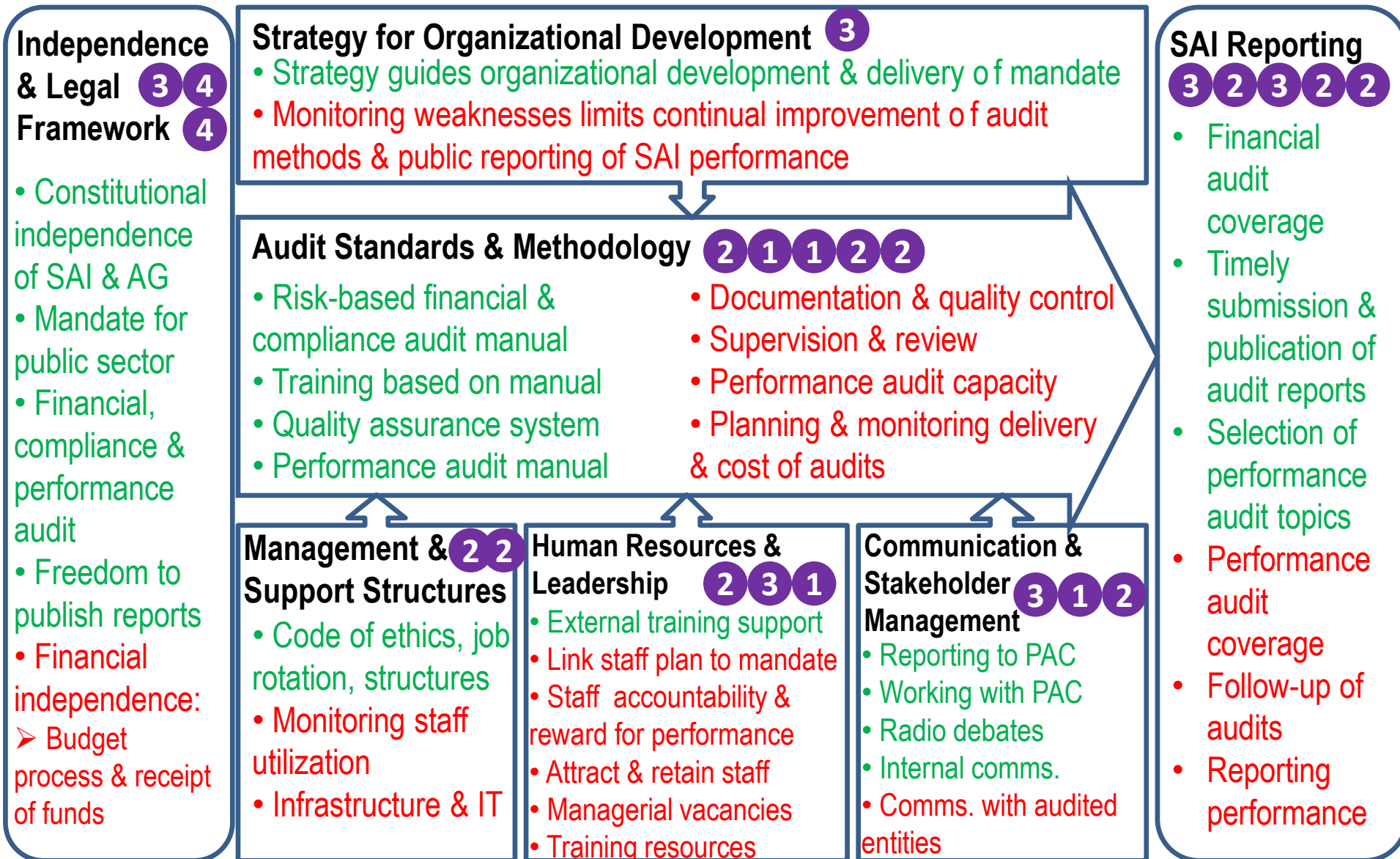
Value and  
Benefits of  
Supreme  
Audit  
Institutions

Country Context, Governance and Public Financial Management



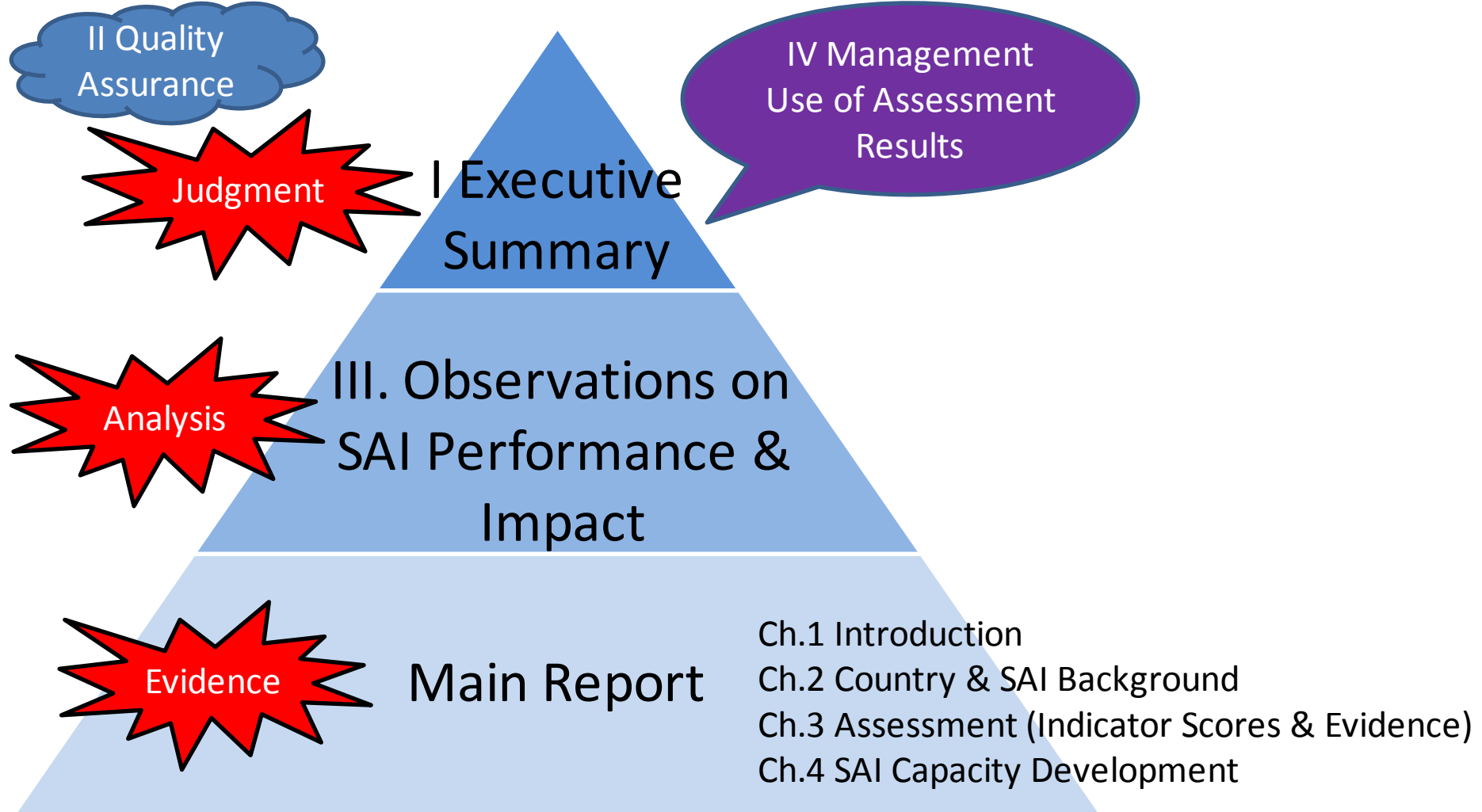
**Criteria are taken directly from the ISSAIs or other international good practices**





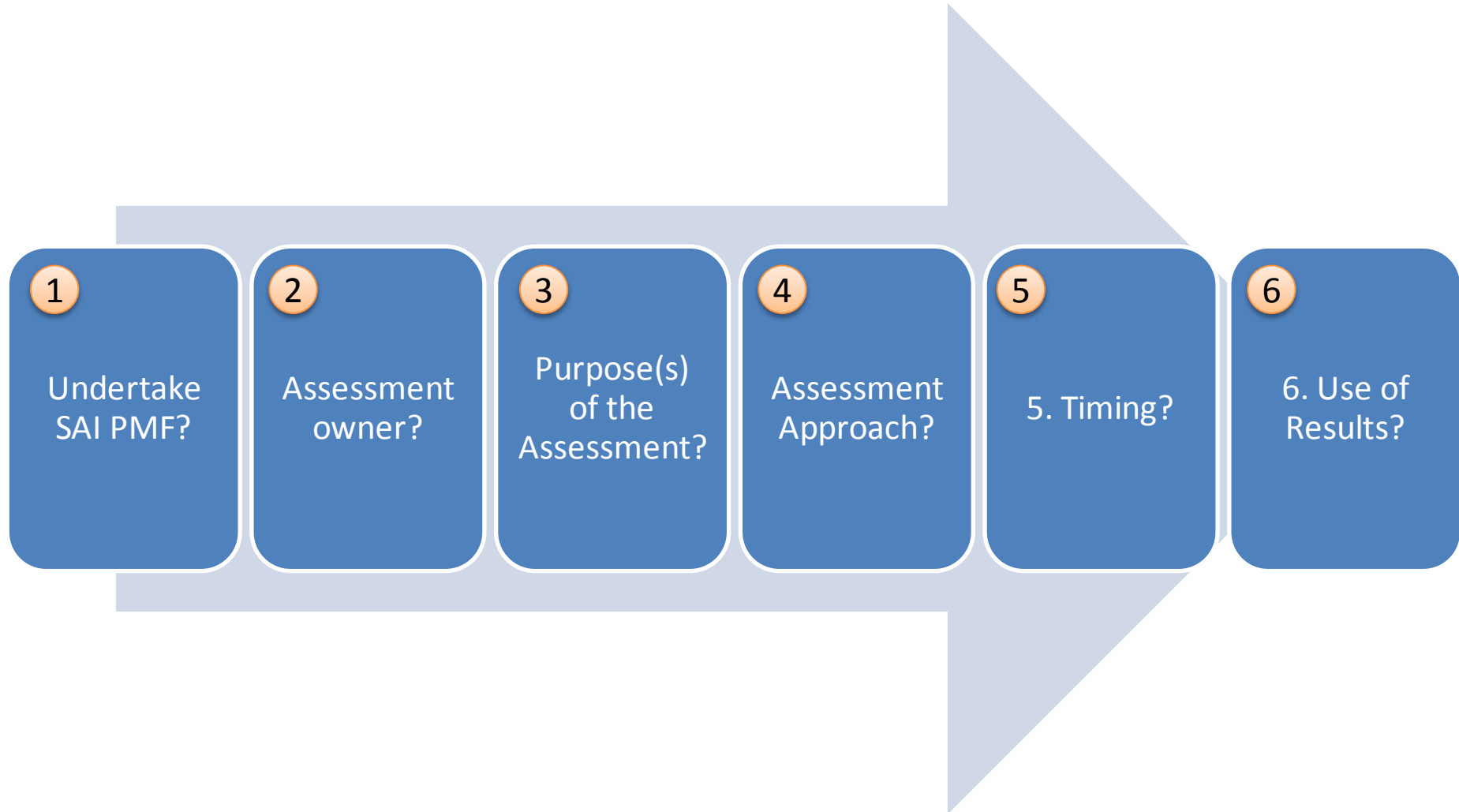


# SAI PMF Assessment Report





# Six Key Decisions to be Made by the SAI





# Learning More

## SAI PMF Training Course

- Part A – for assessors, 2.5 days
- Part B – deeper understanding and future trainers, 2 days

[www.idi.no](http://www.idi.no)

Request a course:

[INTOSAI.Donor.Secretariat@idi.no](mailto:INTOSAI.Donor.Secretariat@idi.no)

**INTOSAI IDI**  
DEVELOPMENT INITIATIVE

English | Français | Español | العربية

Home | About IDI | Programmes | 3i Programme | **INTOSAI Donor Cooperation** | Publications | Contacts

### About IDI

**SAI PMF Training**

A key pillar of the draft Roll-out Strategy this strategy is to build networks of resource experts on the SAI PMF in order to build capacity among the INTOSAI and Donor Communities, both to carry out SAI PMF assessments and to train others in use of the SAI PMF. IDI plans to organize similar events in each of the INTOSAI regions, in the working language of that region, during 2013 and 2014. The training course lasts five days and consist of two parts: Part A and Part B. The first 2.5 days (part A) will focus on training on the SAI PMF assessment tool for potential users. The final two days (part B) will explore SAI PMF in more depth including through a train-the-trainers approach targeted towards a smaller group of potential future SAI PMF experts and trainers.

**Course Objectives Part A: Training for Potential Users of SAI PMF**

- 1) Understand the purpose of undertaking a SAI PMF assessment and how the reports can be used by the SAI and external stakeholders
- 2) Understand the strengths and limitations of the SAI PMF
- 3) To be able to apply the principles and methodology in planning, implementing and reporting on a SAI PMF assessment
- 4) To be able to identify a suitable process for conducting a SAI PMF according to the purpose of the assessment and the country context

**Course Objectives Part B: Training for Deeper Understanding of SAI PMF and Future Trainers**

- 1) To be able to explain and promote the SAI PMF in your own organization
- 2) To be able to participate as a core member of a SAI PMF assessment team, or SAI PMF assessment manager
- 3) A step towards being able to train others on the SAI PMF

**Forthcoming SAI PMF Training events:**

Course Part	Date	Location	Language
Part A and Part B	11-15 November 2013	Rabat, Morocco	French
Part A and Part B	23-27 September 2013	New Delhi, India	English
Part A and Part B	9-13 September 2013	Warsaw, Poland	English

**Previous SAI PMF Training events:**

Course Part	Date	Venue	Course Language
Part A and Part B	8-12 July 2013	Lima, Peru	Spanish
Part A and Part B	10-14 June 2013	Tunis, Tunisia	English



# Thank you



THE WORLD BANK

A large, semi-transparent globe with a grid pattern, showing the continents of Asia and Australia, serves as a background for the title text.

# **Public Sector Financial Reporting-Developments and Implementation Status**

## Public Sector Financial Reporting

Guohua Huang, Member IPSASB

March 24, 2014

Manila

Philippines



# Overview of IPSAS

**“IPSASs are high quality global financial reporting standards for application by public sector entities other than Government Business Enterprises (GBEs)”**

- IPSASB develops IPSASs which apply to the accrual basis and to the cash basis of accounting
- IPSASs set out
  - recognition,
  - measurement,
  - presentation and disclosure requirements

dealing with transactions and events in general purpose financial statements

- IPSASs on the accrual basis are largely based on IFRSs but adapted to the public sector context where appropriate

# The International Public Sector Accounting Standards Board (IPSASB)

- Independent Accounting Standards Setter under IFAC
- Objectives of the IPSASB:
  - develop high quality public sector financial reporting standards
  - for use by public sector entities (except for GBEs)
  - facilitate the convergence of international and national standards
- 18 members (17 countries currently)
- Observers: 10 international organizations with formal status, including IMF, World Bank, ADB, EU
- 8 staff, based in Toronto Canada; funded 50% IFAC, 50% contributions from Governments and others

# Rigorous Process

- All meetings and agenda materials are public
- Consultative process 4-6 months response period
- Issue exposure drafts of proposed accounting treatment for feedback from stakeholders
- All responses posted on website
- IPSASB must approve all public documents with 2/3 vote

# IPSASB has created a full suite of standards

- 32 Standards approved (accrual basis) covering all main areas of government activity, 1 cash basis standard
- Substantial convergence at December 31, 2009 with IFRSs at December 31, 2008
  - All relevant IFRS converged
  - 2009 IFRS improvements incorporated at 1 January 2011
- Standards include public sector specific standards
  - Disclosure of Information about the GGS (Financial Statistics)
  - Impairment – non-cash generating assets
  - Revenues from Non-Exchange Transactions (Transfers and Taxes)
  - Presentation of Budget Information
  - Service Concession Arrangements: Grantor

# IPSASB has created a full suite of standards

- Cash Basis IPSAS –to use as transitional tool
- Adoption and implementation guidance
  - Study 14
    - Non-authoritative
    - Practically oriented («How to do it»)
    - Including hints for project management

# Overview of the Development of IPSASB's Work Program

## Phase 1 (1997-2002)

- Through financial support of international institutions development of a first set of accounting standards ("Core Set": IPSAS 1 – IPSAS 20)

## Phase 2 (2003-2010)

- Where relevant for the public sector, convergence with IAS/IFRS as of 31.12.2008 was achieved
- Issuance of first standards to specific issues of the public sector (IPSAS 21 – IPSAS 24)

## Phase 3 (since 2010)

- Development of a Conceptual Framework for the public sector
- Focus on specific issues of the public sector as well as further development of existing standards (maintenance)

## Public sector is different: Key characteristics

- Volume and Significance of *Non-Exchange* transactions such as Taxes and Transfers, or the provision of goods and services in a non-market environment
- Importance of *Budget*
- Nature of PPE: To *provide goods/services* – not cash generation, often *very specific nature*
- Responsibility for *Heritage*
- *Longevity* of public sector entities
- *Regulatory* role of government
- Ownership or control of rights to *natural resources*
- *Statistical reporting*

# Relevant Issues and Work Program of the IPSASB

## Relevant Issues

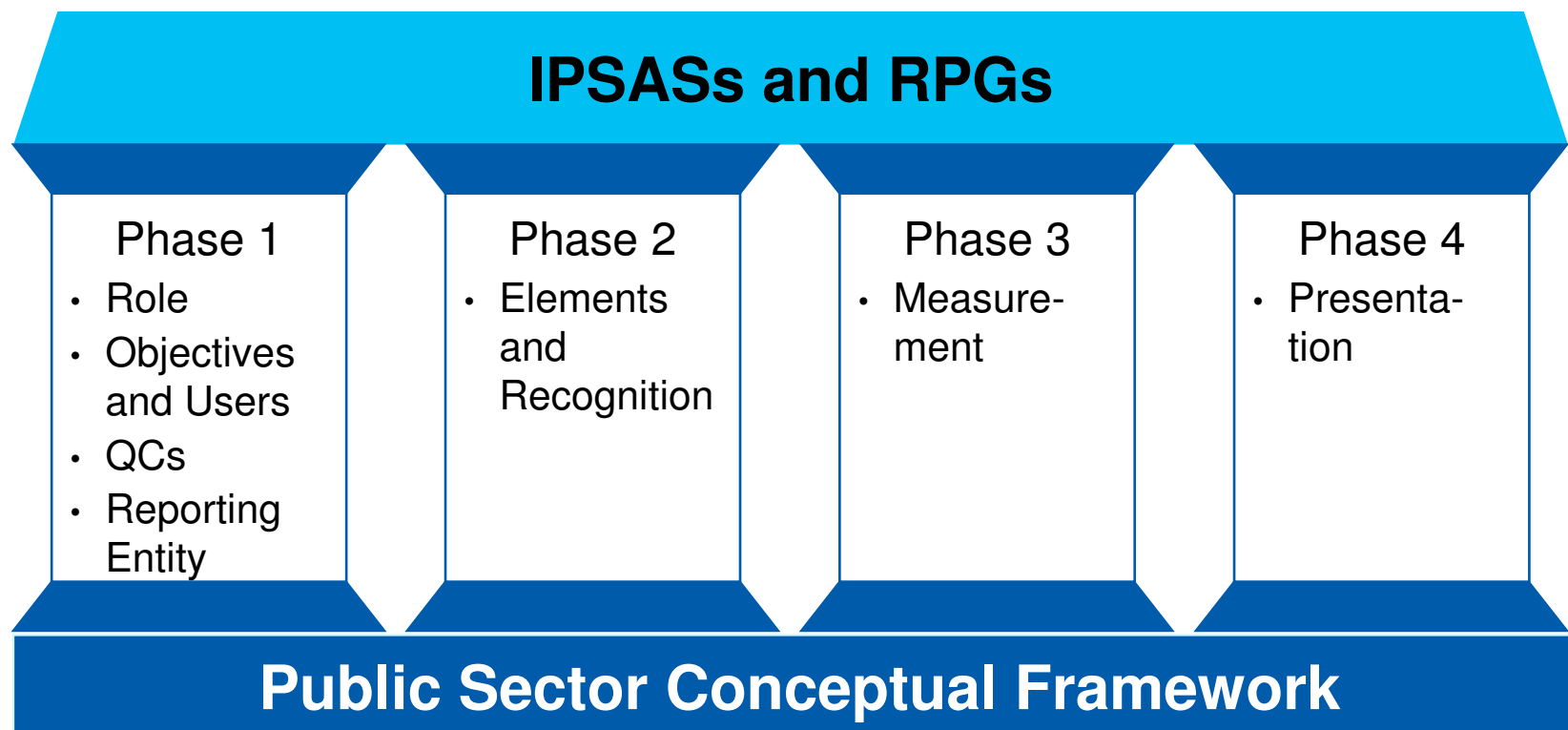
- Public sector specifics
- Conversion to accrual-based systems
- Output-orientation
- Intergenerational Equity
- Need for whole-of-government perspective
- Restructuring to increase efficiency
- Harmonization with GFS

## Work Program of the IPSASB

- Conceptual Framework
- First Time Adoption
- Service Performance Reporting
- Update of IPSASs 6 to 8
- P.S. Combinations
- GBEs
- Financial Instruments
- Social Benefits
- Emissions Trading Schemes



# Conceptual Framework Project



# Public Sector Conceptual Framework Status

Phase 1: *Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; Reporting Entity*

Consultation  
Paper

Exposure  
Draft

Final CF  
Dec 12

Phase 2: *Elements and Recognition in Financial Statements*

Consultation  
Paper

Exposure  
Draft

Final CF  
2014

Phase 3: *Measurement*

Consultation  
Paper

Exposure  
Draft

Final CF  
2014

Phase 4: *Presentation*

Consultation  
Paper

Exposure  
Draft

Final CF  
2014

# Public Sector Critical Projects

- *Update of IPSASs 6-8* – Includes Consolidated Financial Statements and Joint Arrangements, ED 2013; final 2014
- *First Time Adoption* – ED 2013; final 2014
- *Reporting Service Performance* – RPG ED 2013; final 2014
- *Public Sector Combinations*
- *Public Sector Specific Financial Instruments (e.g. money in circulation)*
- *IPSAS 28-30 FI (update)*
- *Government Business Enterprises*
- *Social Benefits*
- *Emissions Trading Schemes*
- *Strategy and Work Program Consultation*
- *Governance and Oversight*

# Strategy Going Forward

- Approved Consultation on Strategy for 2015+; work program 2015-2019

*Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs by:*

- *developing high-quality financial reporting standards;*
- *developing other publications for the public sector; and*
- *raising awareness of the IPSASs and the benefits of their adoption.*

To be issued by March 31 - Responses by July 31, 2014

# Governance and Oversight

- Need for public interest oversight – urgent
- IPSASB Governance Review Group – IMF OECD WB
- Consultation paper issued January 2014 – responses April 30, 2014
- IPSASB favours option 2: separate oversight for IPSASB -short medium and long term

# Public Sector Critical: Environment

- IMF-FAD addressing issue of transparency in a comprehensive paper
  - Fiscal transparency does matter
  - Harmonization of Accounting and Statistics needed
  - ROSC initiative should be followed up
- Eurostat Report
  - Endorsement mechanism as expected
  - Alignment with GFS is an emphasis
  - Some caution the risk of dual standards (EPSAS) and of a backward step for those on IFRS/IPSAS (e.g. UK, Spain, Austria, Baltic countries)
- G20 Finance Ministers press release February 2013
  - Strengthening government balance sheet → looking at financial reporting

# Adoption of IPSASs

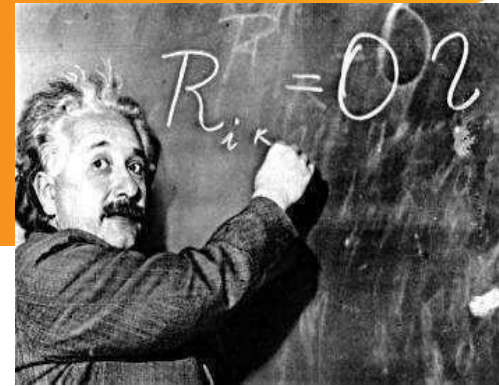
- Increase in adoption and implementation
  - Over 40 Countries apply Accrual IPSAS; including South Africa, Switzerland, Russia, Israel, Slovakia, Brazil, Indonesia
    - Some apply it directly (e.g. Switzerland, Austria, Estonia, Lithuania, Chile)
    - Some others indirectly through National Standards (e.g. South Africa, Brazil, Indonesia, Malaysia, Spain, New Zealand)
  - Some apply it for lower levels of government, e.g. Prefecture of Tokyo, State of Geneva
  - Entire UN System, OECD, NATO, Interpol and EC
  - Eurostat: IPSAS indisputable reference for a EU framework

# Typical challenges of an accrual IPSAS implementation

- ▶ Political/executive level support for the reforms
- ▶ Legal framework
- ▶ Lack of accrual accounting know-how
- ▶ Staff capacities for reform
- ▶ Important role of IT/ERP-systems
  - Complexity
  - Sufficient capacity of IT service provider
- ▶ Impact of the reform on the organisation and staff
  - New organizational structures and processes etc.
- ▶ Complete registration and measurement of assets and liabilities
- ▶ Financial statement closing process/consolidation
- Throughout the whole process: Change management



# Transparency is relevant



- Significant correlation between PEFA indicator (PI25) and overall PEFA performance (Vany, 2010)
- Main advantages:
  - Financial planning
  - Financial control, debt, investment and liquidity management
  - Reliable base for audit

## But return is easily higher than cost

- Direct returns to projects: Assets «found», risks identified
  - easily add up to about half of the project cost
- Returns from accrual reporting:
  - Debt management policy can identify non-bond types of debt more easily and limit/reduce that; debt «shifting» is effectively prevented
  - Assets are more actively managed, leading to disinvestment or better usage
  - Lower interest rates (e.g. State of Geneva -0.5%/Hiler 2012)
  - Accrual accounting (A) assists debt breaks/fiscal rules (F) as it keeps track and helps to prevent «workarounds», especially Financial Instruments

# Conclusion

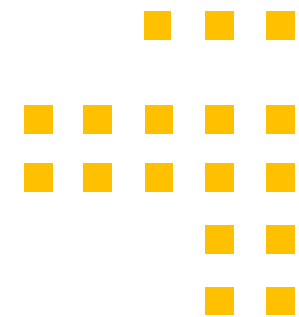
- IPSASs are a full suite of standards, designed for the public sector
- They are set by an independent, international standard setter
- They can be implemented directly or – more likely – indirectly through standards set at jurisdictional level
- Time and cost required for implementation are substantial – but returns are higher

# Questions Discussion & Further Information



- Visit our webpage <http://www.ipsasb.org/>

# Review of IPSAS Status in Asia and the Pacific



**Xu Yi**  
**Senior Financial Management Specialist, ADB**  
**24 March 2014**





# Review Approach

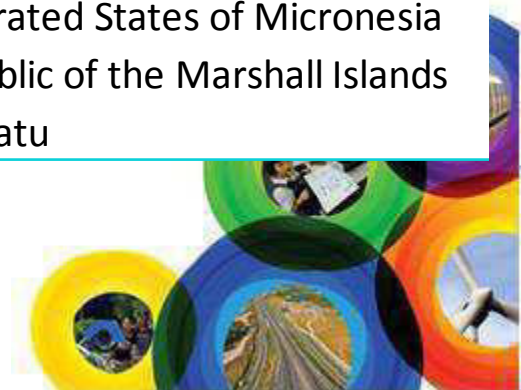
- Based on available materials:
  - Deloitte. 2013. *IPSAS in Your Pocket*.
  - Relevant government websites
- Supplemented by inputs from ADB financial management staff



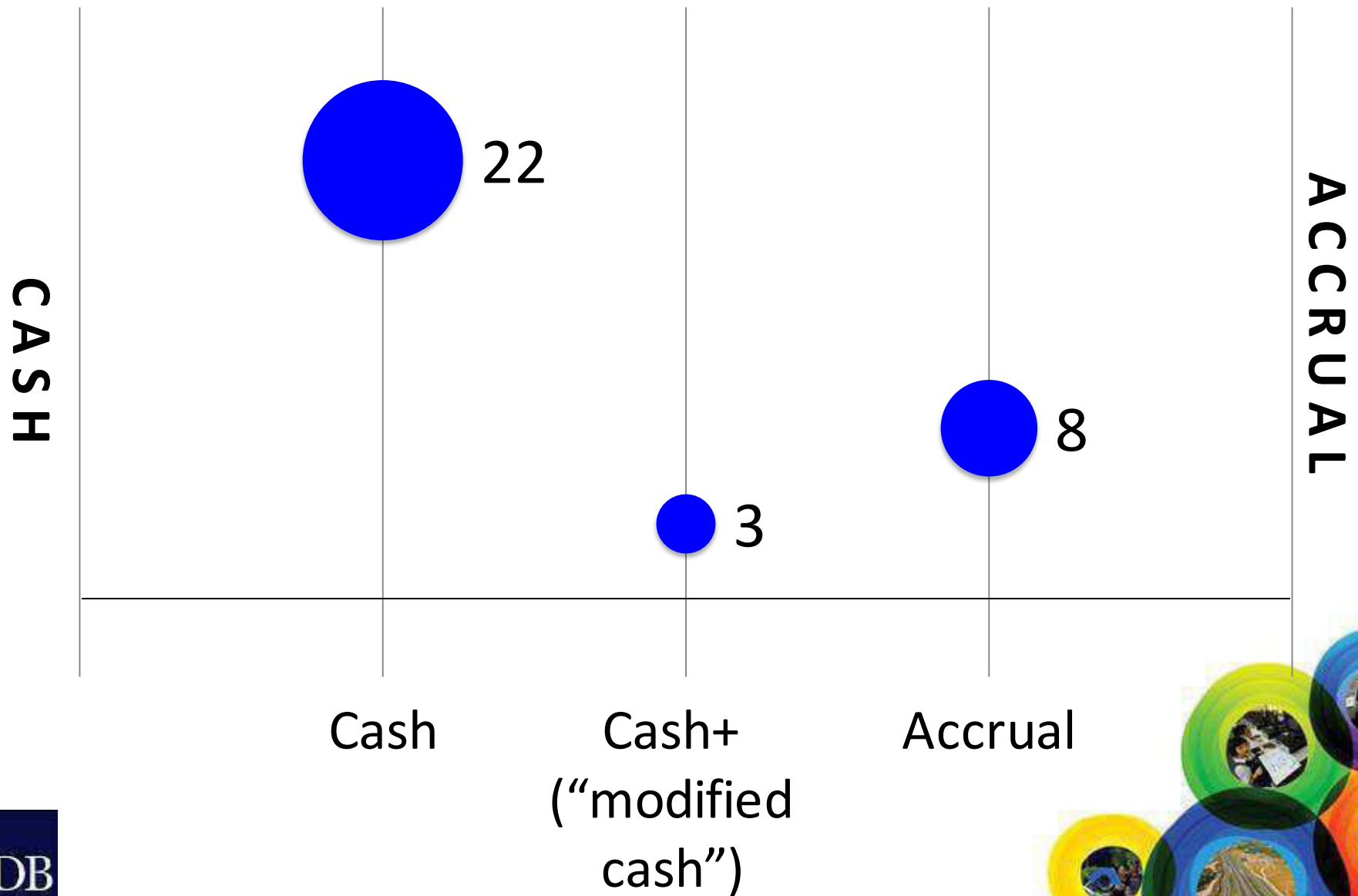
# Asia and the Pacific

## 33 Developing Member Countries (DMCs)

East Asia	Southeast Asia	South Asia	Central Asia	Pacific
Mongolia	Cambodia	India	Armenia	Fiji
People's Republic of China	Indonesia	Bangladesh	Georgia	Samoa
	Lao PDR	Bhutan	Kyrgyz	Tonga
	Myanmar	Nepal	Tajikistan	Tuvalu
	Philippines	Maldives	Uzbekistan	Solomon Islands
	Vietnam	Sri Lanka	Pakistan	Papua New Guinea
				Timor Leste
				Nauru
				Cook Islands
				Palau
				Federated States of Micronesia
				Republic of the Marshall Islands
				Vanuatu

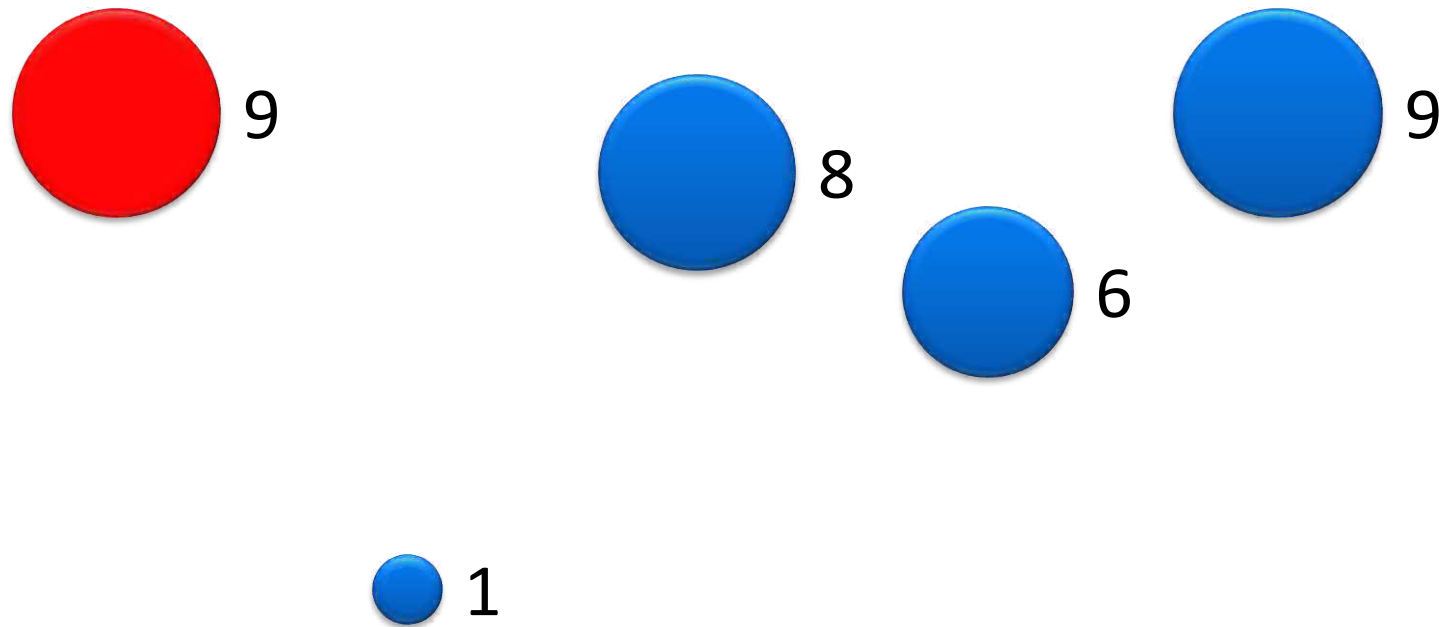


# DMCs' Current Accounting Basis





# Status of Cash-Based IPSAS Adoption in the DMCs



N/A (Accrual  
already)

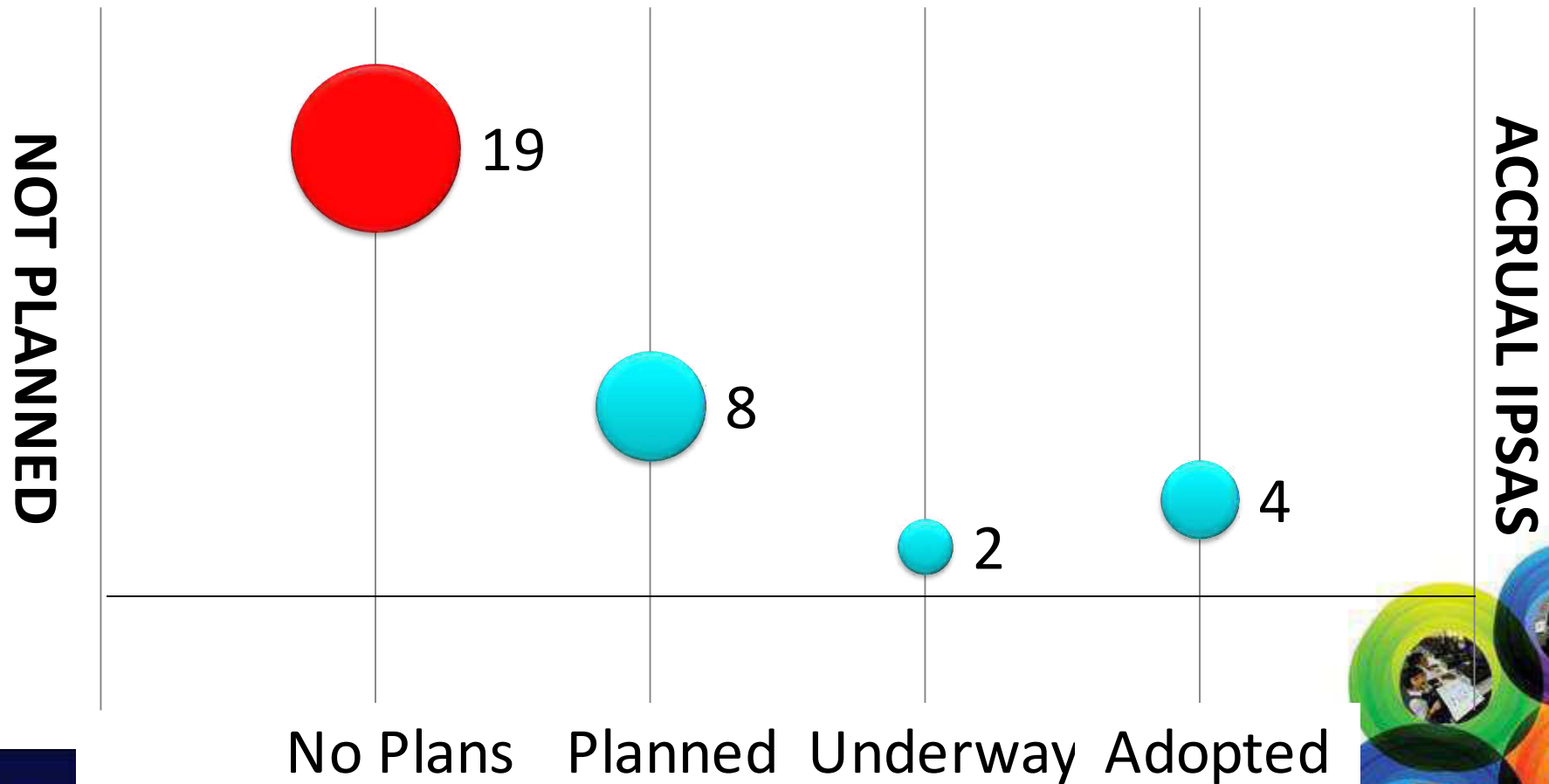
No Plans

Planned

Underway

Adopted

# Status of Accrual-Based IPSAS Adoption in the DMCs





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# **Public Sector Auditing- Developments and Status of ISSAI Implementation**

# Development and status of ISSAI Implementation

ADB-CAPA  
Manila, March 2014



*Supporting SAls in implementing ISSAIs*

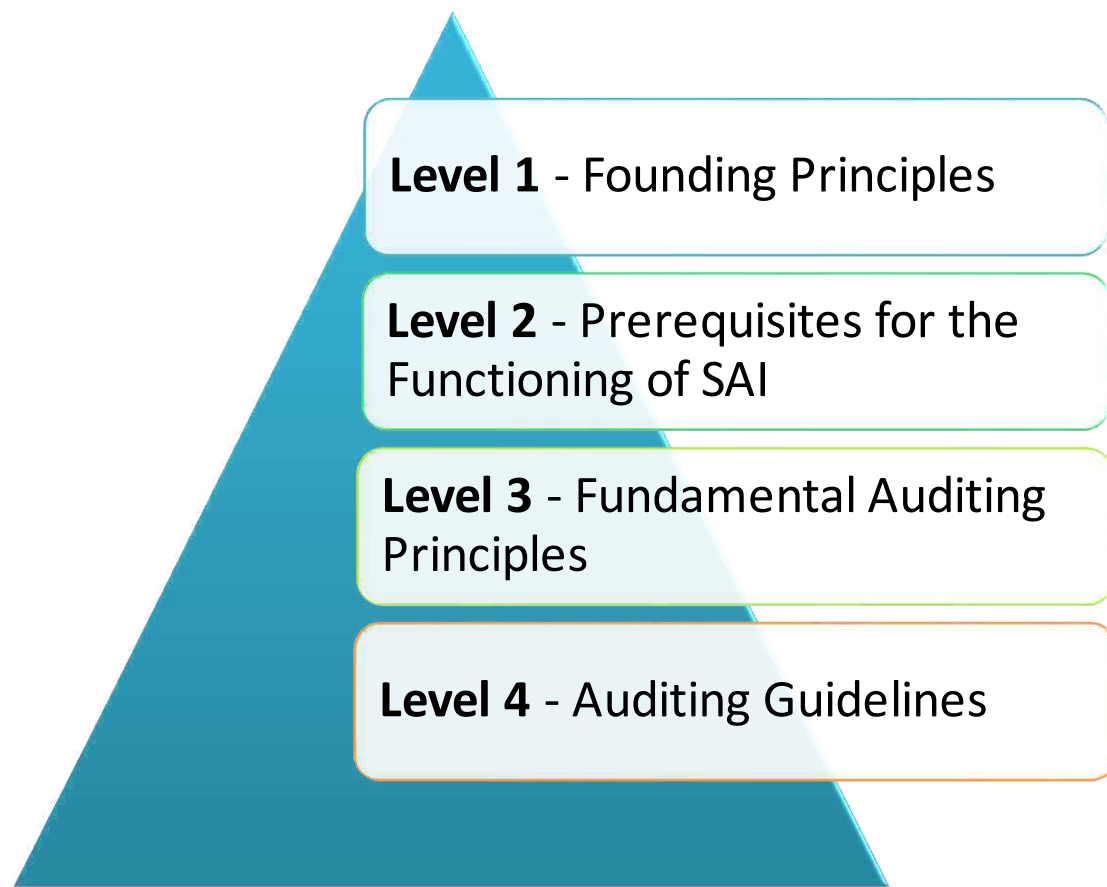
# Why are ISSAIs important ?



*Supporting SAIs in implementing ISSAIs*

# Levels of ISSAIs

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# ISSAI Framework

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Level		Subject	ISSAI No.
1	Founding Principles	Lima Declaration	1
2	Prerequisites for functioning of SAls	<ul style="list-style-type: none"> <li>• Independence</li> <li>• Value &amp; Benefits of SAls</li> <li>• Transparency and Accountability</li> <li>• Ethics</li> <li>• Quality</li> </ul>	10 12 20 – 21 30 40
3	Fundamental Auditing Principles	<ul style="list-style-type: none"> <li>• Fundamental Principles</li> <li>• Fundamental principles of Fin., Performance and Compliance audit</li> </ul>	100-400
4	Auditing Guidelines	<ul style="list-style-type: none"> <li>• Financial Audit Guidelines</li> <li>• Performance Audit Guidelines</li> <li>• Compliance Audit Guidelines</li> <li>• Specific Guidelines</li> </ul>	1000-2999 3000-3999 4000-4999 5000-5999

# Public Sector Audit

Compliance Audit

ISSAI 100: Public-sector auditing can be described as a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions conform to established criteria. Public-sector auditing is essential in that it provides legislative and oversight bodies, those charged with governance and the general public with information and independent and objective assessments concerning the stewardship and performance of government policies, programmes or operations.

Financial Audit

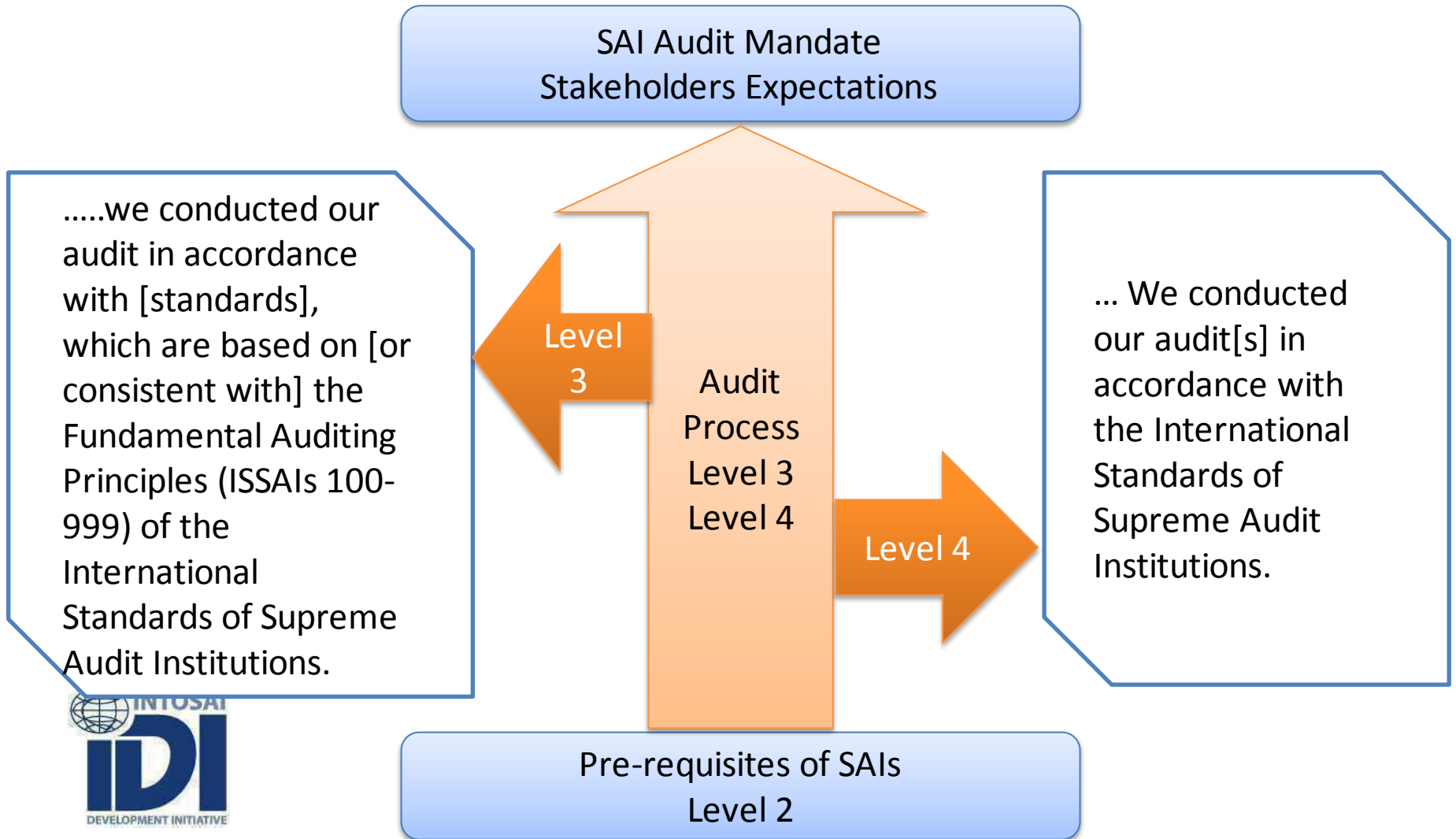
Performance Audit



*Supporting SAs in implementing ISSAIs*

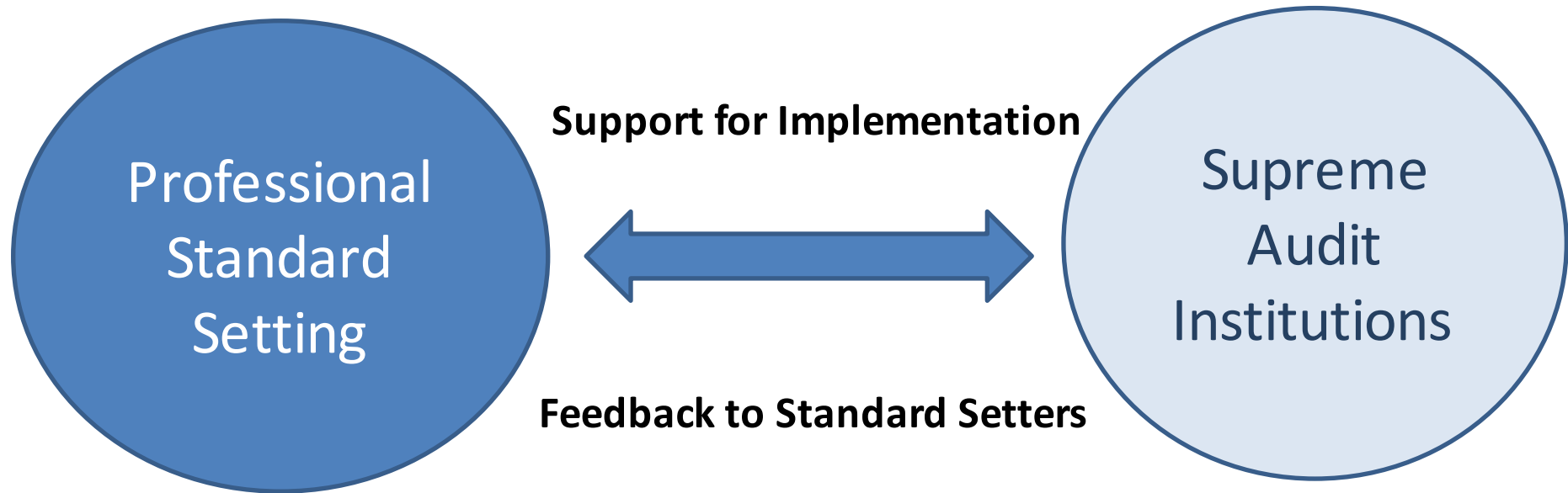


# Implementing ISSAIs



# Support ISSAI Implementation

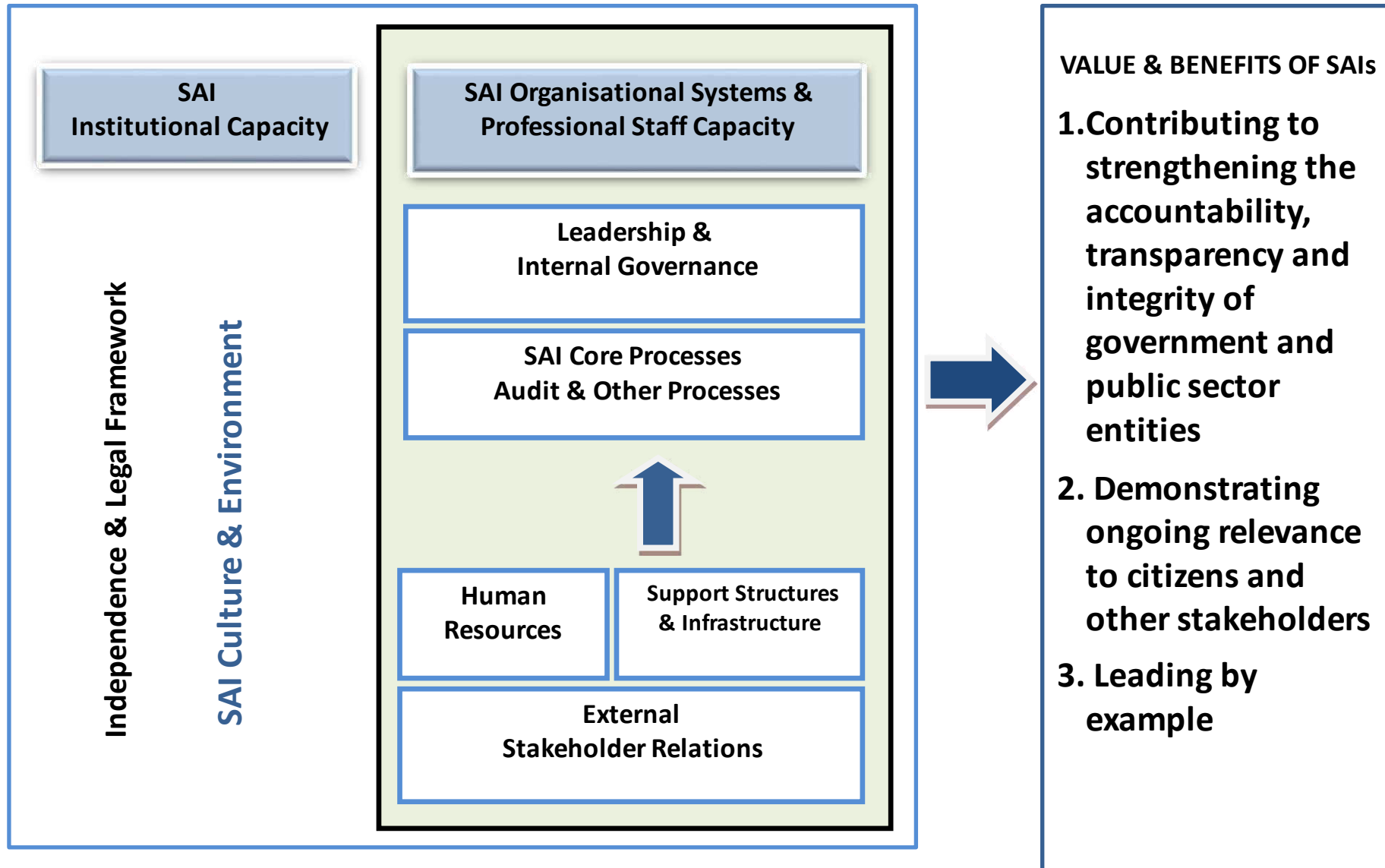
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**83 SAls and 2 sub national audit office in English Speaking regions , 3i ARABOSAI and 3i OLACEFS launched in 2014. Awaiting funding for 3i CREFIAF**

*Supporting SAls in implementing ISSAIs*

# ISSAI Implementation Framework



# 3i Programme Objective

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Current  
Situation



ISSAI based  
audit practice

**Support SAs in developing countries in  
implementing ISSAIs**

**Level 2, 3 and 4 ( Financial, Performance &  
Compliance Audit)**

DEVELOPMENT INITIATIVE

*Supporting SAs in implementing ISSAIs*

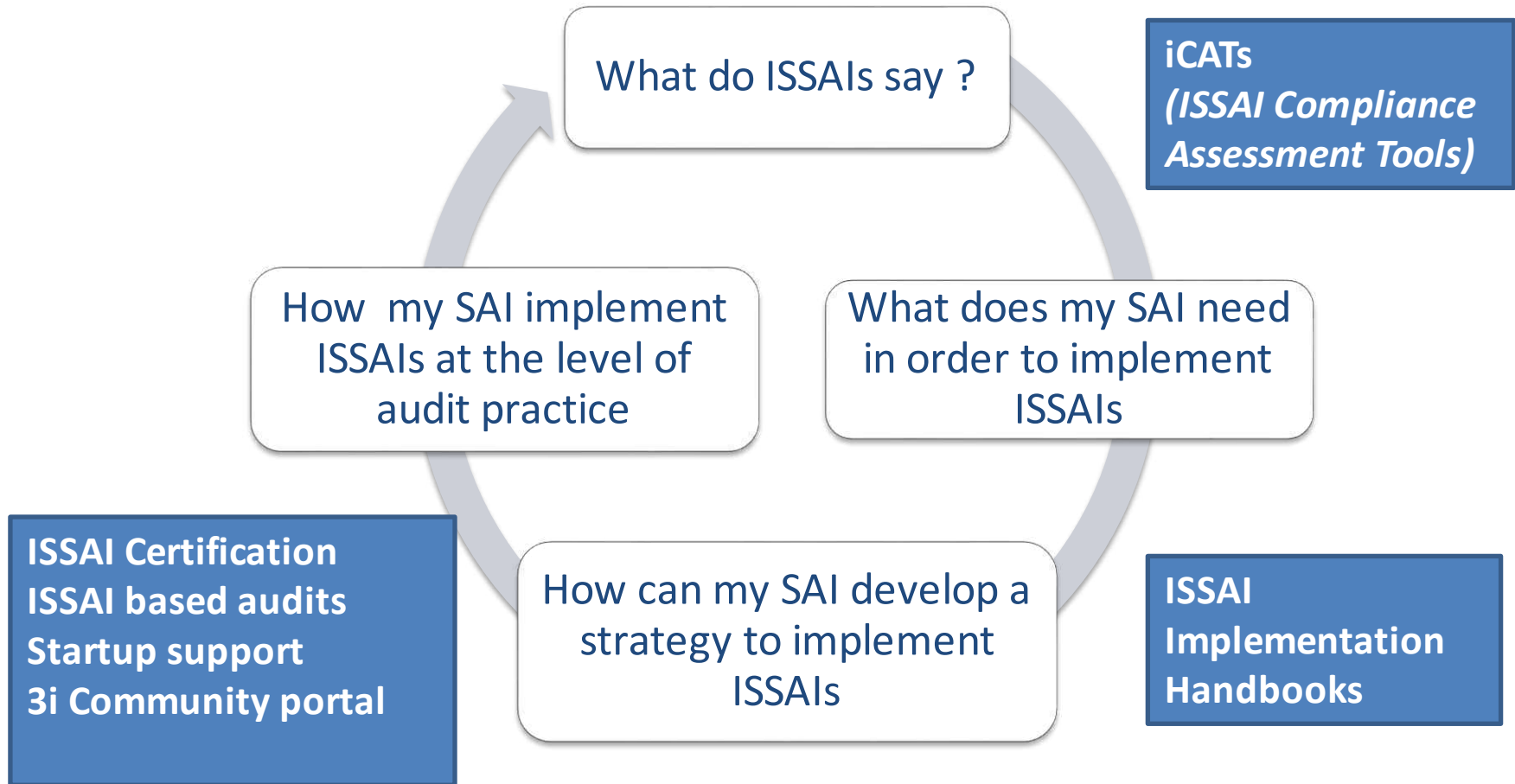
# 3i Results Framework

## Phase 1



*Supporting SAs in implementing ISSAIs*

# ISSAI Implementation Support



*Supporting SAIs in implementing ISSAIs*

# 3i Results So Far – Phase 1



## **iCATs draft version 1**

Financial audit, performance audit and compliance audit ISS AIs at level 4.  
iCAT Translated in Spanish, Arabic, French on going  
Expanded to include level 3

## **Handbook**

## **ISSAI Implementation Handbooks draft version 1**

For Financial , Performance and Compliance Audit.

## **Certification**

## **117 PSC-IDI certified ISSAI Facilitators**

Participants from the Financial and Performance audit programme certified. ISSAI certification programme for Compliance Audit to be completed in 2014.

## **3i Management Workshop**

## **Five 3i Management Workshops held**

164 top managers from 77 SAIs conducted strategic discussions on ISSAI Implementation . 55 statements of commitments signed.

## **3i Portal**

**3i Community Portal visited 7780 times/ 178 countries**

<http://www.idicommunity.org/3i/>



*Supporting SAIs in implementing ISSAIs*

# ASOSAI & PASAI

Bangladesh Philippines  
Bhutan Thailand  
Cambodia Vietnam  
China Sri Lanka  
India Afghanistan  
Indonesia Iran  
Laos PDR Kyrgyzstan  
Malaysia  
Maldives  
Mongolia  
Myanmar  
Nepal  
Pakistan

Cook Islands  
Federated States of Micronesia  
Fiji  
Palau  
Papua New Guinea  
Samoa  
Tonga  
Tuvalu  
Nauru  
10. Solomon Islands  
11. Guam  
12. American Samoa  
13. Vanuatu  
14. Kiribati  
15. Marshall Islands  
16. FSM Pohnpei  
17. FSM Kosrae

67 Certified ISSAI Facilitators  
In PA and FA

iCATs

Statement of Commitments



*Supporting SAls in implementing ISSAIs*



# Lessons Learned

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- Need for a critical mass of professional people who understand ISSAIs and are able to exercise professional judgment.
- Public Sector Audit Professional
- Alignment with SAI level support to address SAI specific issues
- Integrated approach to ISSAI implementation
- Need to define linkages between audit streams
- Readiness of partners
- Need for a quality assurance mechanism for ISSAI implementation
- Experience sharing between SAIs in developed and developing countries
- Stable and long term funding



# Public Sector Audit Professional

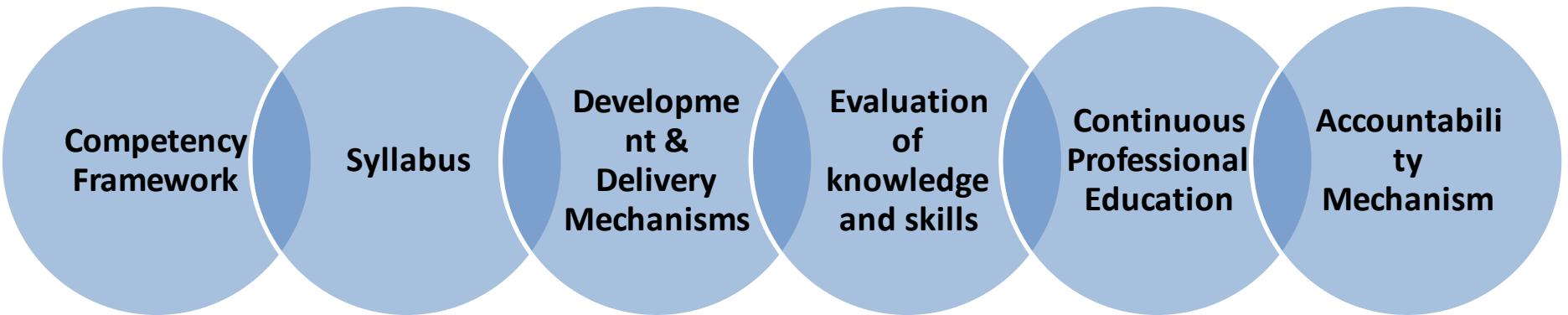
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- Possesses knowledge and understanding
- Mastery of work-related competences
- Efficient and effective and with minimum levels of supervision;
- Complies with standards
- Committed to lifelong learning
- Ethical Behaviour
- Is accountable to the professional body



# Accreditation Mechanism

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Recognition at SAI Level ?  
Alignment with regional initiatives ?

[www.idi.no](http://www.idi.no)

[www.issai.org](http://www.issai.org)

[www.idicommunity.org](http://www.idicommunity.org)



*Supporting SAls in implementing ISSAIs*



# **Public Sector Auditing Developments and Status of ISSAI Implementation in EAP Region**

Agnes Albert-Loth  
Manila, March 24, 2014

# World Bank Supports INTOSAI Development Initiative

## **Long term benefits:**

- ✓ Substantial improvements and greater international consistency in audits
- ✓ Gain independence and professionalism

## **Capacity building program** with global and regional reach to:

- Promote accessibility and applicability of the International Standards of Supreme Audit Institutions (ISSAIs); and
- Develop a SAI Performance Measurement Framework (PMF)

# ASOSAI – ISSAI Implementation Progress



- ❑ 3i Management WS in Cambodia, Feb. 2013 (20 SAIs):
  - Implementation status
  - Statement of Commitments signed by all representatives of 20 SAIs



- ❑ ISSAI Certification Programmes on Performance Audit (34 participants) and on Financial Audit (33 participants), Thailand , Sept. - Oct. 2013
  - Individual action plans as ISSAI Facilitators



# PASAI - ISSAI Implementation Progress



- ❑ Certification of ISSAI facilitators for compliance, performance and financial audits:
  - 19 auditors from the PASAI member countries have completed the program
- ❑ 3 mentors from PASAI member countries were involved in the development of the iCATs (ISSAI Compliance Assessment Tools)
  - As of January 2014, iCATs was completed by Kiribati, Papua New Guinea, Samoa, Tonga, Tuvalu and Vanuatu
- ❑ E-Course on Risk Based Approach to Financial Auditing facilitated by IDI:
  - 15 participants from 5 PASAI members participated



# ISSAI Implementation Challenges



- Understand ISSAI Standards
- Resource, capacity and skills constraints
- Language Problems
- May interfere with its mandate, legal environment, limitation in current legislation
- Lack of Tools (guidelines, handbooks, good practice examples, IT)

# Some Suggestions

- Cooperation among SAls, twinning arrangements
- Share good practice examples (Community of Practice)
- Quality control, Peer review



THE WORLD BANK

# **Professional Standards- Status and Directions**





International  
Federation  
of Accountants

# Update on International Standard Setting Projects

Sylvia Tsen

Director, Quality and Member Relations

March 2014

Manila, Philippines

# Agenda

- Current IAASB Projects and Initiatives as presented by Mr. Chuck Landes, IAASB member (March 13)
  - Auditor Reporting
  - Disclosures and Strategy
- Brief update on IESBA and IAESB
- Please refer to the IAASB, IESBA and IAESB websites for current and up to date information about their projects

# Update on Auditor Reporting – the IAASB's #1 Priority

- Exposure Draft issued in July 2013; 139 responses received from a wide range of stakeholders
- Broad support for overall direction of the proposals
  - But concerns with some aspects of the proposals, and calls for additional guidance in some areas to support the principles-based requirements
- IAASB intends to finalize the standards in 2014
  - Encouragement to align various approaches for global consistency, to the extent practicable
  - Strong support noted for planned post-implementation review

# Auditor Reporting – Relevance to SMEs and SMPs

Proposed Enhancement	All Entities	Listed Entities Only
Key Audit Matters		✓ - Can be applied by others voluntarily
Going Concern	✓	
Statement about Independence and Other Relevant Ethical Requirements	✓	
Disclosure of Engagement Partner Name		✓
Enhanced Description of Auditor's Responsibilities	✓	
Other Information	✓ - Separate project	

# Respondent's Views about KAM

- Overall support for the inclusion of KAM for audits of listed entities
  - Will contribute to improving the quality of the audit and financial reporting
  - Provides information that may assist users in understanding the entity and areas of significant management judgment
  - Focuses investors on key issues included in the financial statements
  - When KAM is provided voluntarily, should follow proposed ISA 701
- Mixed views whether proposed ISA 701 would promote consistency in how auditors determine and communicate KAM
  - Majority generally supported the use of auditor judgment, but calls for greater consistency coming primarily from regulators and oversight authorities



## Respondents' Views about KAM (cont.)

- Continued concern about the auditor providing “original information”
  - Some investors are of the view that the auditor should be freely able to comment on any matter they believe would be of the value to users
  - But others called for greater specificity about how “sensitive” matters should be addressed – reporting certain matters could have unintended market consequences due to lowering of the threshold for disclosure
- Majority supported flexibility in describing a KAM, but calls for guidance as to when it may be necessary to describe “the effect on the audit”
  - Overarching theme that the description of a KAM should be relatively clear, concise, understandable and entity-specific

# KAM – Matters to be Discussed at the Upcoming IAASB Meeting

- Revision to requirement to determine KAM to better articulate the thought process to consider the “drivers” of areas of significant auditor attention
  - More closely linked to matters likely to be disclosed in the financial statements
  - Factors are considerations, but not “indicators” of KAM – there may be other areas of “significant auditor attention”
  - Second “filter” to select the matters “of most significance”
- Consideration about how to address “sensitive information”
- Consideration of whether changes to the requirement or additional application material are needed to assist auditors in communicating KAM

# Auditor Reporting on Going Concern (GC)

- A large number of respondents continue to advocate a holistic approach to addressing going concern in financial reporting
  - Mixed views around value of proposals/practicality without changes to accounting standards
  - Concern that auditor statements may be misinterpreted by users if there is a lack of consistent understanding of the underlying concepts in the accounting framework
  - IAASB continuing to work closely with IASB to encourage them to take further action
- Mixed views about both the usefulness of a statement on the appropriateness of the use of the GC basis of accounting and a statement when no material uncertainty (MU) related to GC had been identified

# GC – Matters to be Discussed at the Upcoming IAASB Meeting

- Do not require the two statements proposed in the ED in respect of GC
- Rather, revert to exception-based reporting for Material Uncertainty identified in respect of GC (when an unmodified opinion is appropriate)
- Include additional wording in all auditor's reports in *Auditor's Responsibilities* and *Management's Responsibilities* sections about GC
- Explore the potential for providing additional guidance around “close calls”
  - Interaction with KAM as well as adequacy of disclosures
- Continue to work with accounting standard setters and regulators on a holistic approach

# Proposed Way Forward on Other Proposed Enhancements

- Statement about independence and other ethical responsibilities to be retained
  - IAASB to consider how best to address concerns over including a listing of sources of those requirements
- Naming / identification of the engagement partner for listed entities to be retained, along with harm's way exemption
- Improved description of auditor responsibilities and key features of the audit (Placement as appendix or on website possible)
  - Support for enhancement to the description, but concerns around its length and boilerplate nature
- Support for specific headings to be mandated promote consistency

# Disclosures – ED Planned for Approval at Upcoming IAASB Meeting

- Planned revisions to requirements and guidance in ISAs required to focus auditors on disclosures throughout the audit process
  - Changes to be made within relevant ISAs rather than creating a new separate ISA
- Proposed non-authoritative guidance includes existing requirements and application material and highlighting proposed changes to the ISAs
  - To be issued as part of the ED package – consideration whether more is needed (e.g., an International Auditing Practice Note)
- Effective date of the proposed changes would be considered in relation to other projects (e.g., Auditor Reporting and ISA 720)

# Proposed Changes to the ISAs and Disclosures

- Focus on disclosures earlier in the audit process
  - E.g. engagement team discussion; engagement letter; planning sufficient time for audit procedures on disclosures
- Focusing auditors on information in disclosures from systems and processes that are not part of the general ledger system
- Applying materiality to disclosures – new requirement to consider possibility of risks of misstatement in non-quantitative disclosures
- Performing risk assessments, including changes to assertions related to presentation and disclosure
- Evaluating misstatements in disclosures, as well as the financial statements as a whole to determine whether they achieve fair presentation
- Exposure Draft just approved

# The IAASB's Audit Quality (AQ) Framework

- Objectives
  - Raise awareness of the key elements of AQ
  - Stimulate exploration and dialogue on how to improve AQ
- Final framework published February 2014
  - Non-authoritative IAASB publication; SMP's can also use
- Actions to be taken to raise awareness and promote AQ Framework, and identify future opportunities to enhance AQ
  - AQ webpage on the IAASB's website
  - Stimulate key stakeholders to use the AQ Framework
  - Monitor status of outcomes of various activities in measuring (improvement of) audit quality, e.g. PCAOB, CPAB, CAQ



# Looking Forward – What We're Hearing in Our Outreach

- Strong support for our current priorities, but different stakeholders view priorities differently
- Call for the IAASB to monitor key trends to ensure continued relevance in next strategic period
  - Changing audit environment – technology and other influences
  - Increasing importance and influence of regulation
  - Monitor developments in new services, e.g. <IR>
  - Support implementation of standards while respecting stable platform
  - Continue active monitoring and facilitation of effective implementation of new standards

# IAASB Proposed Strategy for 2015 – 2019

- Five-year Strategy for 2015–2019 sets out how IAASB intends to focus activities
  - Basis for decisions about actions and projects to be undertaken
- Proposed IAASB strategic objectives
  - Develop and maintain high-quality ISAs that are accepted as basis for high-quality financial statement audits
  - Ensure IAASB's suite of standards continue to be relevant in a changing world by responding to stakeholder needs
  - Collaborate and cooperate with contributors to the financial reporting supply chain to foster audit quality and stay informed

# IAASB Proposed Work Program for 2015 – 2016

- Key ISA Implementation Monitoring findings acknowledged, prioritized in proposed 2015–2016 Work Program

## *Quality Control*

- Address concerns over proportionate application for all types of engagements; EQCR; use of work of auditor's expert & specialist; feedback from AQ Framework

## *Professional Skepticism*

- Reinforce concept of professional skepticism, e.g., definition, material misstatement due to fraud, significant management judgment, documentation

## *Special Audit Considerations Relevant to Financial Institutions*

- Including issues relating to auditing fair value estimates

# IAASB Proposed Work Program for 2015 – 2016 (cont.)

## *Activities related to ISAs*

- Actions to facilitate adoption and implementation of new and revised AR standards, also initial activities for post-implementation review for 2017 and beyond
- Information-gathering activities for projects commencing in 2017, including group audits and ISA 315

## *Collaboration and Cooperation to Foster Audit Quality*

- Ongoing dialogue and collective efforts with key stakeholders, including SMP Committee
- Activities to support use of AQ Framework

# IAASB Proposed Work Program for 2015 – 2016 (cont.)

## *Activities related to other assurance and related services standards*

- INFO Group monitoring of emerging developments (e.g. <IR>)
- Development of post-implementation review process for other assurance and related services standards
  - Post-implementation review of ISRE 2400 (Revised) (reviews), ISRS 4410 (Revised) (compilations) and ISAE 3402 (service organizations) planned for 2017
- Revision of ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, targeted for 2017
  - To take into account national developments and increased use of agreed-upon procedures, including as a possible basis for so-called “hybrid” engagements that serve to meet specific users’ needs

# IESBA: Highlights of Current Work Program

- Responding to Non-Compliance with Laws and Regulations
- Non-Assurance Services (NAS)
- Review of Part C of the Code

# Responding to Non-Compliance with Laws and Regulations

- Requirement for auditor to disclose to an appropriate authority (Aug 2012 ED)
- Significant push-back from respondents
- Board Considering alternative approach

*Definition of appropriate authority:* An appropriate authority is one with responsibility for such a matter. In many instances, that authority will have the ability to investigate and take action to safeguard the public interest.

# Revision of IES

- IES 2 - Initial Professional Development Technical Competence (Revised),
- IES 3 - Initial Professional Development – Professional Skills (Revised),
- IES 4 - Initial Professional Development – Professional Values, Ethics and Attitudes (Revised)
- IES 8 - Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised)
- Framework for IESs
- Definition of the *Professional Accountant*





[www.ifac.org](http://www.ifac.org)

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