



Completion Report

Project Number: 47161-001
Technical Assistance Number: 8542
July 2016

Public Sector Accounting Standards (Fifth Phase)

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TA No., Country, and Name:			Amount Approved: US\$300,000	
TA 8542-REG: Public Sector Accounting Standards (Fifth Phase)			Revised Amount: N/A	
Executing Agencies: International Federation of Accountants (IFAC)		Source of Funding: TASF-V	Amount Undisbursed: None	Amount Utilized: US\$300,000
TA Approval Date: 10 Dec 2013	TA Signing Date: 18 Feb 2014	Fielding of First Consultant(s): None	TA Completion Date Original: 31 Oct 2016 Actual: 31 Oct 2016	Account Closing Date Original: 31 Oct 2016 Actual: 27 Jun 2016
Description				
<p>ADB provided the regional technical assistance (TA) to the International Public Sector Accounting Standard Board (IPSASB) for the period 2013–2015 (fifth phase), following the successful completion of the first four phases¹. IPSASB is an independent standard-setting board operating under the auspices of the International Federation of Accountants (IFAC)². The principal activity of IPSASB is to develop financial reporting standards for public sector entities, with the aim of moving towards full-fledged accrual accounting for both developed and developing countries. The TA aims (i) to facilitate, in the long run, accounting policy reform, accountability and capacity strengthening in ADB's developing member countries (DMCs); and (ii) to improve the public sector accounting system. Improvements in the public sector accounting standards would be instrumental for DMCs to achieve good governance.</p>				
Expected Impact, Outcome and Outputs				
<p>The expected impact of this TA was to improve public financial reporting and management in DMCs which will result in improved governance, accountability, and transparency in public sector financial reporting and accounting systems. The expected outcome was increased adoption of IPSAS (or IPSAS-based accounting framework) by DMCs. This included progress made in full or partial adoption, or convergence of national public sector accounting standards with IPSAS.</p>				
<p>The outputs of this TA included (i) development and enhancements of accrual basis IPSAS; (ii) development of public sector conceptual framework; and (iii) development of long-term capacity building programs to promote the IPSAS and strengthen the accountancy profession.</p>				
Delivery of Inputs and Conduct of Activities				
<p>The performance of the IFAC, the executing agency of the TA, was satisfactory. IFAC implemented the TA through the IPSAS Board and has complied with the requirements provided in the TA Letter of Agreement. IFAC used its own organizational and administrative procedures in implementing this TA.</p>				
<p>ADB, as an observer of the IPSAS Board, effectively monitored the overall TA activities.</p>				
Evaluation of Outputs and Achievement of Outcome				
<p>During the fifth phase, the IPSASB approved and issued six IPSASs, fourteen Exposure Drafts, three Recommended Practice Guidelines, Consultation Papers, Policy and Staff Papers and other major publications. IFAC also published the "Handbook of International Public Sector Accounting Pronouncements" on an annual basis.</p>				
<p>The IPSASB's key strategic areas of focus for the period 2012–2014 were: i) Public sector conceptual framework; ii) Public sector critical projects; and iii) Communications and Promoting Adoption and Implementation, which were successfully implemented during this phase. In 2015, the IPSASB adopted a revised strategic objective following its first full public consultation on its strategy and work plan. This is <i>Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSASs</i> by: (a) developing high-quality public</p>				

¹ ADB. 1997. *Technical Assistance for Government Accounting Standards*. Manila (TA 5748-REG, for \$245,000); ADB. 2002. *Technical Assistance for Government Accounting Standards (Second Phase)*. Manila (TA 6052-REG, for \$245,000); ADB. 2006. *Technical Assistance for Public Sector Accounting Standards (Third Phase)*. Manila (TA 6336-REG, for \$245,000). *Technical Assistance for Public Sector Accounting Standards (Fourth Phase)*. Manila (TA 7447-REG, for \$300,000).

² IFAC was established in 1973 and was formally approved by the International Congress of Accountants in 1977. IFAC is the global organization for accountancy profession dedicated to serving the public interests by strengthening the profession and contributing to the development of strong international economies. The IFAC Board established the public sector committee in 1986 to issue pronouncements on accounting, auditing, and reporting in the public sector on IFAC's behalf. Effective 10 November 2004, IPSAS Board replaced the public sector committee.

sector financial reporting standards; (b) developing other publications for the public sector; and (c) raising awareness of the IPSASs and the benefits of their adoption.

Governance. The lack of an oversight mechanism has been a major issue for the IPSASB over the last decade. In February 2015, following a report by a Governance Review Group, the Public Interest Committee (PIC) was established in order to provide assurance that the IPSASB's standard-setting activities are in the public interest. The PIC consists of members from the World Bank Group, International Monetary Fund, International Organization of Supreme Audit Institutions and the Organization for Economic Cooperation and Development.

The accomplished outputs have contributed to improved public financial reporting and management system in DMCs, with a positive impact on governance, accountability and transparency. This is consistent with the ADB Strategy 2020³ and its development agenda on good governance, anticorruption and an enhanced government financial management system. Furthermore, through the adoption of IPSASs rather than developing domestic standards, the DMCs can redirect scarce resources to promoting good governance, anti-corruption initiatives, and an enhanced government fiscal management system.

Overall Assessment and Rating

The TA is rated successful. By the end of 2015, IPSASB had developed a comprehensive set of accrual IPSASs available for the use of public sector entities, including DMCs. It has also fulfilled one of its key strategic objectives in completing its Public Sector Conceptual Framework, and has carried out its first public consultation on its Strategy and Work Plan and has established an oversight infrastructure.

Major Lessons

1) **Importance of Conceptual Framework for Public Sector:** The absence of a set of concepts specific to the public sector, reflecting the distinctive characteristics of public sector entities was a major gap in the IPSASB's literature, and for some, a disincentive to adoption of IPSASs. This was addressed through the development of the IPSASB's own conceptual framework for the public sector, its completion in 2014 and subsequent publication in 2015.

2) **Increased adoption of accrual based IPSASs:** Adoption of accrual accounting is a fundamental step governments can take to improve their financial reporting and public financial management. It improves the quality and usefulness of financial information for all stakeholders, thereby helping to strengthen public finance management. The enhanced focus on public sector financial management has increased demands for high quality standards and for guidance on how to adopt and implement such standards.

3) **The need to engage with stakeholders:** Integral to strengthening public financial management and enhancing accountability and decision making in the public sector is the need to engage with stakeholders. The IPSASB is interested not only in continuing its communications and strong outreach programs, but also in exploring additional ways to establish credible feedback mechanisms.

Recommendations and Follow-Up Actions

The support of the ADB and IPSASB's other funders have enabled the rapid advancement of IPSASB's work program, but enhancing the accounting and financial reporting framework in the public sector is a long-term process and many important initiatives and tasks remain to be completed. IFAC has requested ADB and its other development partners to continue financing its ongoing development program. Based on the success of the previous five phases of the TA, it is recommended to continue supporting IPSASB's work program for the next phase.

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³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008-2020*. Manila.