

**Meeting:** IPSASB Consultative Advisory Group  
**Meeting Location:** Stellenbosch, South Africa  
**Meeting Date:** December 5, 2016

## Agenda Item 2

For:  
☐ Approval  
☒ Discussion  
☒ Information

### Public Financial Management—Needs and Perspectives in the Current Environment

#### Material(s) Presented

Agenda Item 2.1      Public Financial Management—Needs and Perspectives in the Current Environment  
  
Agenda Item 2.2      Links to Other Important Documents

#### Objective of the Session

1. The objective of this session is to have an open discussion related to global public financial management (PFM) and the needs and perspectives in the current environment.

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## *Introduction*

1. During the June 2016 inaugural IPSASB Consultative Advisory Group (CAG) meeting, members expressed a desire to have strategic discussions related to broader PFM issues.
2. Based on that feedback, this session is intended to provide an open forum for CAG members to comment and discuss the needs of, and their perspectives on, the current global PFM environment. This includes, but is not limited to, public sector financial reporting. The views expressed during this session will be shared with the IPSASB.
3. PFM has different interpretations depending on the jurisdiction, or the views of the entity and its perspective on the issues. However, PFM basically deals with all aspects of resource management in the public sector. This encompasses, IT systems, financial reporting, the budgeting process, human resources, as well as oversight and governance matters.

## *Organizations involved in PFM*

4. There are many organizations operating in the global PFM environment. To set the stage for the discussion, below is a broad set of categorizations of bodies operating in this space<sup>1</sup>:
  - (a) International Bodies;
    - (i) International Monetary Fund (IMF), World Bank (WB), Organisation for Economic Co-operation and Development (OECD), Donors
  - (b) Global Bodies;
    - (i) International Federation of Accountants (IFAC), International Organization of Supreme Audit Institutions (INTOSAI), PEFA Initiative
  - (c) Regional Bodies;
    - (i) Funders, Associations, IFAC Organizational and Accountancy Groupings, Advisory Bodies, Training Providers, INTOSAI Working Groups
  - (d) National Bodies;
    - (i) Government and Legislature, Regulators, Standard Setters, Accountancy Bodies, Supreme Audit Institutions, Private Sector and Others
  - (e) Sub-national and Sectional Bodies;
    - (i) Central Government, Local Authorities, Business Enterprises and Others

## *IPSASB – Objective and Other Considerations*

5. The IPSASB is therefore only one of many organizations with an interest in PFM. The IPSASB directly contributes to better PFM by developing high-quality accrual based accounting standards to be used by public sector entities in producing general purpose financial reports. As noted in the IPSASB's current [strategy](#), "*high-quality, robust, and effective accrual-based financial reporting systems, such as those based on IPSAS, are integral to enhancing accountability and transparency in government financial reporting...*" Therefore, IPSAS financial

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<sup>1</sup> These groupings are based on those included the Chartered Institute of Public Finance & Accountancy publication: [Applying CIPFA's Whole System Approach for Better Public Financial Management](#)

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statements (or those based on IPSAS), can be seen as a key component of a strong PFM system.

6. The IPSASB objective as defined in its Terms of Reference is as follows:
  - (a) *“The IPSASB’s objective is to serve the public interest by developing high-quality accounting standards and other material for use by public sector entities around the world in the preparation of general purpose financial reports. This is intended to enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management, accountability and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate; and also promotes the acceptance of its standards and other publications.”*
7. The IPSASB’s recent strategy sets out a single strategic aim as follows:
  - (a) *“Strengthening public financial management and knowledge globally through increasing adoption of accrual-based IPSAS by:*
    - (i) *Developing high-quality public sector financial reporting standards;*
    - (ii) *Developing other publications for the public sector; and*
    - (iii) *Raising awareness of the IPSAS and the benefits of their adoption.”*
8. In order to meet the IPSASB’s main objective, the current PFM area of expertise and proficiency of IPSASB members and staff is financial reporting. The IPSASB also makes decisions on priorities in fulfilling its standards-setting mandate in the light of the fact that it is a volunteer board<sup>2</sup>, with a relatively modest budget and staff complement of a team of eight.

### CAG Discussion

9. This CAG open discussion may serve any of the following purposes in relation to the IPSASB:
  - (a) Provide insightful views that may enhance its broader perspective when approaching its standard-setting activities;
  - (b) Help IPSASB make relevant connections between contemporary issues that it is handling in its standards development work and those existing in the broader PFM context, that may be useful when the IPSASB is engaging in outreach with stakeholders or when considering initiatives in support of achieving the IPSASB’s objectives and strategy;
  - (c) As useful context and input to the future strategy and work program discussion and development the IPSASB intends to undertake during the next year.
10. The CAG is welcome to comment on any relevant aspects of PFM. However, given the complex nature of PFM and the many organizations involved in this space, including the IPSASB, the **CAG’s view on the following** are particularly welcomed:
  - (a) From your perspective what are the key trends or developments in the global PFM environment that may impact public interest or trust in public institutions;

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<sup>2</sup> From 2016, the IPSASB Chair is a paid position (0.75 Full-time Equivalent). However, all other IPSASB members are volunteers.

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- (b) What are the top PFM needs which continue to remain unmet and how might they be more effectively addressed; and
- (c) What do you believe are the most significant barriers to IPSAS adoption and implementation, and how might those barriers be overcome?

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### Links to Other Documents

IPSASB CAG Terms of Reference: <http://www.ipsasb.org/cag/terms-reference>

IPSASB Terms of Reference: <http://www.ifac.org/node/1503/terms-reference>

IPSASB Strategy: [The IPSASB's Strategy for 2015 Forward: Leading Through Change](#)

The Chartered Institute of Public Finance & Accountancy: [Applying CIPFA's Whole System Approach for Better Public Financial Management](#)

Confederation of Asian and Pacific Accountants publication: [Improving Financial Management in The Public Sector – The Eight Key Elements of PFM Success](#)

The International Federation of Accountants & The Chartered Institute of Public Finance & Accountancy joint publication: [International Framework: Good Governance in the Public Sector](#)

The International Federation of Accountants, [Accountability. Now. Initiative](#)