

Exclusive

Interview

“ICMA Pakistan can promote IPSAS in Pakistan by organizing conferences and courses. ICMA can also reinforce to Pakistan's government the wide range of benefits of using IPSAS in the public sector and publicly support the adoption of IPSAS in Pakistan”



Ian Carruthers, Chairman, International Public Sector Accounting Standards Board (IPSASB)

ICMA Pakistan: Kindly provide a brief overview of the objective and standard-setting role of IPSAS Board?

Ian Carruthers: The objective of the IPSASB is to serve the public interest by developing high-quality accrual-based accounting standards and other publications for use by public sector entities around the world in the preparation of general purpose financial reports. The IPSASB recognizes that the characteristics of the public sector mean that user needs may not always be satisfied by the financial statements alone and IPSASB's scope therefore includes broader financial reporting, including areas such as the financial sustainability of government and public sector entities and reporting service performance. However, financial statements are, and will remain, at the core of broader financial reporting.

ICMA Pakistan: What is the current status of global adoption and implementation of International Public Sector Accounting Standards, especially in South Asian countries?

Ian Carruthers: According to the 2015 PwC Global Survey on accounting and reporting by central governments, 59% of governments that have already implemented accrual accounting have used IPSAS on their accounting frameworks. The Association of Chartered Certified Accountants (ACCA) has recently published a study that indicates most South Asian countries have adopted standards aligned to the Cash-Basis

IPSAS and Sri Lanka has already indirectly adopted 10 IPSAS standards.

ICMA Pakistan: What are the accrued benefits of IPSAS adoption to public sector and national economies?

Ian Carruthers: High-quality IPSAS bring greater accountability and transparency to public sector financial reporting. IPSAS also enhance the decision-making process by governments and stakeholders in general because IPSAS compliant accounts provide a faithful representation of the financial position and financial performance of public sector entities. This, in turn, will improve resource allocation in the public sector to better serve citizens. High quality financial reporting can lead to lower borrowing costs.

“IPSAS adoption requires active involvement of the accounting profession and there needs to be investment in IT infrastructure”

“Cash Basis IPSAS has been developed as a stepping stone towards adoption of full accrual accounting, rather than an end in itself”

IPSAS are key to sound public financial management by providing a specific public sector accounting language, requirements and practices that can be broadly used in all public sector financial reporting. Overall, IPSAS adoption reinforces confidence in an economy, which creates benefits in terms of growth, jobs and stability.

ICMA Pakistan: What nature of difficulties is being faced by public sector entities in developing countries to move from cash-based to full accrual accounting?

Ian Carruthers: The main difficulties that developing countries face in migrating from the cash-basis to full accrual accounting are related to capacity both human resource and financial. IPSAS adoption requires active involvement of the accounting profession and there needs to be investment in IT infrastructure.

ICMA Pakistan: What is the adoption level of IPSAS in Pakistan and how you see the future progress?

Ian Carruthers: According to the 2017 ACCA survey, Pakistan has adopted cash basis IPSAS type standards as its reporting framework for central government. No announcement has yet been made about a move to accrual IPSAS.

ICMA Pakistan: Do you think that Cash-basis IPSAS which will be effective from Jan 2019 can bring visible improvement in financial management and reporting under cash basis accounting?

Ian Carruthers: The IPSASB's works to strengthen public financial management globally through the development and adoption of accrual-based IPSAS. Accrual-based IPSAS provides much richer information than cash-based financial

statements. Therefore, the Cash Basis IPSAS has been developed as a stepping stone towards adoption of full accrual accounting, rather than an end in itself. The recent changes to the Cash Basis IPSAS are designed to make implementation more straightforward. Therefore, for those jurisdictions on this journey, adoption of the Cash Basis IPSAS should certainly improve financial management and reporting.

ICMA Pakistan: What should be the preferred role of ICMA Pakistan in promoting IPSAS in Pakistan?

Ian Carruthers: IFAC's Statement of Membership Obligations 5 sets out requirements of an IFAC member body in respect to IPSAS. ICMA Pakistan can promote IPSAS in Pakistan by organizing conferences and courses. ICMA can also reinforce to Pakistan's government the wide range of benefits of using IPSAS in the public sector and publicly support the adoption of IPSAS in Pakistan.

ICMA Pakistan: How can professional accountants in Pakistan assist the government in creating awareness about the need for transparent financial reports in public sector?

Ian Carruthers: Professional accountants have a key role in providing advice to governments on the public how to improve public financial management. The increased transparency provided by high quality financial reporting in compliance with IPSAS is a cornerstone of such improvement.

ICMA Pakistan: Do you think the management accountants have a specific role in IPSAS implementation?

Ian Carruthers: Management accountants also have an important role in IPSAS implementation. Management accountants are in a much better position to help design internal reports using information based on IPSAS, aiding in strategic planning.

ICMA Pakistan: What message you would like to give to the professional accountants in Pakistan?

Ian Carruthers: The increasing adoption of global accounting standards together with recent technological changes provides challenges for the accounting profession. Professional accountants in Pakistan can be a beacon in these times of change by showing to the world their commitment to thrive and explore exciting opportunities. IPSASB really needs your support.

The Editorial Board thanks Mr. Ian Carruthers, Chairman, International Public Sector Accounting Standards Board (IPSASB) for giving his exclusive interview for Management Accountant Journal.

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