

NEWS RELEASE

The regional accountancy profession calls for greater transparency

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“There are simply no reasons for standards of financial reporting to differ between the private and public sectors” according to the Confederation of Asian and Pacific Accountants (CAPA.) “If the public are entitled to high quality, transparent financial information from companies, upon which to base investment decisions and hold them to account, then so too they are entitled to the same standard from governments and public sector organisations entrusted with public monies and similarly offering securities for investment.”

CAPA President, Keith Wedlock, is keen to see improvements in public sector financial reporting and financial management. “The International Public Sector Accounting Standards (IPSAS) Board has now been in existence for over fifteen years, and quality accounting standards, very similar to International Financial Reporting Standards (IFRS) applicable to companies, are readily available for use in the public sector. There are no excuses. Just about all countries globally have or are about to introduce IFRS for companies, but the adoption and implementation of IPSAS by governments is not as far advanced.”

CAPA points to a number of countries having adopted or made a decision to adopt IPSAS, as have some major global institutions, such as the United Nations, European Commission, OECD and NATO. Some other countries, including the United States, United Kingdom, Canada, Australia and New Zealand, are all advanced in applying accepted high standards. However, it still leaves many countries where the “the preferred minimum of an accrual basis of accounting” is either not in place or not widespread.

The growing number of sovereign debt concerns arising around the world should give a push to the growing momentum. A sovereign debt crisis highlights the inadequacies of systems that are anything less than transparent and that fail to provide a basis for accountability. Further, systems built on high quality standards provide the required basis for successful decision-making.

CAPA recently staged a successful high-level conference and roundtable on ‘Improving Public Sector Financial Management’ in Seoul, Korea, attended by over fifteen countries, and supported by the World Bank and Asian Development Bank. A number of countries face some challenges in terms of available resources to lead and manage the necessary changes, though a larger obstacle is often the political will to set about the change.

What is becoming increasingly evident, often as a result of a sovereign debt crisis, is that governments need to establish a clear picture of the value of their assets and liabilities, all of them, and manage them accordingly. And the public is crying out for transparency and accountability.

CAPA has issued a supporting Position Statement.

About CAPA

The Confederation of Asian and Pacific Accountants (CAPA) is a Regional Organisation representing national professional accounting organisations (PAOs) in Asia Pacific. Over 1 million accountants are represented by these PAOs.

CAPA’s mission is to develop, co-ordinate, and advance the accountancy profession in the Asia Pacific region.

CAPA's Position Statement

There is a growing international movement to improve financial reporting in the public sector. Improving the quality of financial reporting in the public sector is viewed as critical in addressing huge risks, such as unexpected sovereign debt crisis situations that may remain obscured when robust accounting and reporting techniques are not used. CAPA's position statement in this area supports accrual-based financial reporting as the only means to provide the necessary high quality, transparent reporting of public sector activities and position.

Improving Public Sector Financial Management

The Confederation of Asian and Pacific Accountants (CAPA) fully supports and encourages the convergence towards International Public Sector Accounting Standards (IPSAS) by all member countries in the Asia/Pacific region to assist in the improvement of public sector financial management.

Users of financial reports produced by the private sector have, for many years, demanded and supported the development of globally accepted high quality financial reporting standards. These users have included regulators and central government agencies. This has resulted in an increasing number of countries adopting and implementing IFRS as the financial reporting norm for the private sector.

Concurrently there is a growing international movement to improve financial reporting in the public sector. This has resulted in many countries initially adopting cash based accounting; moving to a more sophisticated accrual basis for financial reporting; and finally a number are adopting and implementing accrual based IPSAS.

Improving the quality of financial reporting in the public sector is viewed by CAPA as critical in addressing the huge risks, such as unexpected sovereign debt crisis situations that may remain obscured, when robust accounting and reporting techniques are not used in the public sector.

From a public interest perspective the more effective monitoring of financial performance within public sector entities is critical. CAPA supports accrual based financial reporting as the only means to provide the necessary high quality, transparent reporting of public sector activities and position.

Achievement of this ensures that the same high standards of financial reporting are applied by both the private and public sectors of an economy – thus leading to better informed decision making at both the micro and macro levels.

CAPA therefore calls for governments in the Asia/Pacific region to fully recognise the need for robust financial systems, and to lead changes in public sector accounting and reporting to support enhanced public sector financial management.