Press Release

|  |  |
| --- | --- |
| *Date* | **14th May 2013** |
| *Contact* | Mike Davies, PwCTel: +44 (0) 20 7804 2378 e-mail: mike.davies@uk.pwc.com |
| *Pages*  | **More details:**  [pwc government-accounting-and-reporting-survey](http://www.pwc.com/ipsassurvey) **Follow/retweet: @pwc\_press**3 |

Momentum growing for better public accounting

PwC surveys central governments in 100 countries

Governments around the world are increasingly taking steps to improve their accounting and achieve greater transparency – amidst growing recognition that the accounting framework traditionally used by the public sector isn’t fit for the 21st century.

A PwC survey covering 100 countries reveals that while only 26% of governments currently use ‘accrual accounting’, 37% plan to move to this form of accounting in the next five years, bringing the total adoption rate to 63% of governments surveyed and representing an increase of 142%.

The majority of governments today still rely on ‘cash accounting’, which has been the primary method used by the public sector for many years. This form of accounting – which is based on cash payments and receipts being recorded as they occur – fails to capture information on public sector assets and liabilities and therefore presents a very short-term view of public finances.

Jan Sturesson, PwC Global leader, Government and Public Services, says:

“It is important that governments – which regulate accounting in the private sector – lead by example and have a high standard in their accounting system. This is not the situation today, but we see great interest in seeking improvement.”

In accrual accounting, transactions and economic events are recorded and reported when they happen, regardless of when cash transactions occur – resulting in a comprehensive view of a government’s assets and liabilities, and of its financial performance and cashflows. IPSAS (International Public Sector Accounting Standards) are often taken as a reference point.

Adds Jan Sturesson:

“There is a real need for more solidity and transparency in government reporting. Public sector financial statements should reflect the full economic impact of political decisions – and this can only be fully achieved by applying accrual accounting.”

“By doing this, governments demonstrate their commitment to achieving greater transparency and accountability, and also to producing better information for decision-making – which in turn should lead to the better use of public resources.”

The research shows that the biggest shift to accrual accounting is expected in developing countries. Among the non-OECD countries surveyed, 50% plan to transition to this form of accounting in the next five years, with Africa leading the way (11 shifting countries), followed by Asia (10 countries) and Latin America (8 countries).

When asked to state the main beneficiaries of accounting reforms, the governments surveyed primarily listed citizens (77%) and politicians (69%).

Says Jean-Louis Rouvet, PwC Global Public Finance & Accounting leader:

“Financial information should be available to the citizens who, as taxpayers and service recipients, hold government accountable for the use of public resources and seek to evaluate their performance. Politicians also have a role to play. They need to understand the current position of government finances to understand the government’s financial capacity before making commitments for new programmes and services.”

The governments surveyed also indicated a desire to improve their finance function, reporting the following key areas for improvement: fixed asset management, cost accounting, performance management, and long-term planning and forecasting.

Concludes Jan Sturesson:

“When we talk about accounting and management of public finances, we always come back to the same questions: do we create a legacy for the next generation or do we consume their legacy and put the prosperity of their future in danger? These are fundamental questions and I think we need to take a long-term view. An efficient and cost effective finance function is essential for the sound management of public finances.”

**Notes**

1. The report ‘Towards a new era in government accounting and reporting’ is available to download at [pwc government-accounting-and-reporting-survey](http://www.pwc.com/ipsassurvey)
2. Survey data was collected over a 12-month period ending in March 2013, via interviews conducted in-person and by telephone, or via an online survey questionnaire. In total, 100 countries are included in the PwC global survey.
3. PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2013 PwC. All rights reserved.