



Press Release

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Contact

Mike Davies, PwC
Tel: +44 (0) 20 7804 2378
e-mail: mike.davies@uk.pwc.com

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Momentum growing for better public accounting

PwC surveys central governments in 120 countries

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

Jean-Louis Rouvet, PwC Global Public Finance & Accounting leader, 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."

Accrual accounting principles reflect the long-term economic impact of political decisions in the financial statements. This results in a comprehensive view of a government's assets and liabilities, and of its financial performance and cash flows. 7 in 10 governments intend to use accrual accounting in 5 years' time, with IPSAS (International Public Sector Accounting Standards) being often taken as a reference point.

Adds Patrice Schumesch, PwC Global Public Finance & Accounting Partner:

"There is now growing recognition of the importance of appropriate accounting and financial management in the public sector as a key means of achieving sustainable public finances. Governments need to step up and adopt sound and transparent accounting and reporting rules, as part of the democratic accountability process and the wider public finance management."

While in Europe, the European Commission is progressing with its plan to adopt harmonised accrual accounting standards for all EU Member States, the research shows that the biggest shift to accrual accounting is expected in Africa and Latin America, followed by Asia. Among the non-OECD countries surveyed, 50% plan to transition to accrual accounting in the next five years.



Jean-Louis Rouvet adds:

“Transitioning to accrual accounting is not an end in itself, it is an enabler. Adoption of high-quality accrual accounting also lays the basis for developing better management information systems, which should also contribute to better decision making and a better use of public money. Performance management should help governments to measure the achievement of their service delivery objectives and in so doing add value for citizens. The end goal is to deliver a better public service and to achieve sustainable public finances, therefore creating a positive legacy for the next generation.”

The governments surveyed also indicated their priorities for the next five years include one or several of the following projects, depending on their position along the government finance maturity spectrum: accrual accounting (based on IPSAS or similar standards) implementation, modernisation and greater integration of IT systems, capacity building and improvement of management information systems.

Patrice Schumesch concludes:

“Moving along the maturity spectrum of the government finance function is a journey. There are obviously challenges linked to these developments, but there is no room for inaction, the cost of not reforming would be much higher than the cost of reform.”

Notes

1. The report ‘Towards a new era in government accounting and reporting’ (2nd edition) is available to download at [pwc government-accounting-and-reporting-survey](#)
2. Survey data was collected over a 12-month period ending in March 2015, via interviews conducted in-person and by telephone, or via an online survey questionnaire. In total, 120 countries are included in the PwC global survey.
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