

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: CTLA

TA No. and Name TA 6052-REG: Government Accounting Standards (2 nd Phase)			Amount Approved: \$245,000																														
			Revised Amount: -																														
Executing Agency: International Public Sector Accounting Standards Board (IPSASB), International Federation of Accountants (IFAC)		Source of Funding: Technical Assistance Special Fund	TA Amount Undisbursed -	TA Amount Utilized \$245,000																													
<table> <tr> <th colspan="2">Date</th><th rowspan="2">Fielding of Consultants</th><th colspan="2">Completion Date</th></tr> <tr> <th>Approval</th><th>Signing</th><th>Original</th><th>Actual</th></tr> <tr> <td>10 October 2002</td><td>11 December 2002</td><td>None</td><td>31 December 2005</td><td>31 December 2005</td></tr> <tr> <td colspan="3"></td><th colspan="2">Closing Date</th></tr> <tr> <td colspan="3"></td><th>Original</th><th>Actual</th></tr> <tr> <td colspan="3"></td><td>30 June 2006</td><td>20 June 2006</td></tr> </table>			Date		Fielding of Consultants	Completion Date		Approval	Signing	Original	Actual	10 October 2002	11 December 2002	None	31 December 2005	31 December 2005				Closing Date					Original	Actual				30 June 2006	20 June 2006		
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Description <p>1. ADB provided the regional technical assistances (TA) in October 2002 (2nd Phase) to the International Public Sector Accounting Standards Board (IPSASB), International Federation of Accountants (IFAC) for further development and production of a series of accounting guidelines and standards to enhance financial reporting, accounting, and auditing in the public sector, following successful completion of the first phase of the work program. The TA envisioned to facilitate, in the long run, accounting policy reform, accountability and capacity strengthening of ADB's developing member countries (DMCs), and to improve the government (public sector) accounting system. The improvement in public accounting system would be instrumental for ADB DMCs to achieve good governance. The 2nd phase of the work program of IPSASB was thus in line with ADB's development agenda on good governance, anticorruption, and enhanced internal control system.</p>																																	
Expected Impact, Outcome and Outputs <p>2. The impact of the TA was to support IPSASB in further developing and issuing a series of accounting guidelines and standards for the government (public sector) which would be used by ADB DMCs.</p> <p>3. The outcome of the TA consists of two main components: (i) standardization of cash basis accounting, and (ii) further development of accrual basis IPSAS related to specific topics.</p> <p>4. The outputs and specific deliverables of the TA include a set of coherent guidelines for governments on cash basis accounting and the application of IPSAS. TA covered, among others, issuance of (i) guidelines on transition to accrual basis accounting, (ii) International Public Sector Accounting Standards (IPSAS) for cash basis accounting and financial reporting, (iii) an invitation to comment on the exposure draft on taxes and non-exchange revenues, and (iv) an invitation to comment on the international framework on public sector financial reporting.</p>																																	
Delivery of Inputs and Conduct of Activities <p>5. The performance of IPSASB, the executing agency of the TA, was generally satisfactory. The IPSASB generally complied with the requirements provided in the TA Letter Agreement. ADB, represented by the Controller, performed effectively as an observer to the IPSASB. ADB, represented by the Controller, has closely monitored and assisted in the progress of IPSASB's activities in drawing up exposure drafts and IPSAS, particularly to implement accrual basis accounting, standardize cash basis accounting, and enhance DMCs' institutional capacities in preparing their financial statements. ADB Controller attended most of IPSASB's conferences and meetings, disseminated IPSASB's activities and documents to relevant ADB networks, in addition to the guidance on the direction of IPSASB work program.¹ ADB also exercised appropriately as the TA administrator of the TA, including provision and full liquidation of TA funds totaling \$245,000 in three tranches. Based on the volume and quality of TA outputs, the funds were considered well spent.</p>																																	

¹ IPSASB's Chairman, Mr. Philippine Adhémar, per his letter to President Kuroda dated 28 December 2005, after IPSASB's first annual review of the current observer group including observers from World Bank, IMF, UN, UNDP, INTOSAI, OECD and ADB, said "I am pleased to inform you that members confirmed that ADB should be invited to continue as observer for 2006, and we are very pleased with and have benefited from the inputs we received from your representative to the IPSASB, Mr. Ping-Yung Chiu, both in debates at the meetings and in follow-up activities between meetings, and we have been very pleased to benefit from Mr. Ping-Yung Chiu's skill". The President replied to Chairman Adhémar dated 2 February 2006 with pleasure to note the Controller's contribution and decided to continue to nominate the Controller to represent ADB to participate in IPSASB's meetings.

Evaluation of Outputs and Achievement of Outcome

6. Under the TA, (i) the comprehensive cash basis IPSAS was issued; (ii) 21 accrual basis IPSAS were released; (iii) Study 14 "Transition to the Accrual Basis of Accounting" was revised and published; (iv) the Handbook of International Public Sector Pronouncement 2005 was translated into French and Spanish; and (v) the development of IPSAS on key public sector specific projects was well advanced.

7. In addition, (i) two Invitations to Comment were issued: (a) Revenue from Non-Exchange Transactions (Including Taxes and Transfers) and (b) Accounting for Social Policies of Governments; (ii) two Research Reports were issued: (a) Budget Reporting and (b) International Public Sector Accounting Standards and Statistical Bases of Financial Reporting: An Analysis of Differences and Recommendations for Convergence; (iii) five EDs were issued: (a) ED 24, "Financial Reporting Under the Cash Basis of Accounting - Disclosure Requirements for Recipients of External Assistance"; (b) ED 25, "Equal Authority of paragraphs in IPSAS"; (c) ED 26, "Improvements to International Public Sector Accounting Standards"; (d) ED 27, "Presentation of Budget Information in Financial Statements"; and (e) ED 28, "Disclosure of Financial Information about the General Government Sector"; and (iv) one ED was almost ready for issue: ED 29, "Revenue from Non-Exchange Transactions (Including Taxes and Transfers).

8. The quality of TA outputs was generally acceptable. All IPSAS, ED of IPSAS, Invitations to Comment, Studies and Research, Reports prepared as part of the IPSAS development program are made available to interested parties free of charge. Hard copies are mailed directly to some 1500 registrants on IFAC and IPSASB mailing lists and can be downloaded from the IFAC website at <http://ifac.org>.

9. Due to uncertain funding resource, one technical manager left IPSASB to join the International Accounting Standards Board (IASB) and the technical director who had worked for IPSASB for more than 10 years was offered to resign. This development has significantly affected timely progress of work program. In addition, the standards setting program was not a discrete project, but an ongoing activity of IPSASB. As at December 2005, the following projects were works in progress: (i) the five EDs on issue as noted in above 7 (iii); (ii) Revenue from Non-Exchange Transactions; (iii) Accounting for Social Policy Obligations of Governments; (iv) Heritage Assets; and (v) Impairment of Cash Generating Assets. These projects will be progressed during the third stage of the IPSAS setting program.

Overall Assessment and Rating

10. The TA is rated successful. The major objectives have been achieved. IPSASB completed most required outputs planned under the 2nd phase of the program. The IPSASB also initiated the development of 5 items not considered at the initiation of the 2nd phase of the program as indicated in paragraph 7 (iii) above. The IPSAS provided the foundation for achieving the long-term objectives of moving to full-fledged accrual accounting in the future for developed countries; improving quality and reliability of accounting and financial reporting for developing countries; and harmonizing DMCs' accounting and financial reporting with those of multilateral financial institutions, including ADB.

Major Lessons

11. The major lessons learned were as follows: (i) development of accrual IPSAS on uniquely public sector issues required significant investment of IPSASB resources. The process required extensive consultation to ensure that IPSASB's constituents understand the conceptual basis for a proposed financial reporting treatment and accept the IPSASB's final decision. It was important not to underestimate the amount of time and consultation required; (ii) translating IPSAS was time intensive, and largely taken out of the hands of the IPSASB, as IPSASB staff did not have the language skills necessary to do it; and (iii) the IPSASB was not in a position to keep up to date with the IASB developments given its current resource levels. The IASB had a full-time, salaried Board, and a much larger staff than the IPSASB. The IASB reissued most of the International Accounting Standards and International Financial Reporting Standards (IFRS) that the 19 of the 21 IPSAS were based. The differences in the IPSAS and IFRS presented difficulties for some governments implementing accrual financial reporting.

12. Nonetheless, the IPSASB realized that it was timely to undertake a broad review of its work program and longer term strategy, and the resource consequences thereof. IPSASB members agreed that such review should include additional resources to be provided to the IPSASB in support of collaborative projects with national standards setters and similar bodies or other parties.

Recommendations and Follow-Up Actions

13. Improvement of accounting and financial reporting in the public sector is a long-term process. The funding shortage has significantly affected IPSASB's work program. The IPSASB has specifically requested that ADB continue to provide financial support to its ongoing IPSAS development program. ADB's further support in an amount

of \$245,000 for the Public Sector Accounting Standards (3rd Phase) is recommended in 2006 based on IPSASB's work program from 2006 to 2008.

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