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PUBLIC FINANCIAL REPORTING AND AUDITS: CHALLENGES AND OPORTUNITIES

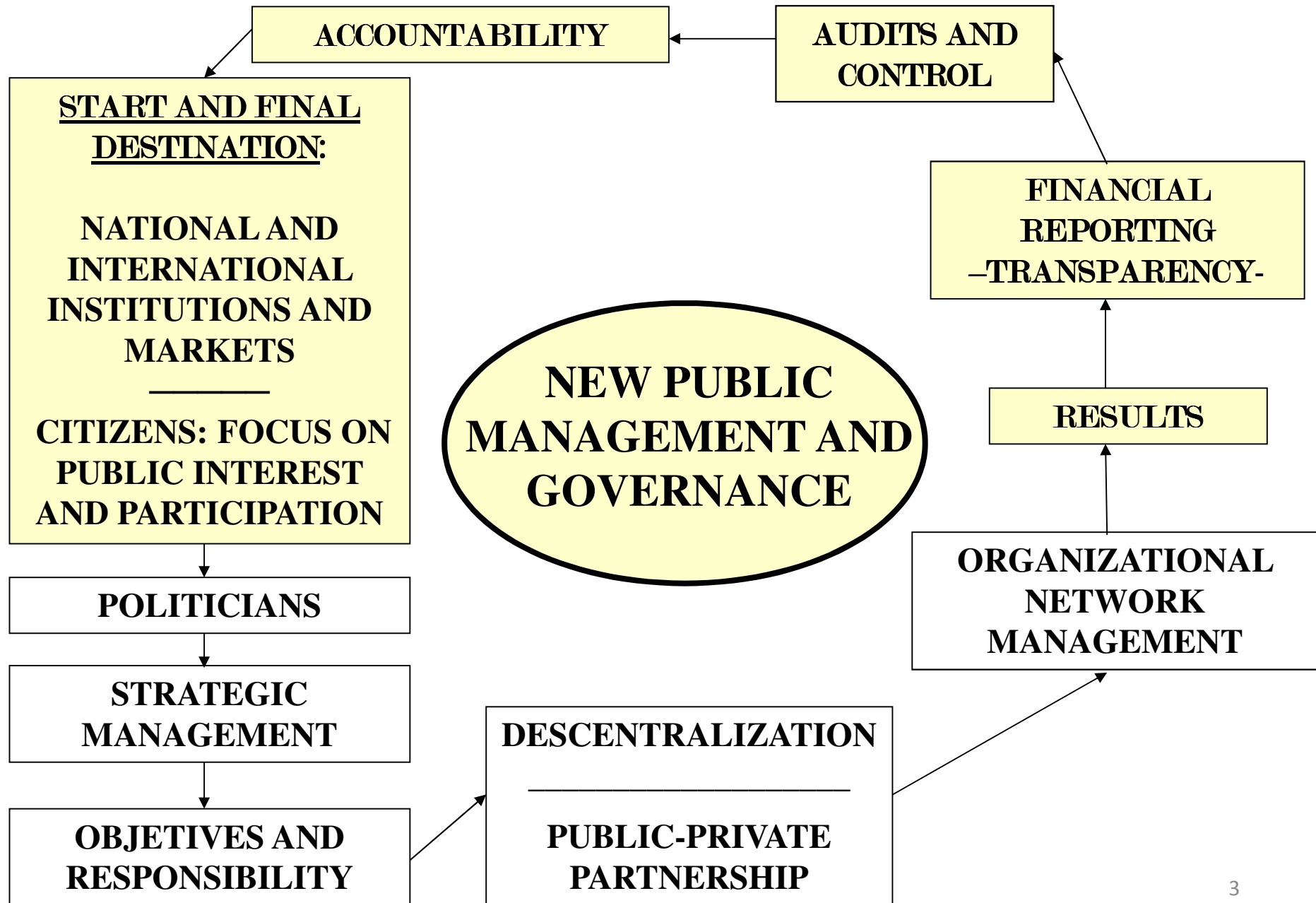
Vicente Montesinos Julve

**Professor of Accounting and Finance
University of Valencia**

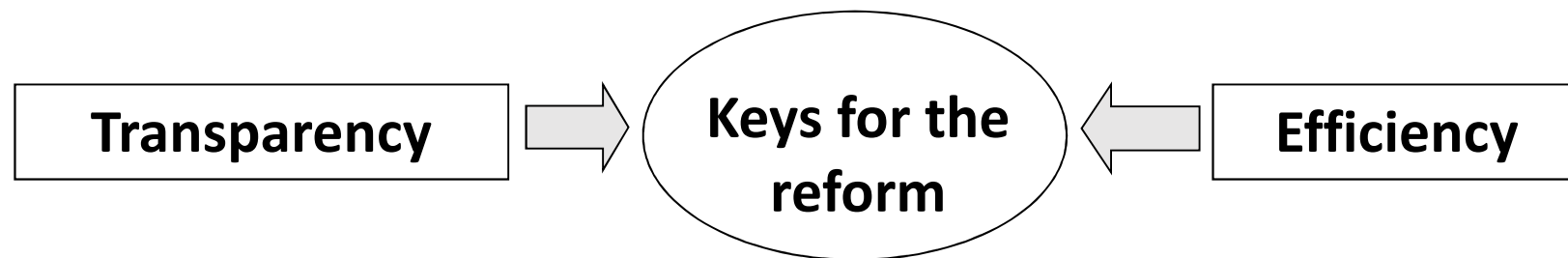
ECA, Luxembourg, January 2016

**Financial Reporting as a
useful tool for public
governance:
New needs, new answers**

The Wheel of Public Management and Governance



Main tools for the reform of public governance and management



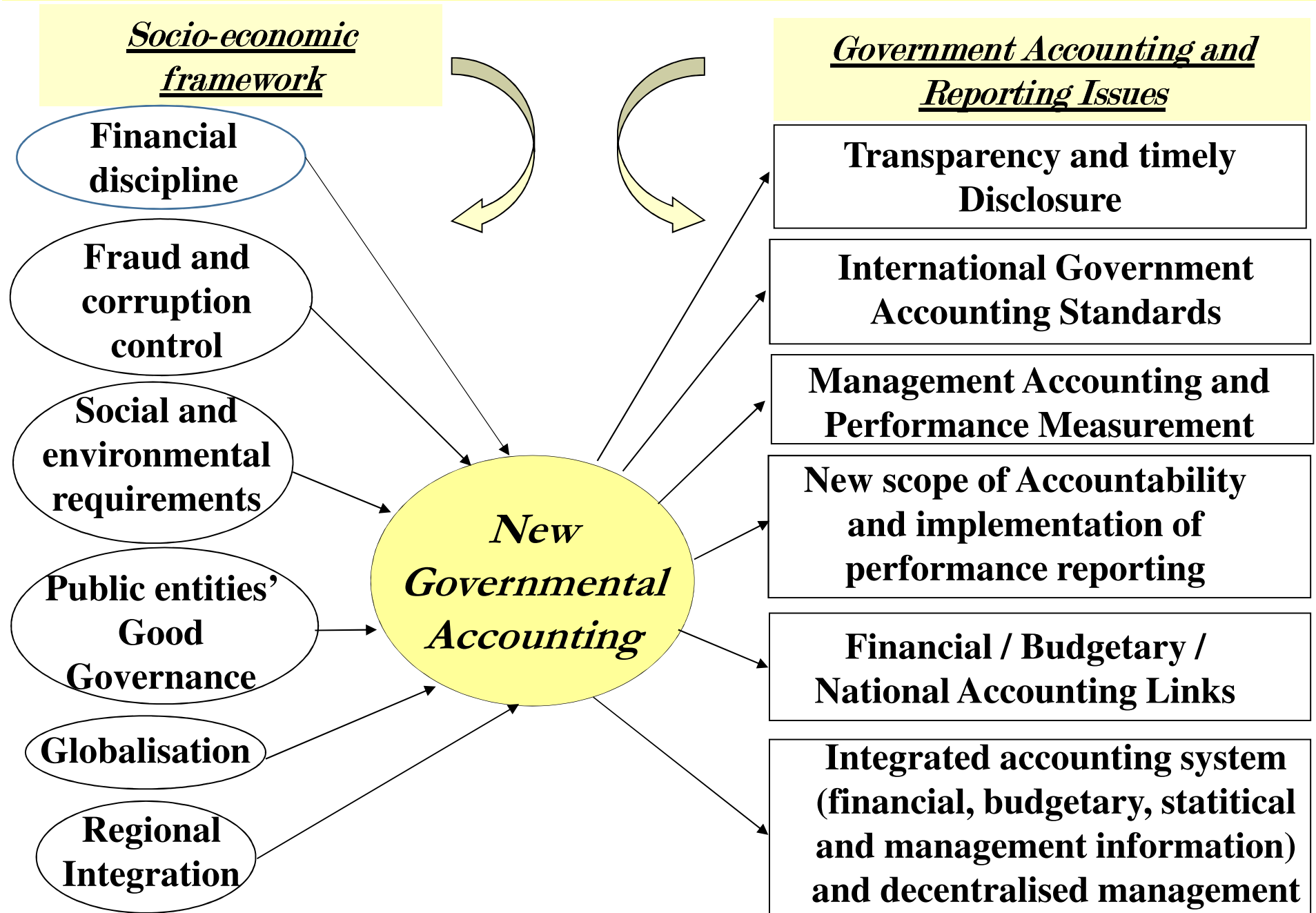
- ***Emphasis on accountability:*** Take *all stakeholders* into consideration: institutions, citizens, third parties...
- ***Emphasis on disclosure:*** Complete, clear, in time and easily accessible Information.
- ***Emphasis on outcomes and outputs:*** Use and disclosure of *Performance Indicators*.

- Introduction of new concepts and management tools, as *benchmarking* and *best practices*,
- Preferent attention to non-market values and targets, such as *social welfare, quality, consumers' preferences* and *environmental management*
- Paramount relevance of *comparison* (also international) of practices, policies and performances)

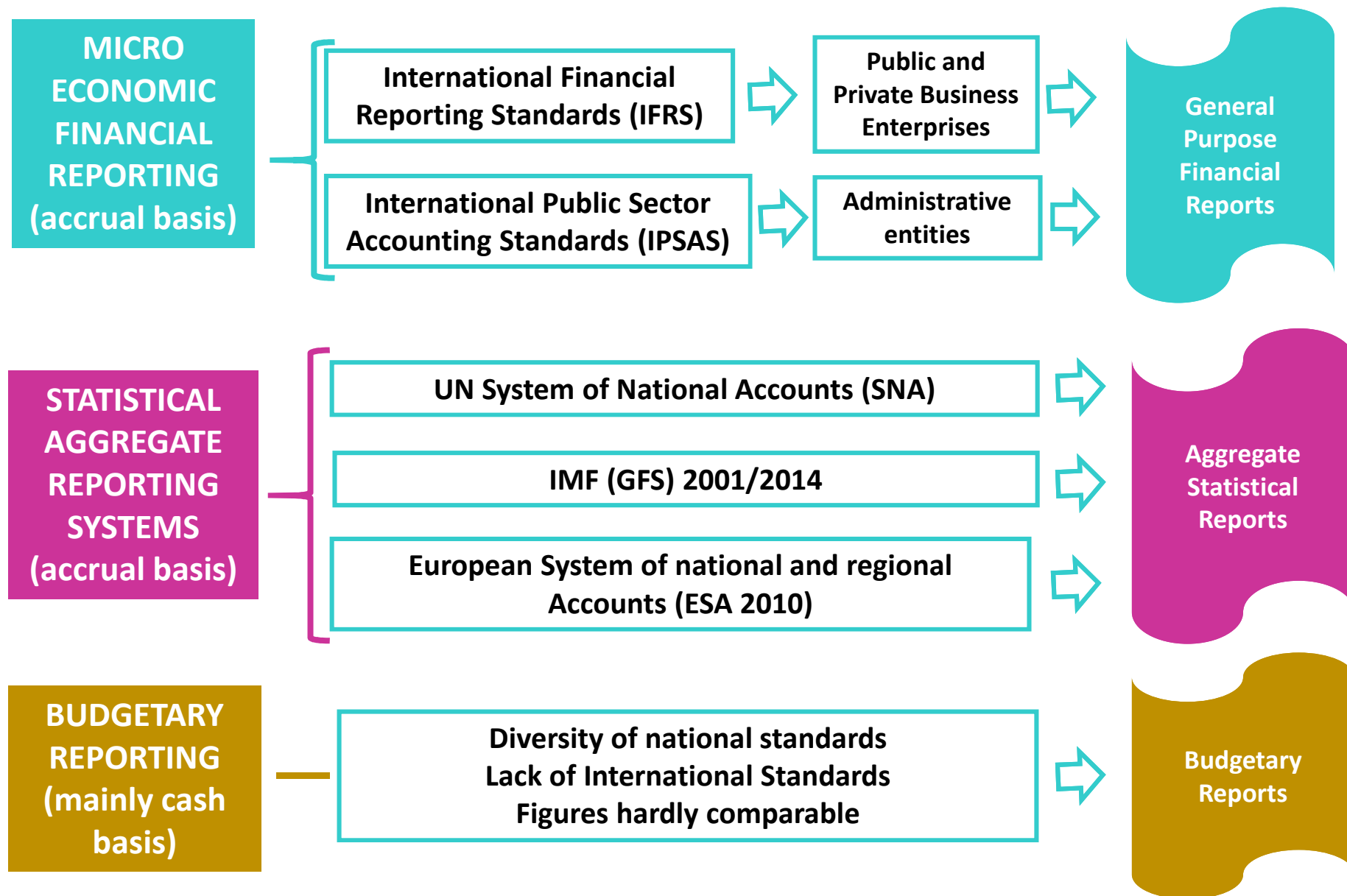
New trends in Governmental Accounting

- From traditional Input-oriented stewardship and control of fraud to Output and outcome-oriented Management and control
- From traditional “exactness” to “true and fair view” accounting information
- From accounting for a Burocratic Administration to accounting for Good Governance of organisations
- From “cash basis” reporting to three-pillars based Accounting for Public Reporting
- Next steps:
 - A unified and comprehensive *Public Reporting System*?
 - Focusing on *quality* of public services, *social* and *sustainable* public policies?
 - A new concept and scope for public *accountability*?
 - Through *accrual budgeting*?
 - Through more *participative* public management, budgeting and even audits?

In summary: New Answers for a new framework



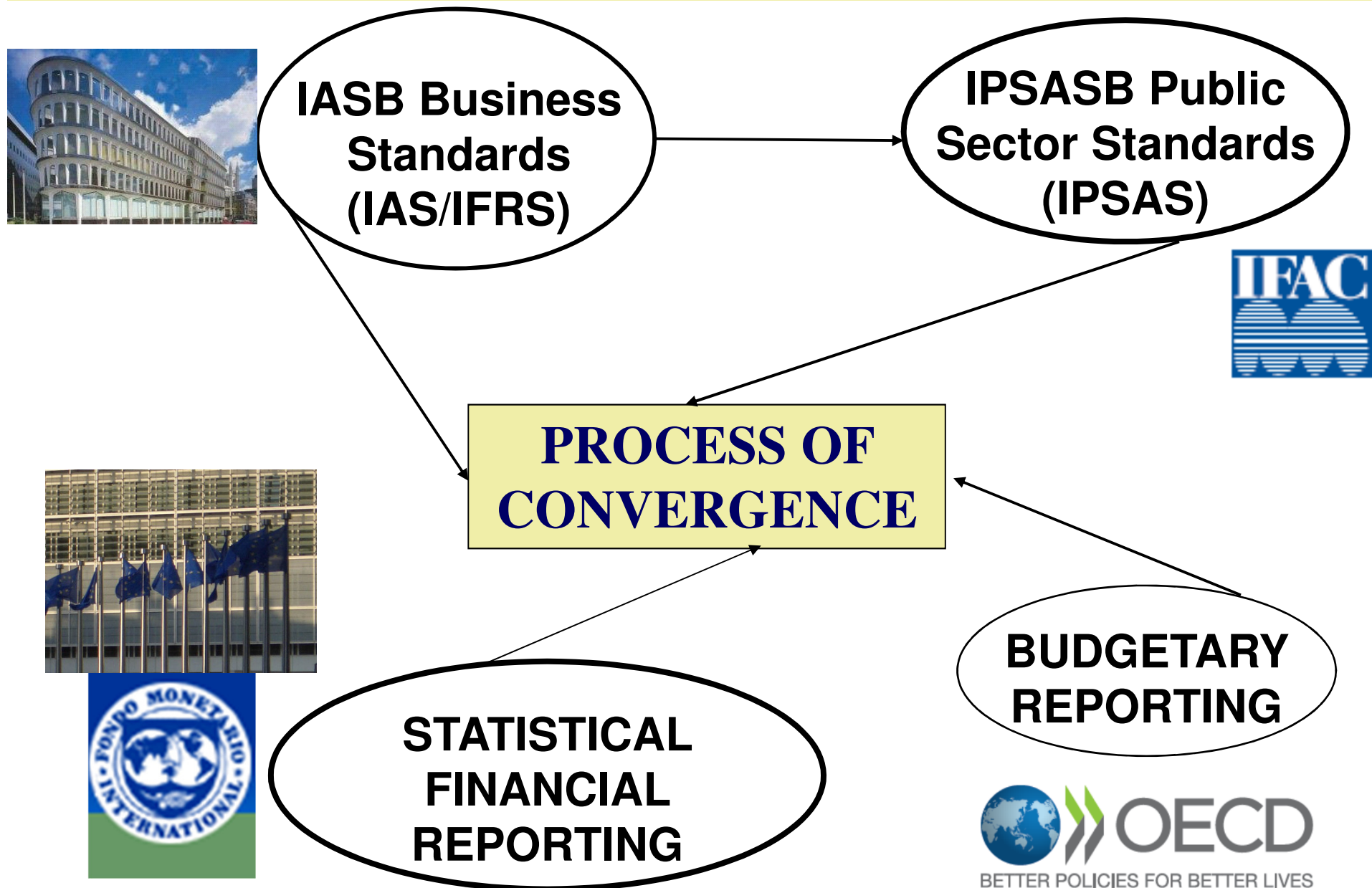
The three Pillars/Systems of Public Reporting



The main features of Public Reporting Systems

	GFS	IPSAS	BUDGET
OBJECTIVES	Evaluation of economic impact. Determine Net lending/borrowing	Evaluation of financial performance and position	Financial balance (cash)
REPORTING ENTITY	Institutional units and sectors	Economic entity and consolidation	Public sector boundaries differ across EU countries
RECOGNITION CRITERIA	Accrual with exceptions	Accrual in general	Cash in the most countries
VALUATION	Current market prices (in general)	Fair value, historic cost and other bases	Short term financial flow of rights and obligations
REVALUATION	Separate account	Yes	No

Financial Information Convergence in Public Entities



**Auditors advocating
Reporting Reforms and
implementing new ways
for control**

The global partners: United Nations

DATE OF APPROVAL	DOCUMENTS	MAIN FOCUS
2000	55/2. United Nations Millennium Declaration	<ul style="list-style-type: none"> -Main human, social, economic and ecological values and principles. -Strengthening good governance and transparency -Working collectively for more inclusive political processes, allowing genuine participation by all citizens
2011 and 2014	Resolutions 66/209 and 69/228	<ul style="list-style-type: none"> -SAIs Independence as a prerequisite -The important role of SAIs in promoting the <i>efficiency, accountability, effectiveness and transparency</i> of public administration

UN Department of Economic and Social Affairs (DESA) supports the Member States to foster *efficient, effective, transparent, accountable, clean and citizen centered public governance, administration and services* through innovation and technology to achieve the internationally agreed development goals, including the Millennium Development Goals (MDGs).

Since the MDGs Declaration, INTOSAI has built up capacities of SAIs to conduct *performance audits*.

The global partners: INTOSAI

DATE OF APPROVAL	DOCUMENTS	MAIN FOCUS
1977, 2007	Declarations of Lima and Mexico	<ul style="list-style-type: none"> -Purpose, types of audits, audit methods -Independence: the eight pillars -International Exchange of experiences -Reporting -Audit of international and supranational organisations
2010	Strategic Plan 2011-2016 The 4 Goals	<ul style="list-style-type: none"> 1: Accountability and Professional Standards 2: Institutional Capacity Building 3: Knowledge Sharing and Knowledge Services 4: Model International Organization
2010 -	Professional Standards	<ul style="list-style-type: none"> 1. International Standards of Supreme Audit Institutions (ISSAIs) 2. INTOSAI Guidance for Good Governance (INTOSAI GOV). <ul style="list-style-type: none"> • INTOSAI GOV 9100-9199 - Internal Control • INTOSAI GOV 9200-9299 - Accounting Standards • INTOSAI GOV 9300-9399 - Audit Arrangements

INTOSAI, an actor in the WorldWide panorama

**Cooperation
with global
partners**



Important cooperation of INTOSAI with external partners, UN, OECD, IFAC, Institute of Internal Auditors, Interparlamentarian Union, World Bank and International Donor Community

**Accounting
Standards**



INTOSAI highlights IPSASB and IASB Standards as high-quality, global accounting and reporting standards for the public and private sectors at the international level.

**Standards
on Auditing**



The International Standards on Auditing (ISAs) issued by the IFAC are incorporated into the financial audit guidelines (ISSAIs 1000-2999).

In financial audits reference may therefore be made either to the ISSAIs or to the ISAs.

The ISSAIs just provide additional public-sector guidance, but the requirements of the auditor in financial audits are the same.

**European
Regional
Working
Group**



EUROSAI Strategic Plan 2011-2017 contains four goals: 1) Capacity Building; 2) Professional Standards; 3) Knowledge Sharing; 4) Governance and Communication

Broadening SAI audit *objectives* and *boundaries*: Emphasis on performance, citizens, sustainability and accountability

**Emphasis on
*Performance Audits***

**Vefication of *non-
financial* data,
information and
reporting**

**Evaluation of social,
economic, financial
and environmental
impact of public
policies**

**Audit of public sector
*data for GFS and SNA***

**Fairness and
consistency of
prospective reported
information, including
budgetary figures**

**Stress verification of
internal control
systems**

**Effectiveness of
mechanisms against
*fraud and corruption***

***Advocate*
improvements in
Management,
Reporting and
Accountability**

Updating Auditors' *Capacities*

Strengthening auditors' *independence, integrity and responsibility*

Development of *new skills of auditors*, in accordance with the new objectives and scope of audits

Regulation of *public-private partnerships in control*: conditions, requirements and limitations

Incorporation of *new specialists* as members of the staff or, alternatively, use outsourcing for technical issues

Adapting Audit *Procedures*

New *social demands* for audits: Transparency, emphasis on performance and outcomes, timely and broad disclosure of results

Cooperation and participation of *citizens* in the audit process

International cooperation

A more cooperative and harmonized model for *European Government Auditing*. The role of European Parliament, European Commission, ECA and National SAIs

Use and enhancement of *peer reviews*

Thank you for your attention

Vicente.Montesinos@uv.es