



VNIVERSITAT  
ID VALÈNCIA

# **PUBLIC FINANCIAL REPORTING AND AUDITS: CHALLENGES AND OPORTUNITIES**

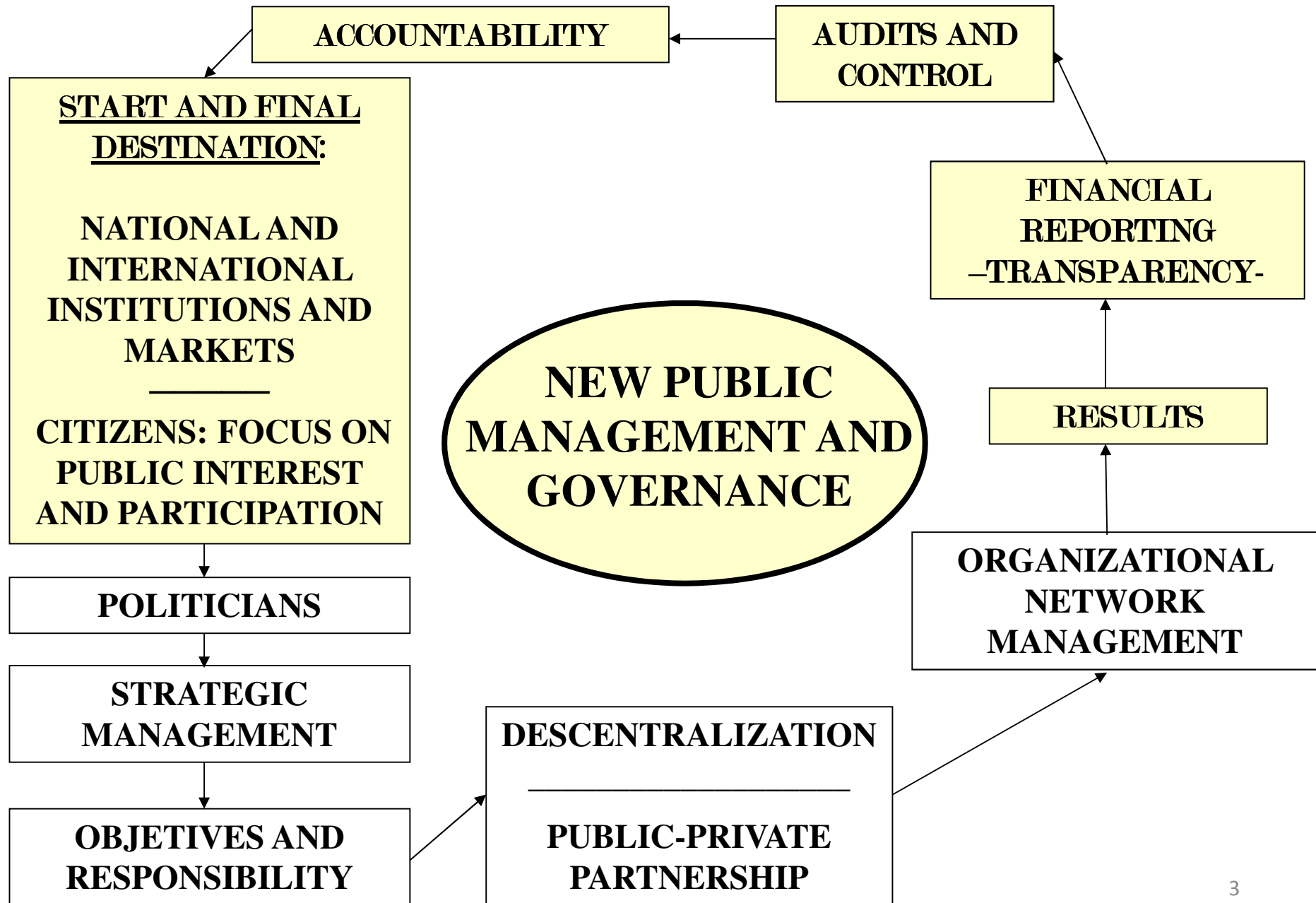
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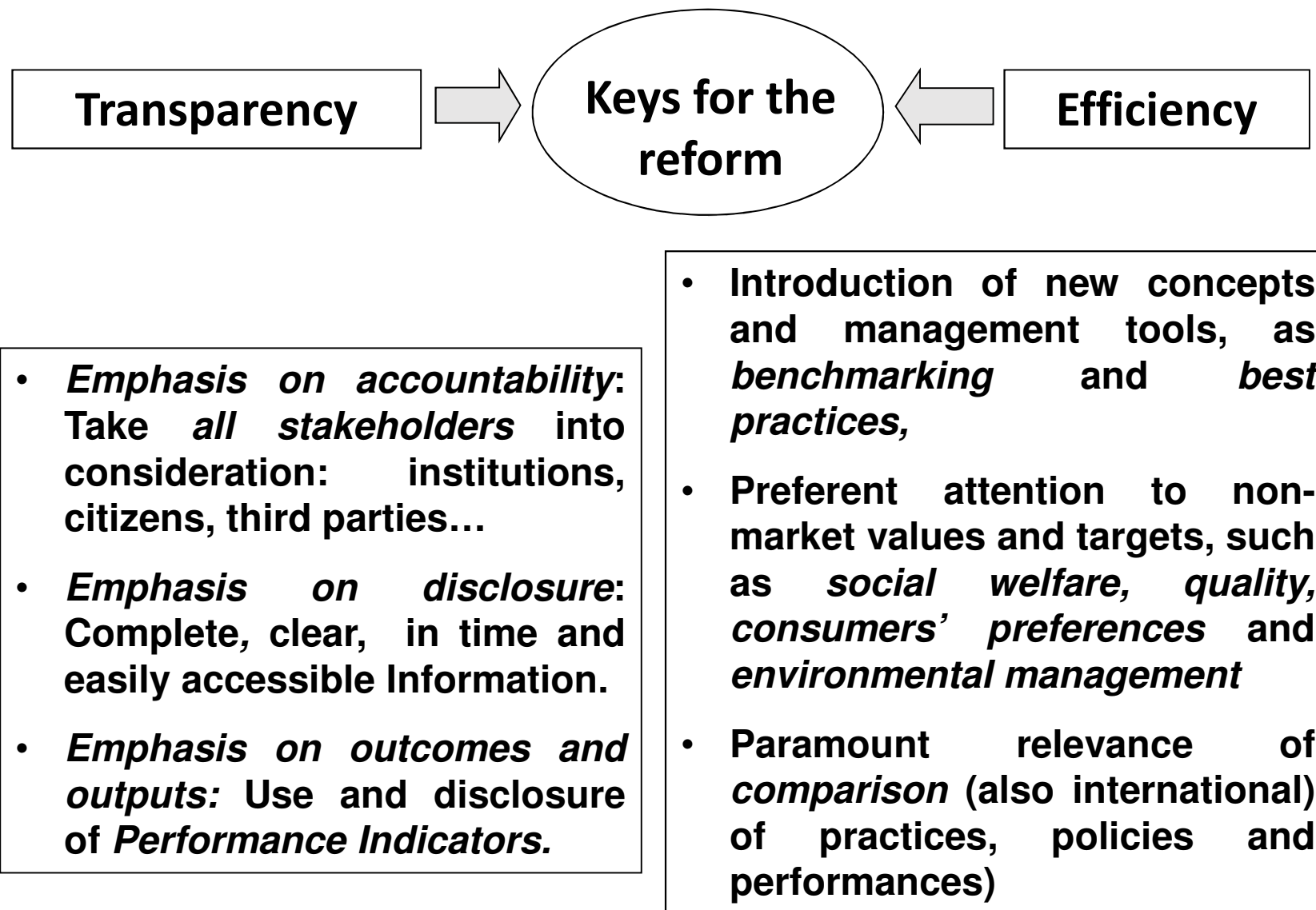
**ECA, Luxembourg, January 2016**

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

# The Wheel of Public Management and Governance



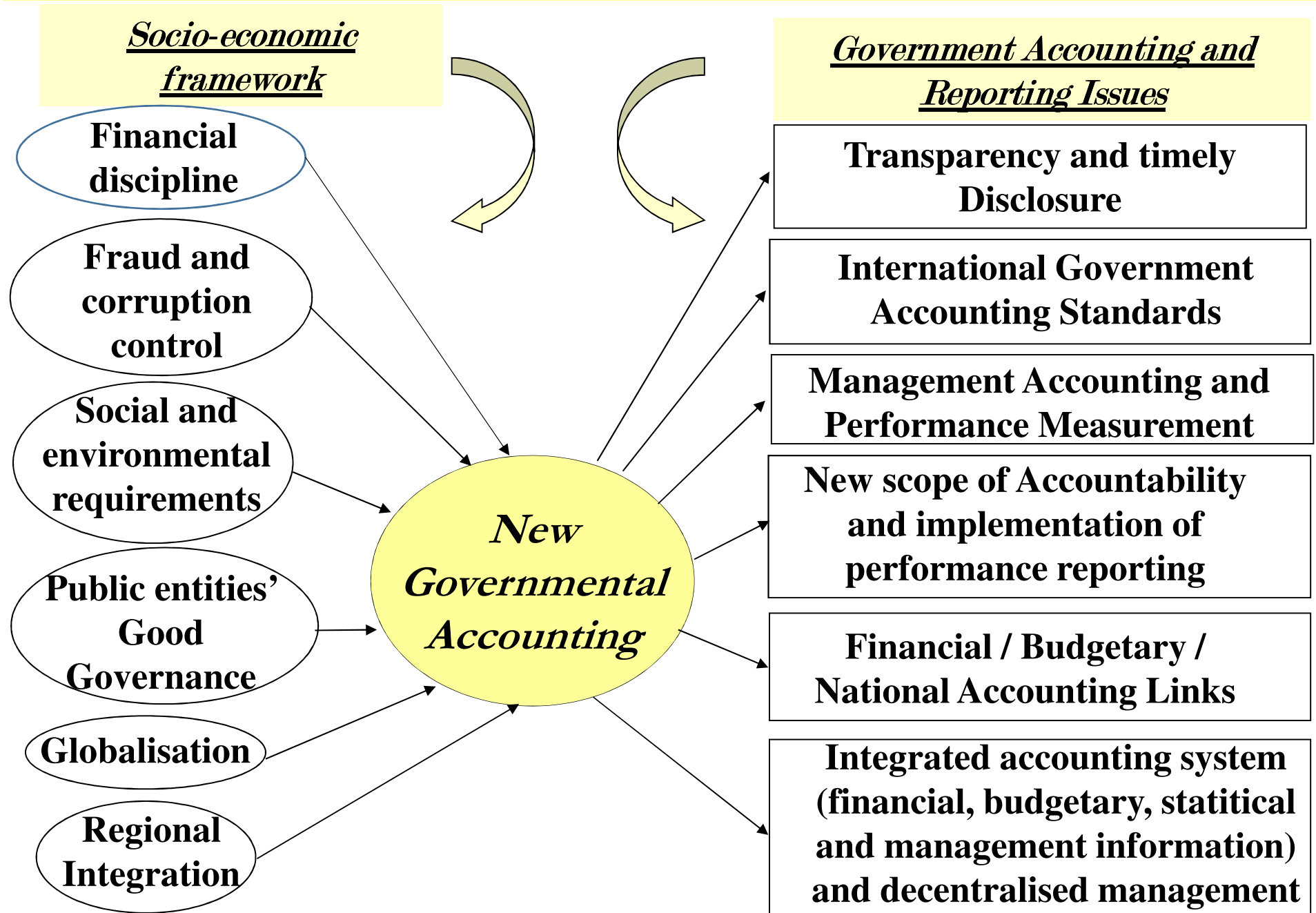
# Main tools for the reform of public governance and management



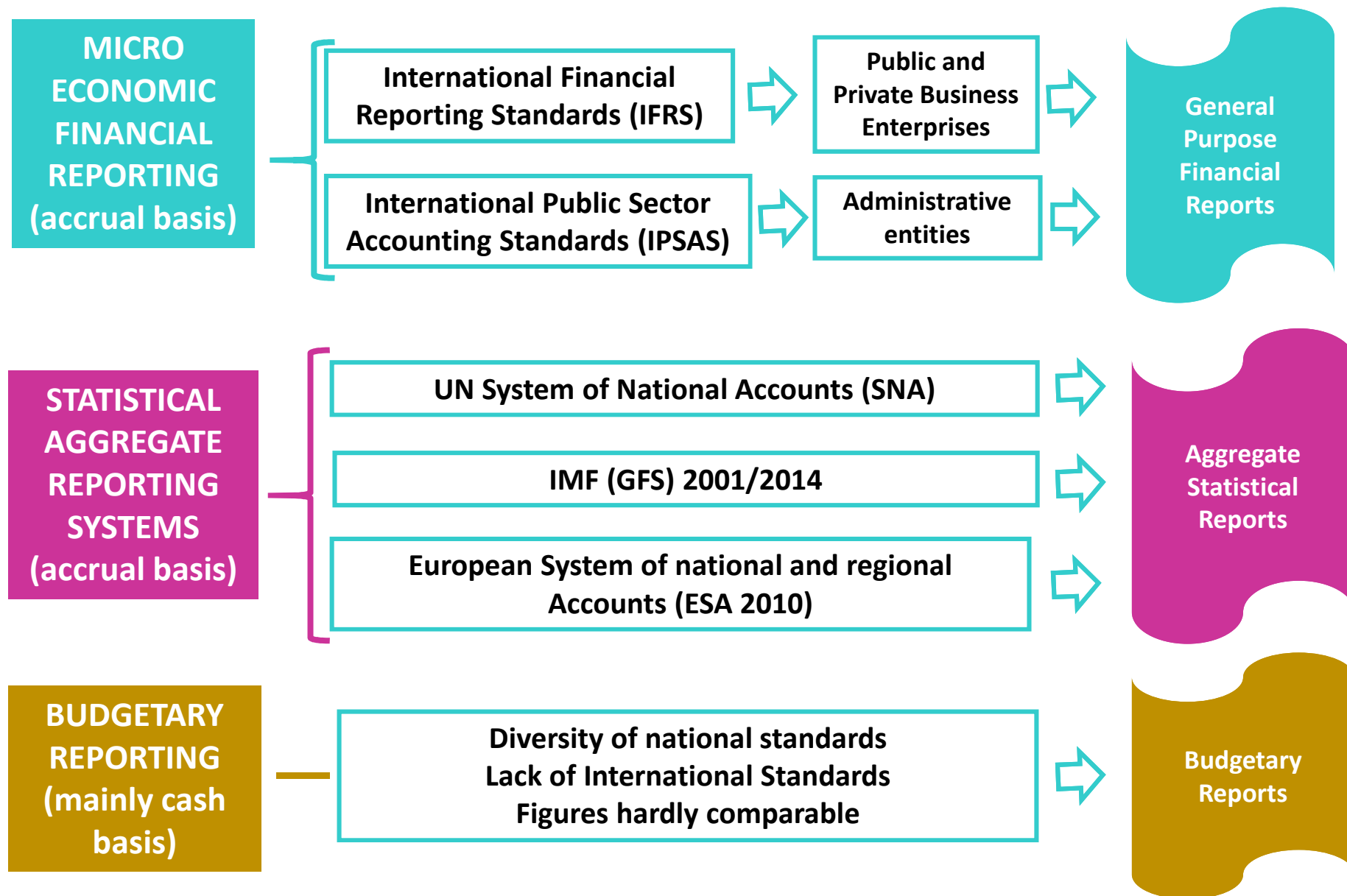
# New trends in Governmental Accounting

- 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

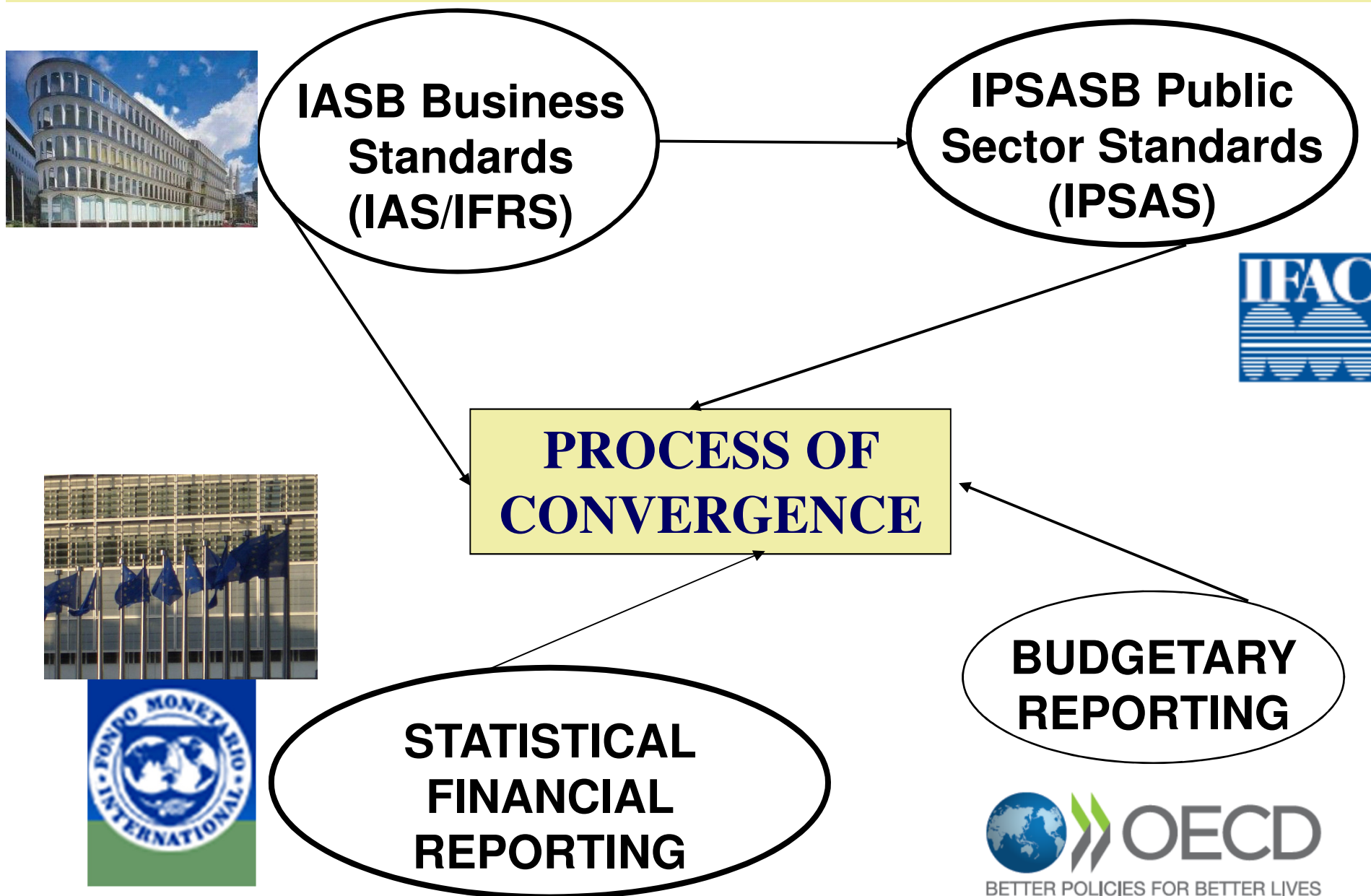


# The main features of Public Reporting Systems

	<b>GFS</b>	<b>IPSAS</b>	<b>BUDGET</b>
<b>OBJECTIVES</b>	Evaluation of economic impact. Determine Net lending/borrowing	Evaluation of financial performance and position	Financial balance (cash)
<b>REPORTING ENTITY</b>	Institutional units and sectors	Economic entity and consolidation	Public sector boundaries differ across EU countries
<b>RECOGNITION CRITERIA</b>	Accrual with exceptions	Accrual in general	Cash in the most countries
<b>VALUATION</b>	Current market prices (in general)	Fair value, historic cost and other bases	Short term financial flow of rights and obligations
<b>REVALUATION</b>	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"> <li>-Main human, social, economic and ecological values and principles.</li> <li>-Strengthening good governance and transparency</li> <li>-Working collectively for more inclusive political processes, allowing genuine participation by all citizens</li> </ul>
2011 and 2014	Resolutions 66/209 and 69/228	<ul style="list-style-type: none"> <li>-SAIs Independence as a prerequisite</li> <li>-The important role of SAIs in promoting the <i>efficiency, accountability, effectiveness and transparency</i> of public administration</li> </ul>

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

# 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*

Verification 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**

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