The Role of Public Sector Managers on IPSAS Adoption Process
(Malaysian Experience)

Wan Selamah Wan Sulaiman
9 March 2015
Santiago, Chile
Presentation Outline

- Introduction
  - Migration From Modified Cash Basis to Accrual Basis of Accounting
  - National Transformation Programme
  - Organization Chart
- The role of Public Sector Manager in the Implementation Strategies
  - Policy and Standards
  - Laws and Regulation
  - Process and Technology
  - Human Resource
- Critical Success Factors
- Challenges
INTRODUCTION

MIGRATION FROM MODIFIED CASH BASIS TO ACCRUAL BASIS OF ACCOUNTING

- Prudent fiscal management
- Enhance accountability & transparency

Current
Modified
Cash

Future
Accrual
Accounting

Transitioning To A New Accounting Landscape
INTRODUCTION

NATIONAL TRANSFORMATION PROGRAMME

POLICY MEASURES FOR PUBLIC SECTOR TRANSFORMATION

New Economic Model

Bureaucratic Reforms

Fiscal Discipline And Reforms

Strengthening National Policy Formulation In Economic Governance

Improving The Quality Of Human Resources In Civil Service

Adopting Accrual Accounting for prudent fiscal management.

- Implement efficient broad-based tax.
- Strengthen expenditure control.
- Improve fiscal policy institutions and processes.
- Institute use of non-oil balance for fiscal policy formulation.
- Introduce value management in expenditure planning to get value for money.
- Extend transparent procurement policy and procedures for better price discovery.

Transitioning To A New Accounting Landscape
The role of Public Sector Manager in the Implementation Strategies

- Developing Accounting Standard For Public Sector.
- Developing Accrual Accounting Policies
- Review and propose amendment of Financial Procedure Act 1957 dan Relevant Act
- Change Management
- Human Capacity Building
- Involvement from Finance & Accounting officers and staffs in implementing Accrual Accounting.
- Gap Analysis
- Design and develop Accrual Accounting System
Governance Structure

**Secretariat**
- Accounting General’s Department of Malaysia
- to draft accounting standards with the help of interest groups

**GASAC**
- to endorse draft MPSAS to be issued as Exposure Draft (ED)
- to endorse Exposure Draft (ED)

**Accrual Accounting Steering Committee**
- to approve the ED as MPSAS
Accrual Accounting Steering Committee (AASC)

Chair
- Accountant General

Members
- Deputy Accountant General (Corporate)
- Deputy Accountant General (Operation)
- Directors from all the Division of Accountant General’s Department
- 5 Chief Accountants from Self Accounting Department (Ministry/Department)
Federal Constitution, Financial Procedure Act 1957 and relevant acts have been reviewed

No proposed amendment for Federal Constitution

Proposed amendment for Financial Procedure Act 1957, Unclaimed Moneys Act, Housing Loan Act 1971 and National Trust Fund Act

First reading in Parliament on 7th October 2014
IMPLEMENTATION STRATEGIES...cont.

PROCESS AND TECHNOLOGY

Development of 1GFMAS System

- Developing Chart of Account
- "Kick off 1GFMAS" development
- Discussion with System Integrator (SI) for 1GFMAS Blueprint
Ministry’s Accounting Division Function

ACCOUNTING DIVISION

MMANAGEMENT ACCOUNTING
- Cost Accounting
- Financial Analysis
- Resource Accounting
- Investment

CONSULTATION
- Advisory
- Accrual Accounting Subject Matter Expert
- Accounting training

ACCOUNTING AND FINANCE
- Emolument
- Receipt and Payment
- Receivable and Payable
- Subsidiary Account
- Imprest, Trust and Deposit
- Preparation of Financial Statement
- Bank reconciliation
- Capitalization of Asset and Inventory
- Other Asset and Liability Accounting
- Bulk Payment
- Cheques, TT and EFT Management
- Technical Assistance to Responsibility Centre

MONITORING
- Responsibility Centre Inspectorate
- Asset Verification
- Revenue Verification
- Trust and Deposit Verification
- Inspectorate Analysis Report
- Risk Management (Finance)
- Receivable and Payable Management

ADMINISTRATION & FINANCE
- General Admin
- Finance
- Human Resource
- Asset Management

Legend:
- New Function
- Existing Function
CRITICAL SUCCESS FACTORS

Top Management Commitment
- Ministry’s KPI
- Establishing Account Division and Responsibility Centre

Change Management
- Awareness Program
- Comprehensive Capacity Building
- Training Program

Auditor General Involvement
- Develop policy and standards
- Proposed amendment of relevant law
- System development
- Verification on opening balance for assets and liability

Data Collection
- Service Provider Commitment
- Update asset records and registers
- Asset Opening Balance
- Accuracy of asset information

Accounting System
- Developing 1GFMAS
- Service Provider Commitment
- Interface with external system
- Ministries allocation are sufficient
- Legacy System is ‘accrual enabled’
Challenges

Transitioning To A New Accounting Landscape
- Concept of Consolidated Fund
- Opening Balance of Assets and Liabilities
- Change Management
- Cash Budget
- Adoption of IPSAS 24

Amend the relevant Law - redefine Consolidated Fund

Train The Trainers’ Approach

IPSAS 33 – First Time Adoption of IPSAS

International Public Sector Accounting Standards Board™