

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

Wan Selamah Wan Sulaiman

9 March 2015

Santiago, Chile

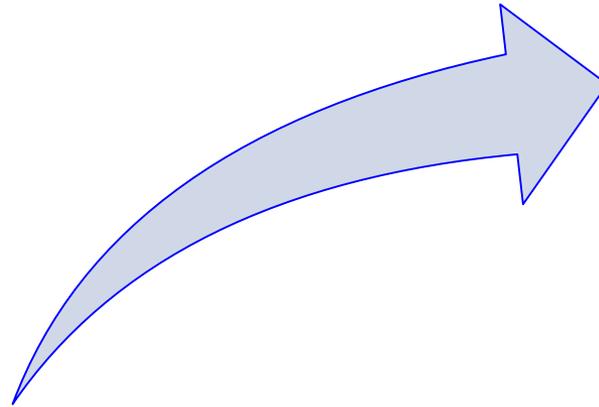
Presentation Outline

- **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

Current
**Modified
Cash**



Future
**Accrual
Accounting**

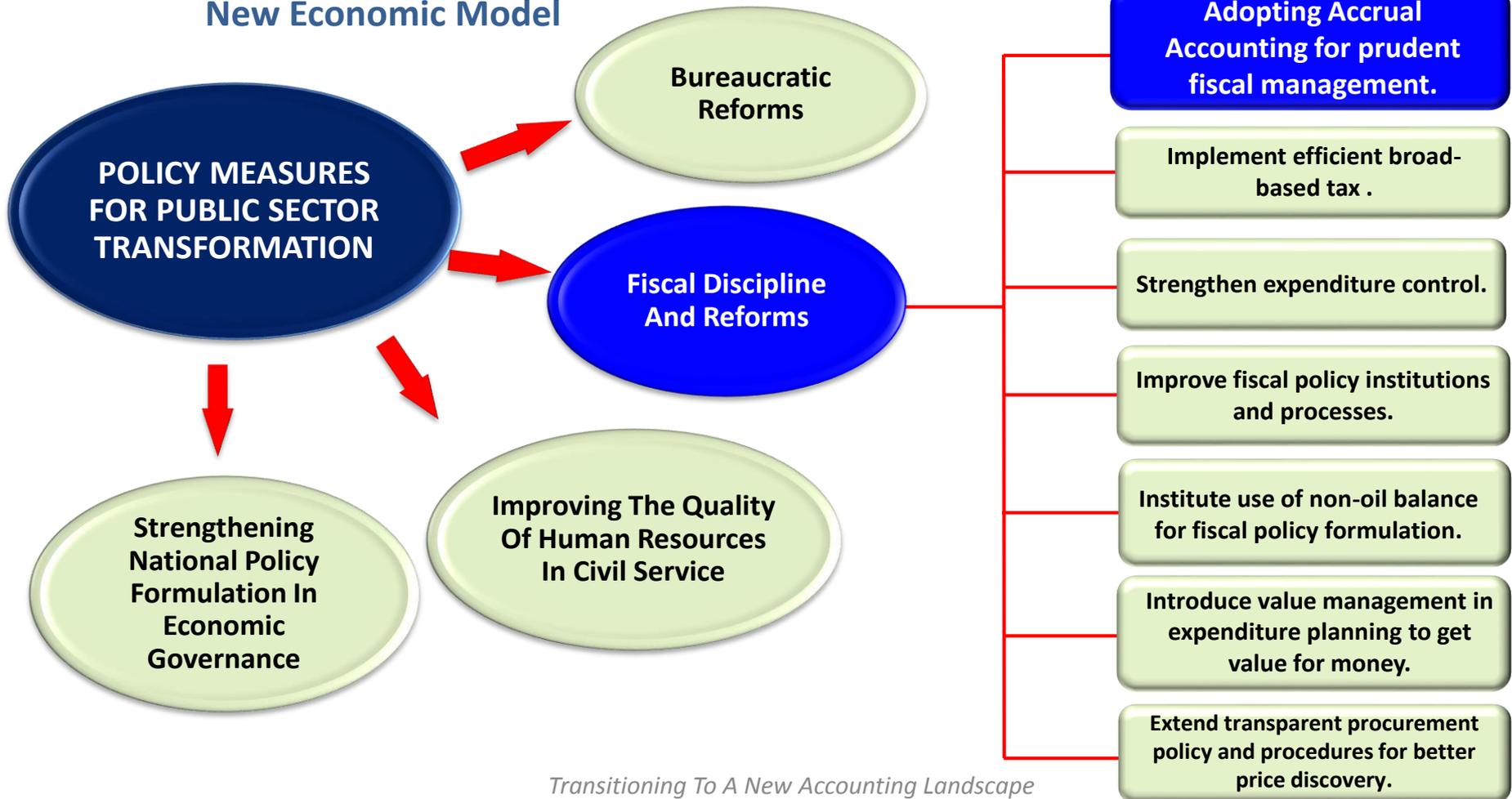
- **Prudent fiscal management**
- **Enhance accountability & transparency**



INTRODUCTION

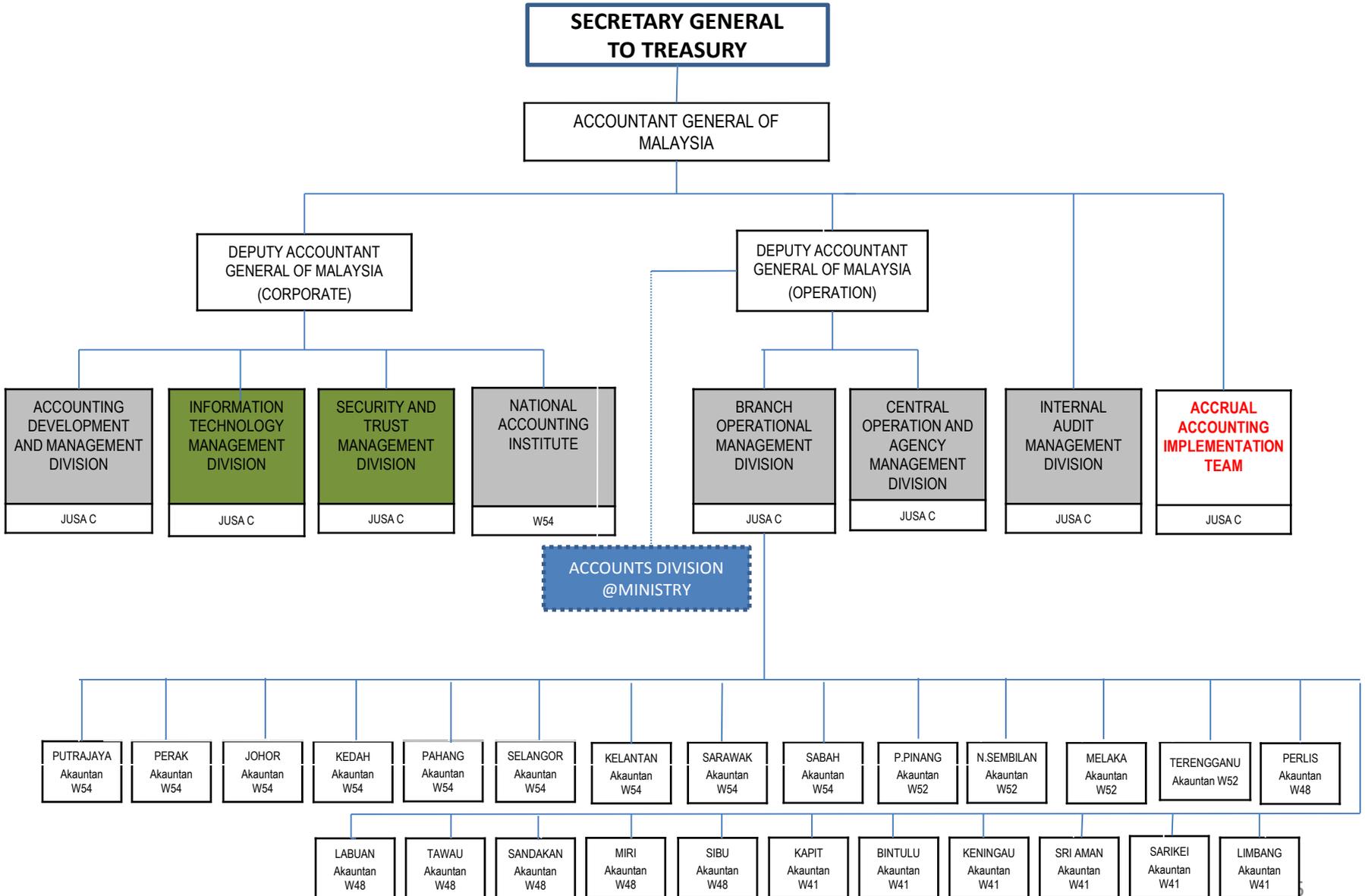
NATIONAL TRANSFORMATION PROGRAMME

New Economic Model



INTRODUCTION

ORGANIZATION CHART



The role of Public Sector Manager in the Implementation Strategies

- Developing Accounting Standard For Public Sector.
- Developing Accrual Accounting Policies

Policy & Standards

- Review and propose amendment of Financial Procedure Act 1957 dan Relevant Act

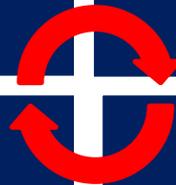
Law & Regulation

- Change Management
- Human Capacity Building
- Involvement from Finance & Accounting officers and staffs in implementing Accrual Accounting.

Human Resource

- Gap Analysis
- Design and develop Accrual Accounting System

Process & Technology



IMPLEMENTATION STRATEGIES .. Cont.

STANDARDS AND POLICY – Setting of Own Accounting Standards (MPSAS)

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)

MPSAS Development Status

EXPOSURE DRAFTS(ED): 31

APPROVED MPSAS: 21

ED1: Presentation of Financial Statements
ED2: : Cash Flow Statement
ED3: Property, Plant & Equipment
ED4: Accounting Policies, Changes in Accounting Estimate and Errors.
ED5: Revenue from Exchange Transaction
ED6: Inventories
ED7: Revenue from Non-Exchange Transaction (Taxes and Transfer)
ED8: Presentation of Budget Information in Financial Statement
ED9: Net Effect of Changes in Foreign Exchange Rates
ED10: Leases
ED11: Investment Property
ED12: Provision, Contingent Liabilities and Contingent Asset
ED13: Impairment of Non-Cash –Generating Asset
ED14: Employee Benefits
ED15: Impairment of Cash-Generating Assets
ED16: Intangible Assets
ED17: Event After the Reporting Date
ED18: Financial Instrument: Presentation
ED19: Consolidated and separate Financial Statement
ED20: Investment in Associates
ED21: Amendment to MPSAS 17
ED22: Borrowing Costs
ED23: Interest in Joint Ventures
ED24: Agriculture
ED25: Construction Contract
ED26: Service Concession Arrangement: Grantor
ED27: Financial Instrument: Recognition & Measurement
ED28: Related Party Disclosure
ED29: Disclosure of Financial Information About the General Government Sector
ED30: Financial Instrument: disclosure
ED31: Borrowing Cost

MPSAS1: Presentation of Financial Statements
MPSAS2: Cash Flow Statement
MPSAS17: Property, Plant & Equipment
MPSAS3: Accounting Policies, Changes in Accounting Estimate and Errors.
MPSAS9: Revenue from Exchange Transaction
MPSAS12: Inventories
MPSAS23: Revenue from Non-Exchange Transaction (Taxes and Transfer)
MPSAS24: Presentation of Budget Information in Financial Statement
MPSAS4: Net Effect of Changes in Foreign Exchange Rates
MPSAS13: Leases
MPSAS16: Investment Property
MPSAS19 : Provision, Contingent Liabilities & Contingent Assets
MPSAS21: Impairment of Non-Cash Generating Asset
MPSAS25: Employee Benefits
MPSAS26: Impairment of Cash Generating Assets
MPSAS31: Intangible Assets
MPSAS6: Consolidated and separate Financial Statement
MPSAS14: Event After the Reporting Date
MPSAS28: Financial Instrument: Presentation
MPSAS 7: Investment in Associates
MPSAS 5: Borrowing Cost

IMPLEMENTATION STRATEGIES .. Cont.

LAWS AND REGULATION

- 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

POLICY AND
IMPLEMENTATION
OF 1 GFMAS
MEETING

Developing Chart of Account

KICK OFF
1GFMAS

Kick off 1GFMAS development

BLUE
PRINT
1GFMAS

Discussion with System Integrator (SI) for 1GFMAS Blueprint

IMPLEMENTATION STRATEGIES

HUMAN RESOURCE

Ministry's Accounting Division Function

ACCOUNTING DIVISION

MANAGEMENT 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

CRITICAL SUCCESS FACTORS

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

