



# Public Financial Accountability - Getting It Right

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## Overview – What's driving Public Sector Reform?



- **Public attitudes & demand for accountability and transparency**
- **Donor advocacy and lending conditions of international financial institutions**
- **Desire for an efficient Public Service**
- **Reduction of corruption and fraud**
- **Financial management that complies with internationally accepted accounting practices**



# Overview – What's driving Public Sector Reform?



# Factors that may influence the nature and speed of Public Sector Reform



- Whether the reforms are focused solely on accounting change or whether they encompass other wider scale reforms; e.g. personnel
- The current basis of accounting used by the entity
- The capability of existing information systems
- The completeness and accuracy of existing information, particularly in relation to assets and liabilities
- Any change to the basis of accounting for budgeting



# Factors that may influence the nature and speed of Public Sector Reform



- The level of political commitment to the reform; and
- The capacity and skills of the people and organizations responsible for implementing the changes, and the people who will be the end users



# Elements of Public Sector Reform



## Benefits of Financial Reform – Cash to Accrual



The information contained in reports prepared on an accrual basis of accounting is useful both for accountability and decision-making. Financial reports prepared on an accrual basis allow users to:

- Assess the accountability for all resources the entity controls and the deployment of those resources
- Assess the financial position, financial performance, and cash flows of the entity
- Make decisions about providing resources to, or doing business with the entity



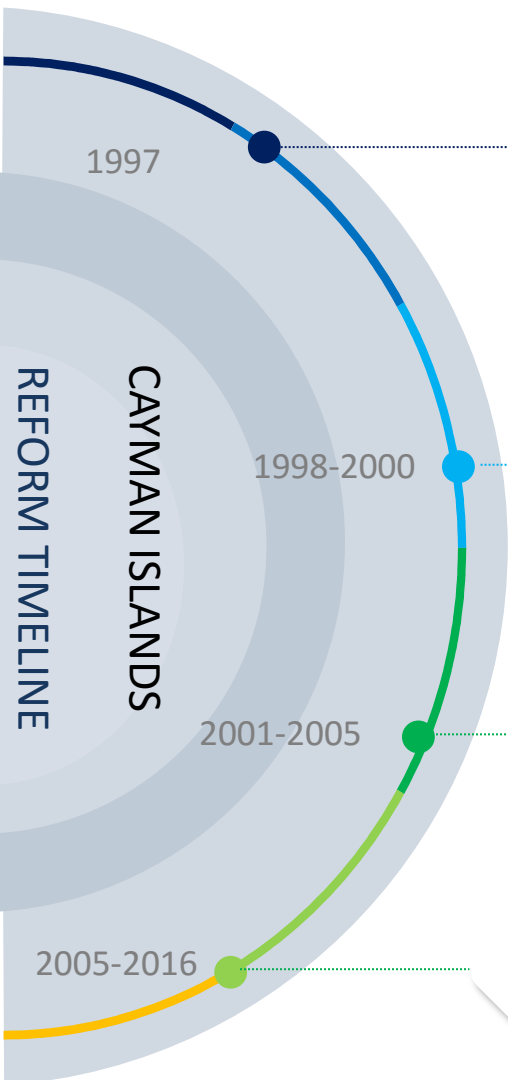
## Benefits of Financial Reform – Cash to Accrual



- Provides an entity with the opportunity to demonstrate successful management of its resources
- Demonstrate accountability to the public for their management of assets and liabilities recognized in the financial statements
- Plan for future funding requirements of asset maintenance and replacement
- Plan for the repayment of, or satisfaction of, existing liabilities







## 10 Year National Strategic Plan, based on the principles of balanced growth and integrated policy development

- **Strategy** - Promoting open and accountable government.
- **Action Plan** -Ensure that public finances are managed prudently; develop a public sector management system
- **Action step** -Enact a fiscal responsibility law: design and implement a management system where CIG would operate as businesses in the production of outputs and services

## Development of a public sector reform

- Assessment of leading public sector reforms
- Based on the New Zealand Model
- Birth of the Cayman Islands Financial Management Initiative
- Consisted of Financial & Personnel Reform

## Designing and Implementation of Financial Reform

- Enactment of public management & finance law, financial regulations
- use of GAAP for financial reporting, legislative principles for fiscal management
- Move from cash to accrual budgeting & report
- Financial statements are prepared on a decentralized basis

**Reform in action, lessons learnt and steps taken**



# REFORM BROAD OBJECTIVES



**DEVELOP STRONGER STRATEGIC PROCESSES LINKED TO THE BUDGET**

**ESTABLISH EFFECTIVE ACCOUNTABILITY MECHANISMS**



**CLARIFY ROLES**



**REDEFINE PERFORMANCE TO FOCUS ON RESULTS**



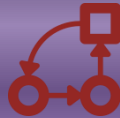
# Reform Challenges

## Technical Difficulties



- Complex requirements of IPSAS
- Reporting asset - opening Balance Sheet
- New reporting – Outputs
- Onerous reporting requirements
- Natural Disaster

## Change Management



- Accounting system not used efficiently to meet changing requirements
- Operational consequences from reform not anticipated and mitigated effectively

## HR /Cost Growth



- New roles required
- Leadership roles lacked
- Decentralization resulted in repetition of activities
- Expertise requirements
- Meeting the training need
- Having the right people for the job

## Quality vs Quantity



- Quantum of requirements resulted in a reduction of quality
- Timeliness impacted
- Relevance and reliability of reporting impacted



# Examples of Reform Challenges

## Financial

- Reporting provisions and contingencies e.g. Environmental cost; Legal cost; employee benefits
- Revenue recognition – completeness; cut offs
- Fixed Assets –valuation, classification and completeness
- Consolidation

## Human Resource

- Performance measurement - linked to strategic objectives
- Capacity Development – Establishment of Civil Service College, succession planning, learning and development policies



# Lessons Learnt

- **Cost vs Benefits**
- **A robust planning process is key**
- **Finding the right fit – Keep it simple**
- **Finding the right people – appropriate skill sets; leadership**
- **Finding the right measurement mechanisms – knowing if you're getting it right**





Thank you

Questions

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