

Accounting and financial reporting in the public sector of PEMPAL member countries

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Is it possible to have high quality accounting and financial reporting in the public sector without officially approved standards?

Justification of the need of implementing (approving) standards. (1)

- Practice of many countries in the region confirms that accounting is possible on the basis of detailed instructions without any approved standards. In particular, it is a typical practice for post-Soviet countries.
- In the international practice historically standards began being developed where the public sector includes **many tiers and types of accounting subjects**, which have a certain level of **autonomy** (in order to unify the principles of accounting and reporting practice for all tiers and entities).
- The standards allow to ensure **comparability of information on the international level**; confirm that the country operates based on the norms accepted in the international community. That is why it is not a surprise that in many countries, the impetus for implementation of the standards was given by international organizations
- In the European Union ESA95 are mandatory of all EU members

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Justification of the need of implementing (approving) standards. (2)

- The main general arguments of the need of standards used in many countries is are as following – enhancement of the **quality and completeness** of financial information, strengthening of **transparency and accountability**, which are ensured with conversion to the international accepted standards, improvement of investment attractiveness of the country
- Quite often implementation of the standards is a **part of a broader public finance reform program**. An example of Kazakhstan - implementation of the standards is part of the reform related to implementation result oriented of budgeting
- However, it is very important for the country to form **clear understanding of these reasons and for to make an informed decision on conversion**. It is also important to **evaluate the value of the reform**, the necessary costs.
- When the decision is made that the standards are necessary, then the next fundamental question appears – should the existing international standards be applied as they are, or should the national standards be developed on their basis