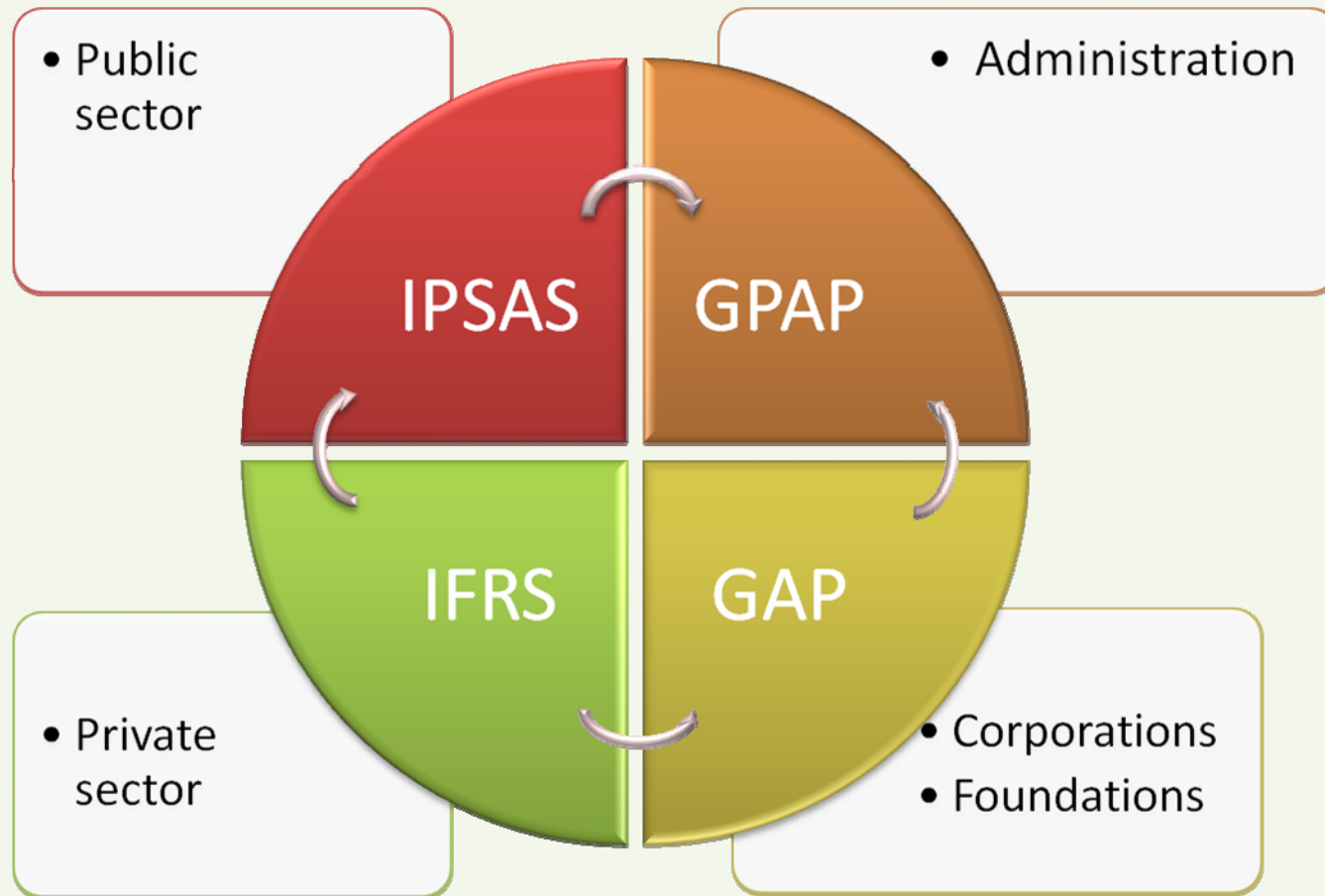


**EURORAI Seminar in Bad Homburg vor der Höhe**  
New Public Management in Europe  
20th May 2011

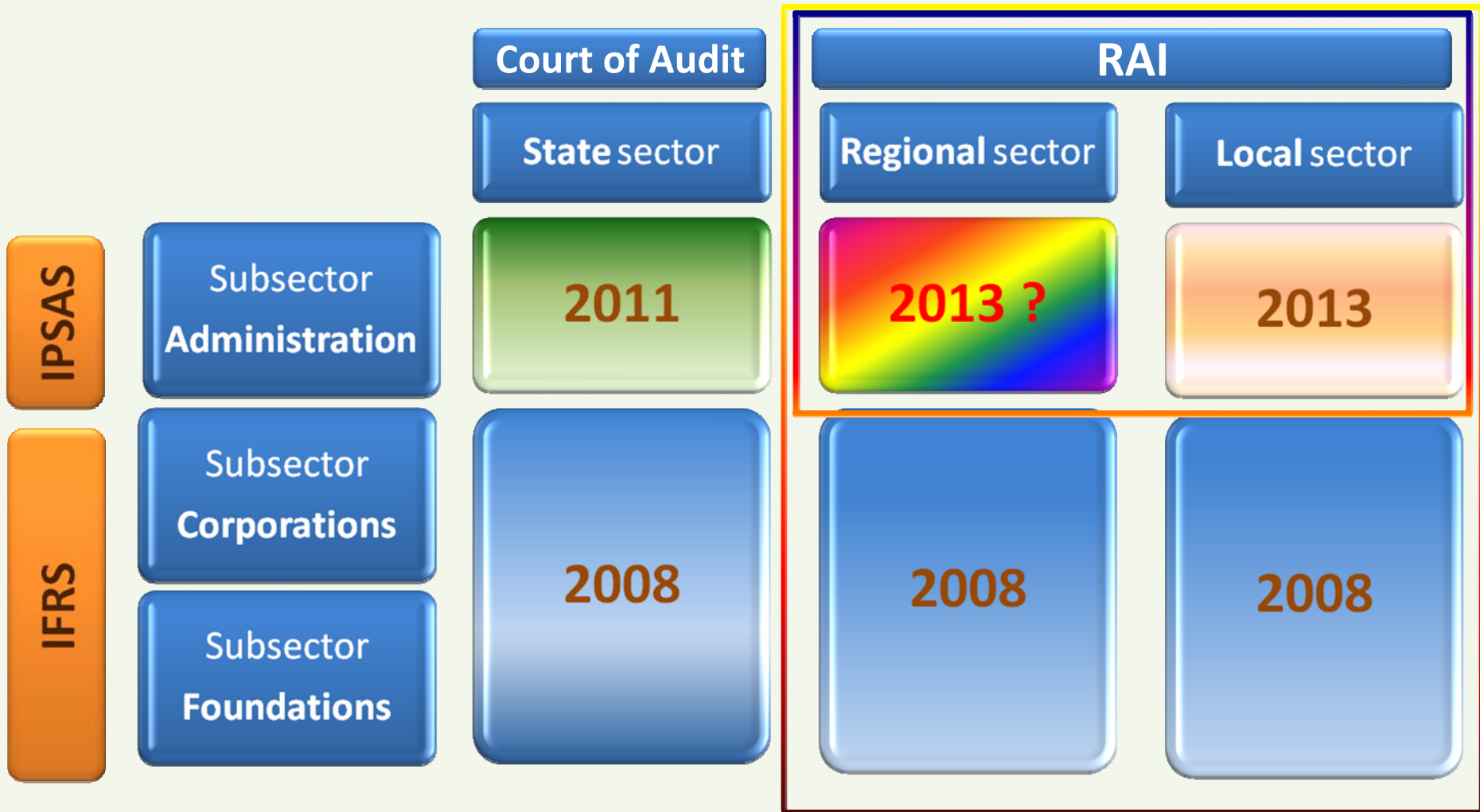
# **The introduction of IPSAS in Public Accounting in Spain from the viewpoint of a public sector audit institution**



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# Globalization and convergence of accounting



# Effective Date



Accounting statements	IFRS 	GAP	GPAP 2011/13 	IPSAS
Balance sheet	X	X	X	X
Profit and loss statement	X	X	X	X
Statement of changes in equity	X	X	X	X
Cash-flow statement	X	X	X	X
Notes to the accounts	X	X	X	X
Budget execution			X	X

# Purpose of Financial Statements

1. Provide useful information for economic decision-making (*=Spanish General Accounting Plan -GAP*)
2. Establish a means for the **accountability** of the audited body.

# Accountability

The annual accounts are a means for the accountability of the audited body, in which RAIs play an essential role.

This will be achieved by providing information and auditing the following:

- sources of financing, allocation and use of financial resources
- way the audited body has financed its activities
- assess the ability of the audited body to finance its activities and comply with its obligations and commitments
- financial situation and its changes
- performance according to its service costs, efficiency and achievements
- compliance with the legally approved budget
- compliance with legal and contractual requirements

# Performance indicators

- Financial indicators
- Asset indicators
- Budgetary indicators
- Performance indicators

# Performance indicators

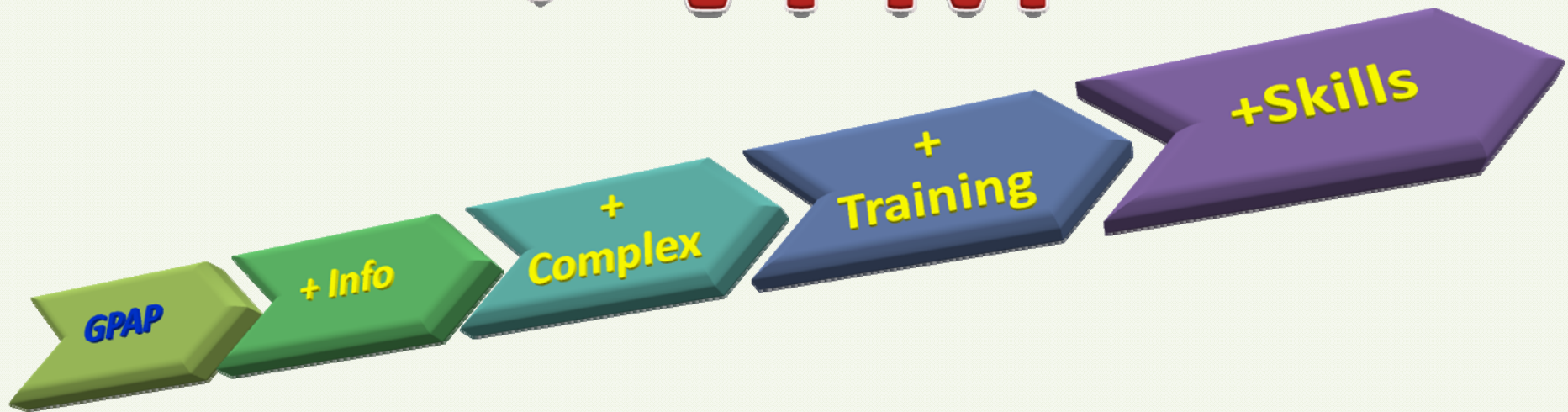
- Financial indicators
- Asset indicators
- Budgetary indicators
- Performance indicators



**VFM**



**+ VFM**



The new GPAP/IPSAS 'shall make easier' VFM audits but we need to prepare for this.

# Impact on financial audit

## New risks

Changes in specific accounting criteria:

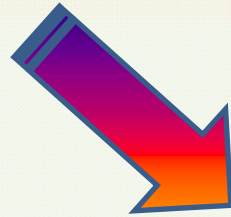
**Budgetary changes** *no*

**Financial changes** *yes*

Risks **combined** with those risks arising from the economic and budgetary crisis

# New risks in financial audit arising from the new accounting framework

- + errors when interpreting IPSAS/GPAP
- + errors of calculation
- + errors in the estimates



- + professional diligence
- + professional scepticism
- + training

# Risks combined with those risks arising from the economic crisis

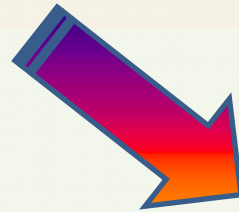
+ Debt

- Income

+ Loss of confidence and credibility

+ Going concern !!!!

ECONOMIC CRISIS

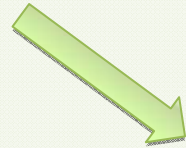


+ professional diligence

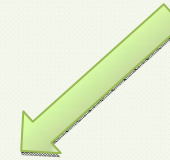
+ professional scepticism

+ **transparency**

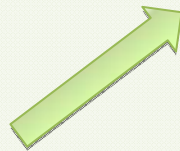
**IPSAS**



**CRISIS**



**Need to adopt or  
reinforce a risk approach  
when carrying out audits**



**Regulatory  
risks**



**Fraud**



**IT risks**

# Credibility and transparency in public sector management

**Accounting information requirement of the new GPAP:**

- Information must be **reliable**, that is, free of errors and biases

**Who** guarantees/ ensures reliability of the accounts to the citizen?

*>>> an effective internal audit*

*>>> External audit*

# Credibility and transparency in public sector management

**Transparent:** *clear, obvious, which can be clearly and unambiguously understood*

Transparency and credibility must be based on:

- Sound and generally accepted accounting principles (Spanish General Public Accounting Plan – GPAP)
- Accountability and disclosure of accounts (promptly and regularly)
- Internal audit
- External audit (public or private)

# A reflection on the notes to the accounts

Clarity and relevancy!  
Materiality!

Annual accounts	
✓ (2008)	(2,000 pages)
✓ (2009)	(25 pages)

Compulsory content of the notes to the accounts:

.....

21. Public contracts

23. Budgetary information

25. Information on the cost of activities

26. Performance indicators

+ time report

+ auditor's training



# 'Extension' of IPSAS

## Service Potential

It is a concept established by IPSAS for the public sector, a concept which the Spanish Institute of Accounting and Account Audits (ICAC) has also extended to public enterprises (GAP).

The non application of this criterion by the Audit Office of the Autonomous Community of Valencia would have given rise to very significant problems (assets, impairment).