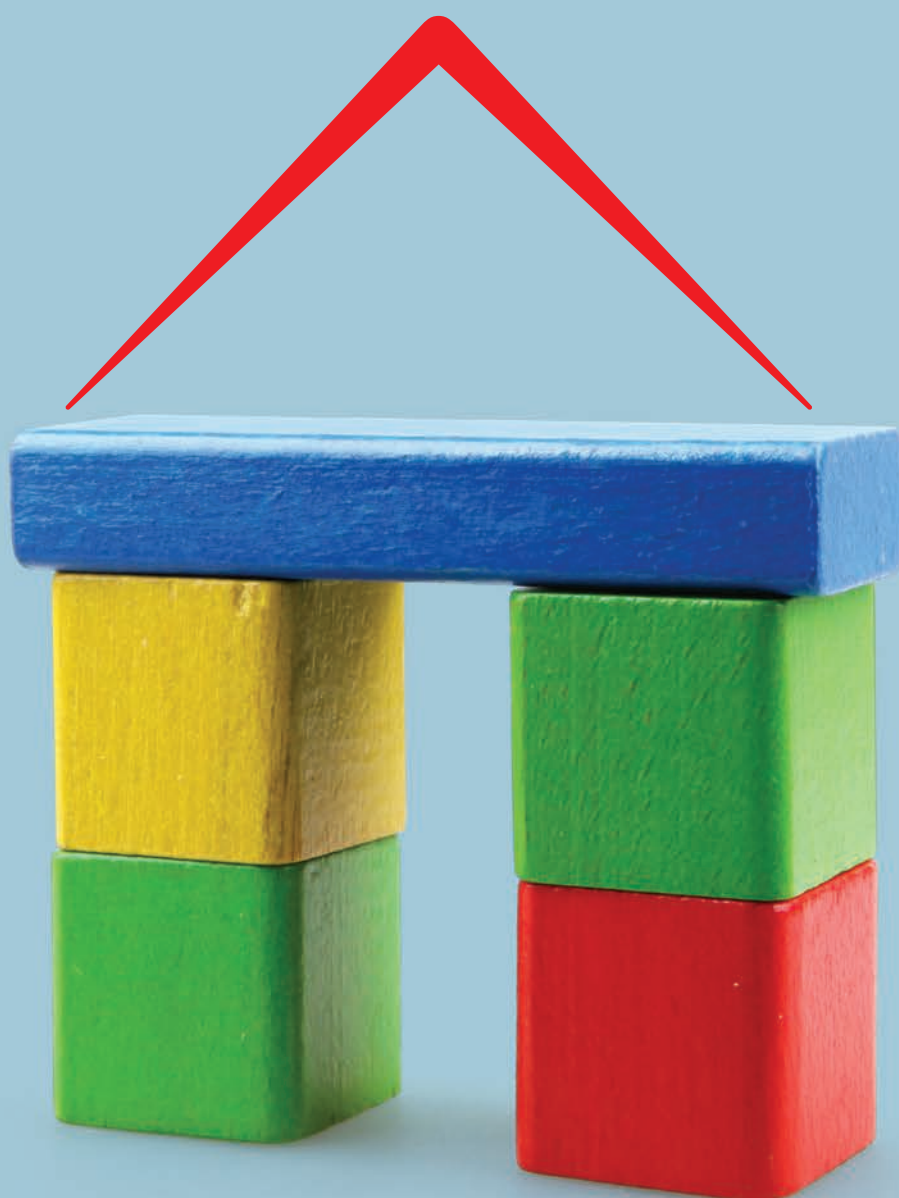


# *Building blocks to better PFM*

A CASH TO ACCRUALS ACCOUNTING TOOLKIT



# Summary

## INTRODUCTION

**As countries around the world have developed and national income has increased, the business of successfully managing both the economy and the public finances has become more complex.**

Governments increasingly enter into long-term agreements and incur obligations which require them to have a more sophisticated understanding of the financial consequences of their decisions. In parallel, citizens increasingly expect their governments to do more for them and to demonstrate that taxation is fair and justified.

There are more demands on public financial management, and more than ever, governments are turning to modern accounting techniques to help them understand their financial position – in particular, to ensure that public finances are sustainable and future liabilities are properly understood.

The process of making this change from cash to accruals accounting has the potential to deliver enormous benefits, although it is also a significant exercise in change management requiring the coordination of a number of major projects across government departments. We are often asked by governments for advice on where they should begin. While there is some excellent technical guidance on standard setting available from IFAC and other parties, we have noticed there is a shortage of accessible, practical guidance on how to approach moving from cash to accruals accounting as a change project. We have therefore published *Building blocks to better PFM – A cash to accruals accounting toolkit*.

## WHO IS THE CASH TO ACCRUALS TOOLKIT FOR?

The toolkit is intended for those government entities that have made the decision to implement accruals accounting, including potential sponsors of a project to make the transition to accruals accounting and all those charged with delivery of such a project. It is also a useful guide for policymakers, standard setters, senior administrative officials, auditors or regulators who will have some involvement in the project. It is relevant to countries whose governments are still planning their transition as well as those already part-way through the process.

This guide is intended to complement other guidance from international bodies on this subject such as the IFAC guide *Transition to the Accruals Basis of Accounting Guidance for Public Sector Entities (January 2011)*.

We believe that the benefits from improved information, transparency and accountability are clear, and there is no doubt that making this change from cash to accruals is a major project for any government. We have therefore used generally accepted tools and standards of project management and distilled some of the complex information to create this practical 'how to' guide which brings together information that is relevant to the implementation of large projects. This toolkit sets out six practical 'building blocks' as the foundation to improve the quality of their financial reporting and public financial management.

## THE BUILDING BLOCKS

These building blocks are more than simply putting in place a new accounting system and standards, they provide the framework to deliver a successful change programme. For such a project to be successful and deliver the benefits of better public accountability and better public financial management, there must also be changes in financial management culture and behaviours.

The six building blocks are:

**STRUCTURES AND OWNERSHIP** - the political and wider organisational and leadership structures that need to be in place to deliver the change.

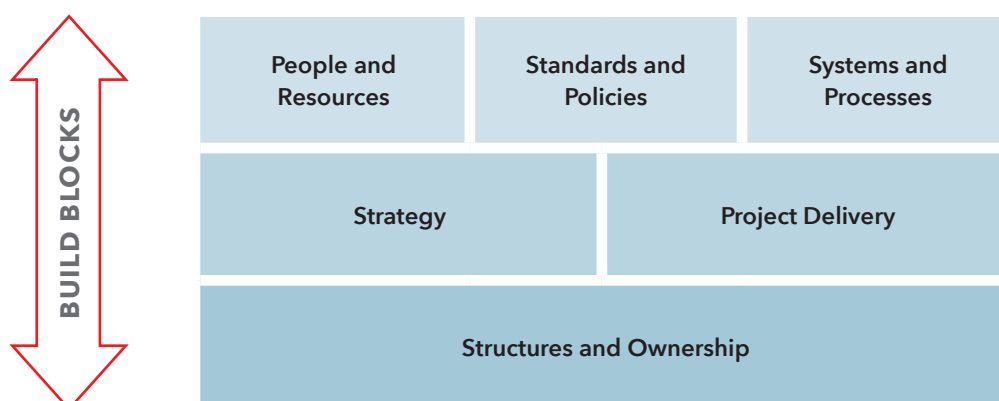
**STRATEGY** - effective prioritised plan to deliver the change, manage critical dependencies and risks and to ensure staff and stakeholders understand what is required of them and when.

**PROJECT DELIVERY** - setting up the project team and running the project with appropriate governance and oversight.

**PEOPLE AND RESOURCES** - the right people, with the right skills, knowledge and approach to drive the reforms supported by adequate resources. We discuss how capacity can be built and strengthened in developing countries and emerging economies.

**STANDARDS AND POLICIES** - the standards in accordance with which accounts will be produced, the process for setting them and the policies that will be adopted.

**SYSTEMS AND PROCESSES** - putting in place the right infrastructure, corporate governance and business processes to enable high quality information to be provided so policymakers can make the right decisions to achieve the right outcomes.



**FIGURE 1**  
The building blocks of strong public financial management

The full publication is priced at £30. To obtain the full version of the publication *Building blocks to better PFM - A cash to accruals accounting toolkit*, please check our website for more information [www.icaew.com/publicfinances](http://www.icaew.com/publicfinances) or contact [maria.pires@icaew.com](mailto:maria.pires@icaew.com).

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