



TRANSITIONING TO A NEW PUBLIC SECTOR ACCOUNTING LANDSCAPE - CURRENT STATUS AND THE WAY FORWARD



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OVERVIEW

- 1** INTRODUCTION
- 2** WHERE ARE WE NOW?
- 3** THE WAY FORWARD
- 4** IMPLEMENTATION STRATEGY
- 5** IMPLEMENTATION STATUS
- 6** CRITICAL SUCCESS FACTORS
- 7** CONCLUSION



INTRODUCTION



Governing Laws, Regulations & Standards

- Federal Constitution
- Financial Procedure Act 1957
- Treasury Instructions
- Treasury Circulars
- Accountant General's Department Circulars
- Government Accounting Standards

- IPSAS Cash Basis
- Acts Specific To The Agency
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)
- Private Entity Reporting Standards (PERS)
- PKPA 1/2011



Accountant General's Authority

Chief Accountant

Accountant General is the Chief Accountant of the Federal Government and Chief of a Division of the Federal Treasury with the authority in all accounting matters and procedures relating to Federal and State Government accounts.

Treasury
Instruction

Head of Service

Accountant General is the Head of Service for Accountants, Assistant Accountants and Book keepers (Accounting Technician)

Registrar of the Unclaimed Moneys

Accountant General has been appointed by the Minister of Finance as the Registrar of Unclaimed Moneys under the Unclaimed Moneys Act 1965 effective from 1 Jun 1975.



WHERE ARE WE NOW?



Current Basis of Accounting

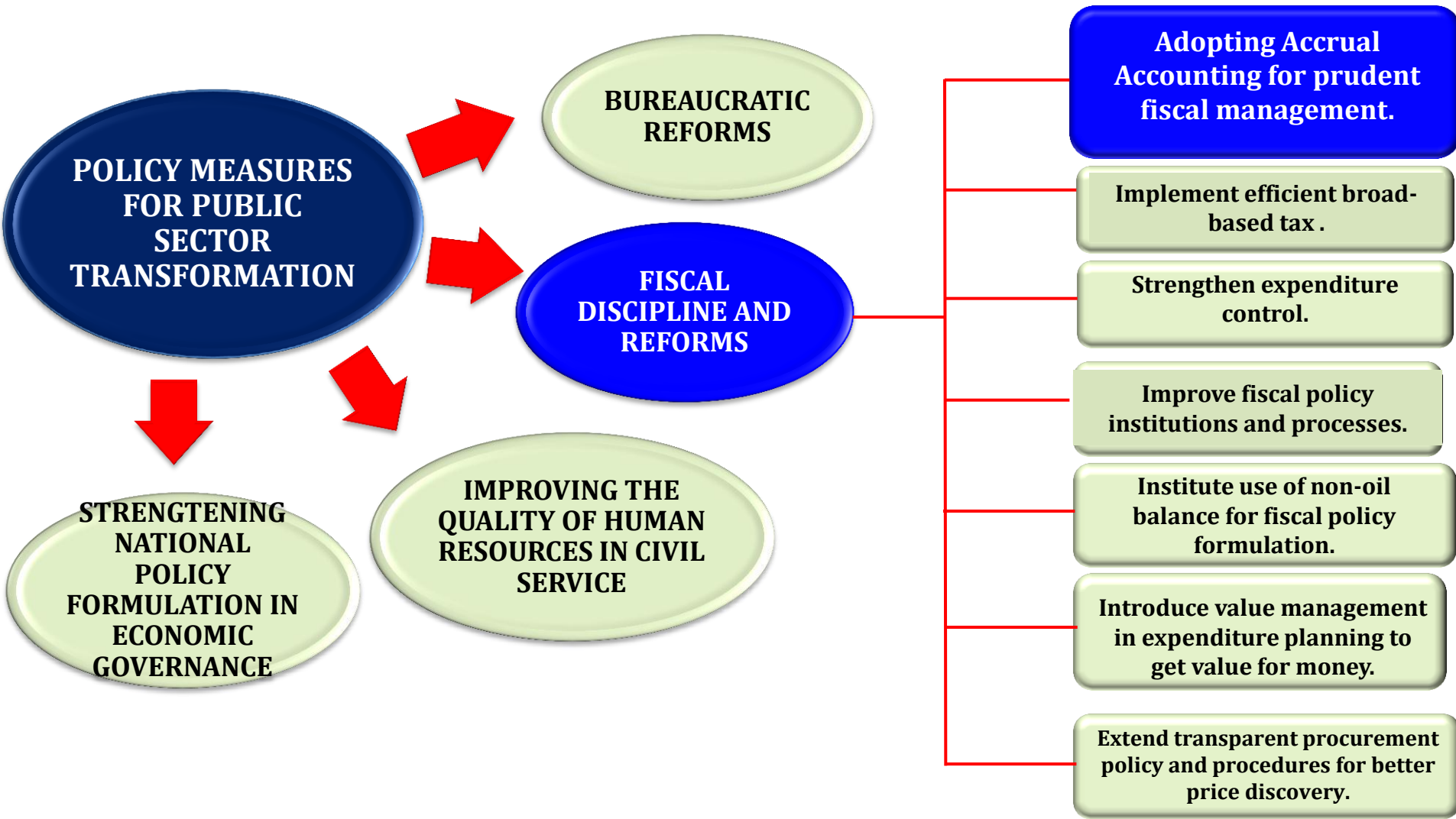
Components	Accounting Basis
Federal	Modified Cash Basis
State	Modified Cash Basis
Local Government	Accrual Accounting
Statutory Bodies	Accrual Accounting



THE WAY FORWARD



New Economic Model





SRI Lab - Accrual Accounting

- ❑ Migration to accrual accounting has been stipulated as a policy measure in the NEM Report.
- ❑ The adoption will put the Malaysian public sector finance practice to be in line with the developed countries.
- ❑ Aspiration of the Malaysian Government of attaining developed nation status with the drive for “People first, Performance now”.



**Prime Minister mandate in
implementation of accrual
accounting by 2015 -
PEMANDU SRI-PFR Meeting on
11th May 2011.**



Outcome of Accrual Accounting

Key Result Area (KRA) of Accrual Accounting

**Enabling More
Efficient and
Effective Fiscal
Management**

Information on consumption of resources that supports **sustainability** of fiscal policies

An essential component of the results framework of **accountability** of programs under Outcome Based Budgeting



Why Accrual Accounting?

How Can Accrual Accounting Benefit the Public Sector in Malaysia?

- Costing data of output enables more effective evaluation of alternatives to achieve the outcomes – **Cost Savings**
- Information on assets facilitate unlocking of values – **Revenue Generation**
- Assets listing provide a database for infrastructure management leading to better maintenance of assets – **Better Service Delivery**

Accountability

- Accounting for consumption of resources
- Improve performance and financial management of each agency

Sustainability

- Facilitate revenue management by each agency
- Promotes intergenerational equity of public policies
- Completeness of accountability of resources

Better Measure of Policies Effect

- More effective measure in complimenting results framework of OBB
- Better accountability of executive government

Organizational Efficiency and Effectiveness

- Compliment results framework of OBB
- Costing of outputs and measured against outcomes

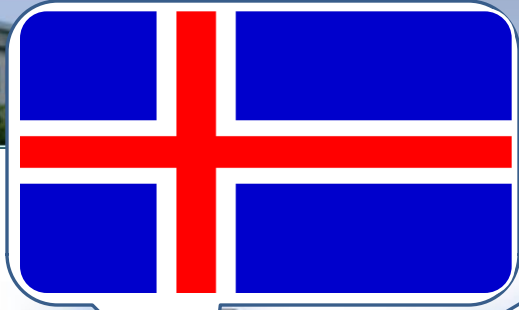
Promote Greater Integrity

- Curbs teeming and lading of expenditure
- Promotes transparency
- Minimizes year-end shopping
- Compatibility with developed economies

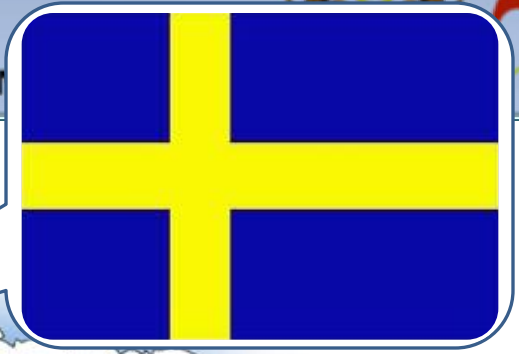
**More
Efficient and
Effective
Fiscal
Management**



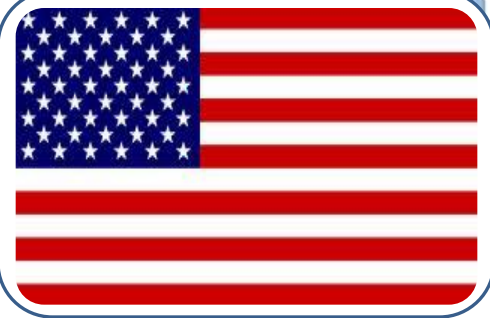
(CANADA)
SINCE 2002



(ICELAND)
SINCE 1992



(SWEDEN)
SINCE 1994



(UNITED STATES)
SINCE 1998



(AUSTRALIA)
SINCE 1995

**COUNTRIES THAT HAD
IMPLEMENT ACCRUAL
BASED ACCOUNTING**

(U.K) SINCE 2000



(NEW ZEALAND)
SINCE 1992





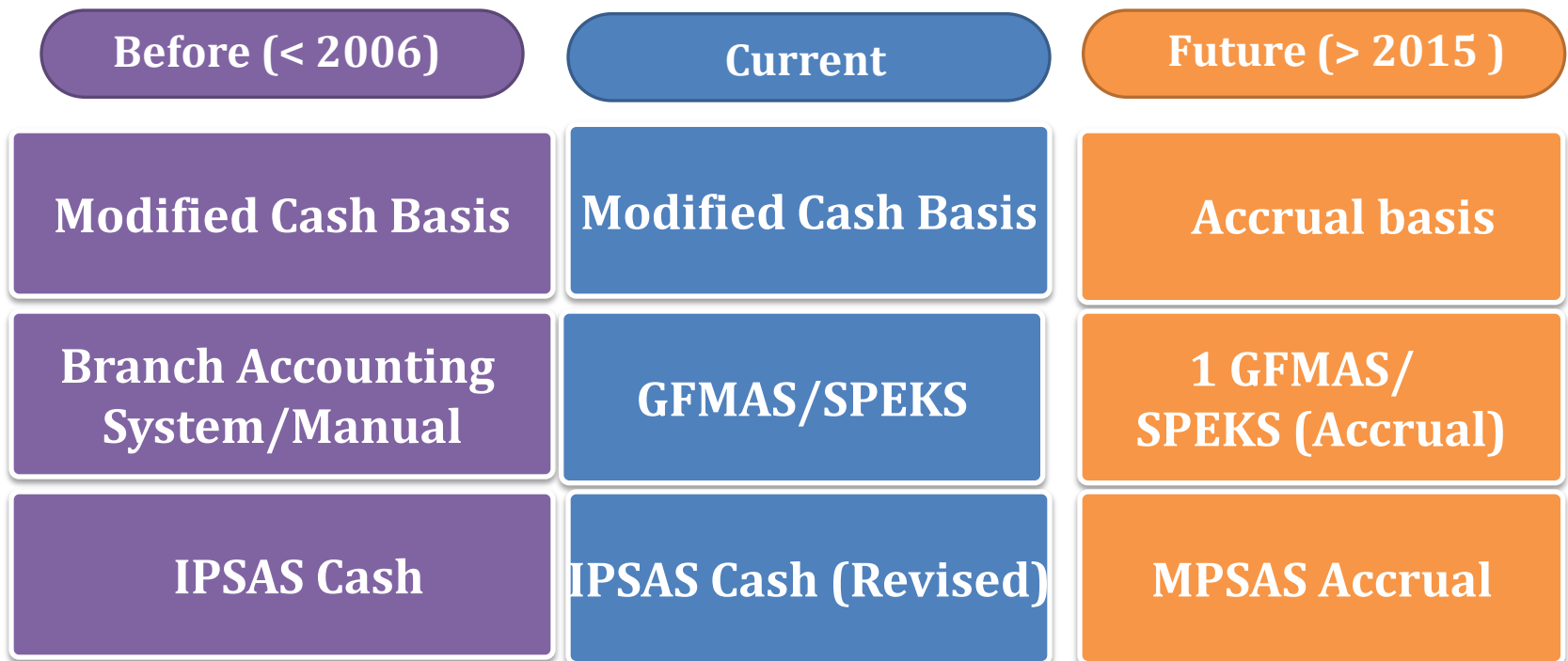
Trends in Developing Countries

Selected ADB Developing Member Countries: Direction of Government Accounting

DMC	Current Basis	General Direction
Fiji Islands	Modified cash	Accrual
Indonesia	Modified cash	Accrual
Marshall Islands	Modified cash	Accrual
Philippines	Modified accrual	Accrual
Sri Lanka	Modified cash	Accrual
Azerbaijan	Accrual	Accrual
China, People's Republic of	Modified accrual	Accrual
Mongolia	Modified accrual	Accrual

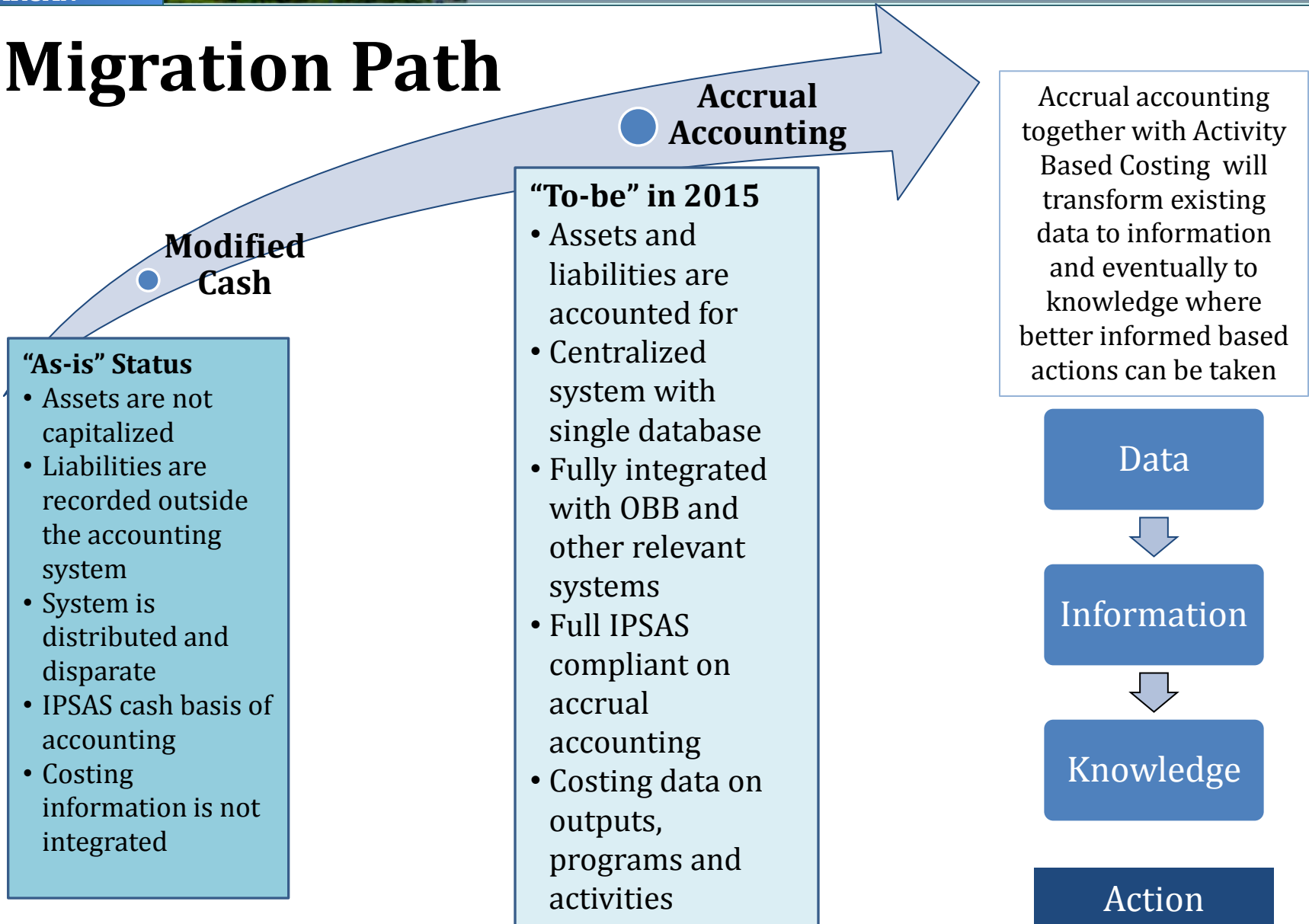


Evolution (Federal/State)





Migration Path

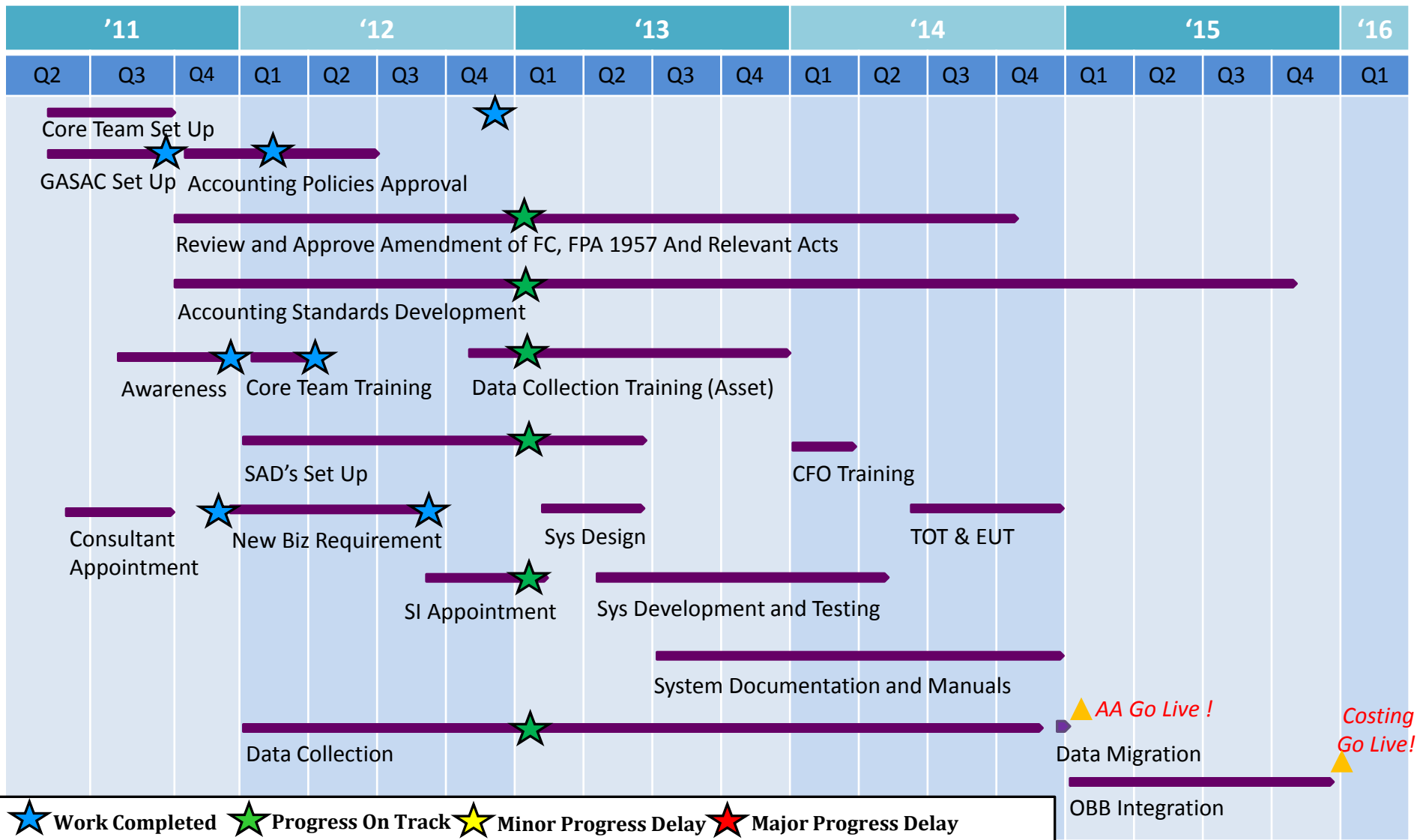




IMPLEMENTATION STRATEGY

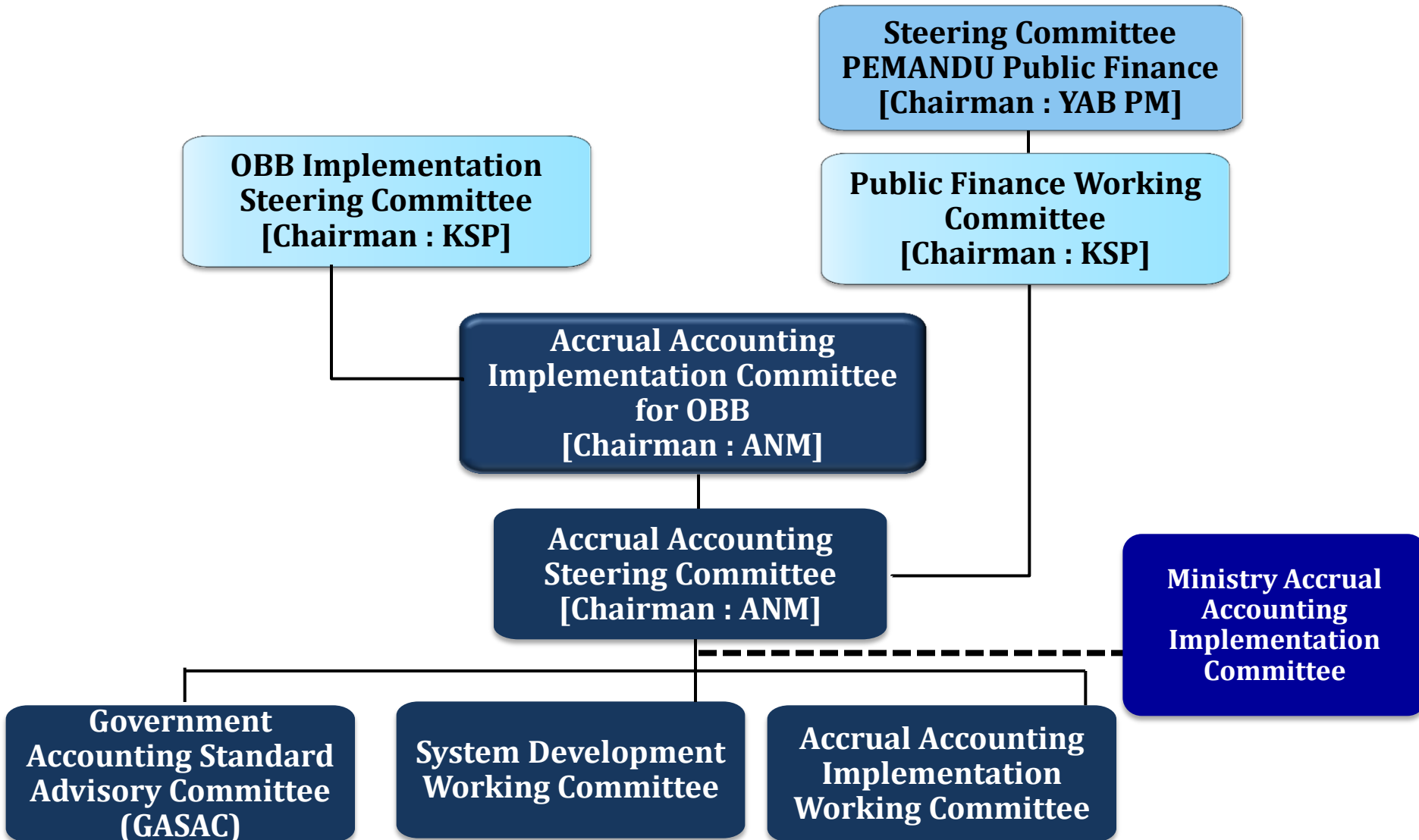


ACCRUAL ACCOUNTING TIMELINE





GOVERNANCE STRUCTURE





IMPLEMENTATION STRATEGY

- Setting of Accounting Policies.
- IPSAS Gap Analysis.
- Setting of Accounting Standards (MPSAS).

**Standards
& Policies**

**Law &
Regulation**

- Amendment of legislation and rules - Federal Constitution, Financial Procedure Act 1957 and others relevant acts.
- Liaise with AG Chambers' for advice

- Change Management, buy-in from all relevant parties
- Involvement of all personnel in the Public Sector accounting service.
- Human Capital Development

**Human
Resources**

**Process &
Technology**

- Develop accounting system - Centralized system with single database.
- System Gap Analysis.
- Fully integrated with OBB and other relevant systems.

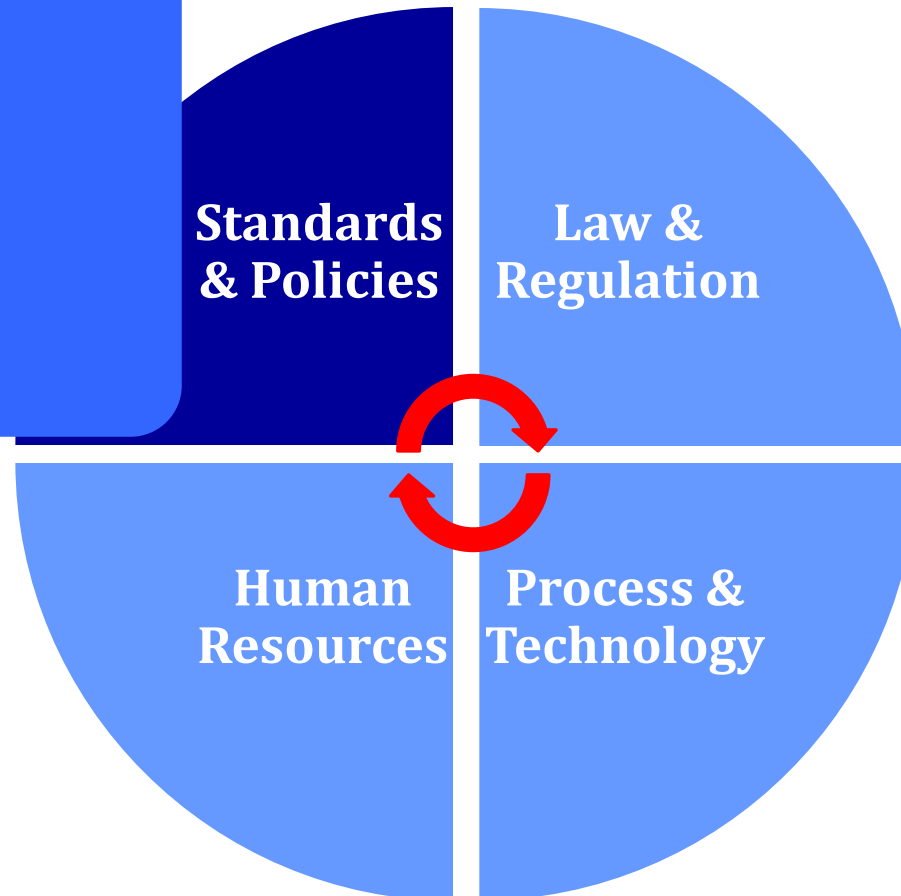


IMPLEMENTATION STATUS



IMPLEMENTATION STATUS

- Setting of Accounting Policies.
- IPSAS Gap Analysis.
- Setting of Accounting Standards (MPSAS).





STANDARDS & POLICY

GOVERNMENT ACCOUNTING STANDARD ADVISORY COMMITTEE (GASAC) SETUP

- ❑ **Members:**
 - Representative from
 - Ministries(Chief Accountant);
 - Auditor General;
 - State Treasurers;
 - Statutory Bodies;
 - Professional Accounting Bodies; and
 - Universities.

- ❑ Review and setting of the Accrual Accounting Standards and Policies.

SETTING OF MALAYSIA PUBLIC SECTOR ACCOUNTING STANDARD (MPSAS) & ACCRUAL ACCOUNTING POLICY

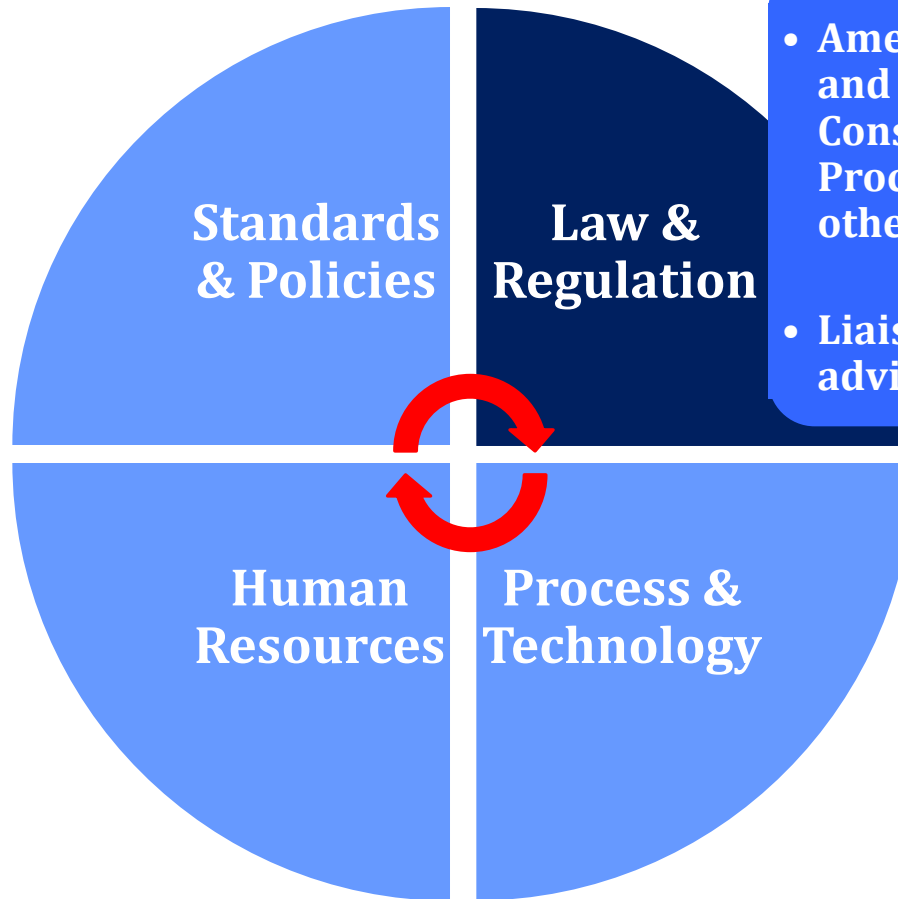
- ❑ 9 Exposure Draft (ED) MPSAS have been endorsed by GASAC.
- ❑ 3 MPSAS approved by Accrual Accounting Steering Committee.
- ❑ Timeline – 30 MPSAS will be endorsed and issued by third quarter of 2015. As at to date still on track.

** As at 31st January 2013*

- ❑ Accrual Accounting Policy document approved by Accrual Accounting Steering Committee in February 2012.



IMPLEMENTATION STATUS



- Amendment of legislation and rules - Federal Constitution, Financial Procedure Act 1957 and others relevant acts.
- Liaise with AG Chambers' for advice

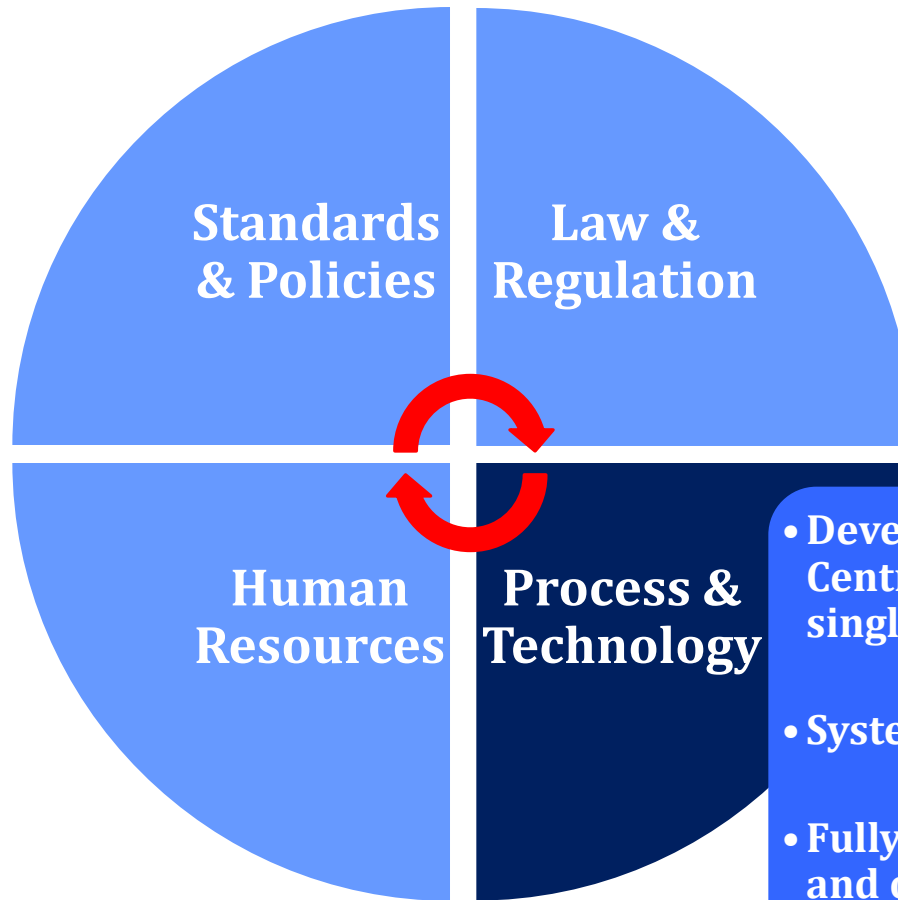


LAW & REGULATION

- 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 have been sent to Treasury's Legal Advisor on October 2012.



IMPLEMENTATION STATUS



- Develop accounting system - Centralized system with single database.
- System Gap Analysis.
- Fully integrated with OBB and other relevant systems.



PROCESS & TECHNOLOGY

KEY FEATURES OF 1GOVERNMENT FINANCIAL MANAGEMENT ACCOUNTING SYSTEM (1GFMAS)

CENTRALISED

Centralized system with single database and single data center.

INTEGRATED

Fully integrated with OBB and other relevant systems.

UPGRADED

Upgrade system from SAP Version 4.7 to SAP Version ECC6.

HARMONIZED

Both cash and accrual accounting enable.



PROCESS & TECHNOLOGY

1GFMAS Reporting Hierarchy :

- ❑ **Financial Statements:**
 - ❖ **Federal Government**
 - ❖ **Ministry**
 - ❖ **Department (Financial Controller)**

- ❑ **Management Report according to Department/Responsibility Centre (PTJ)**



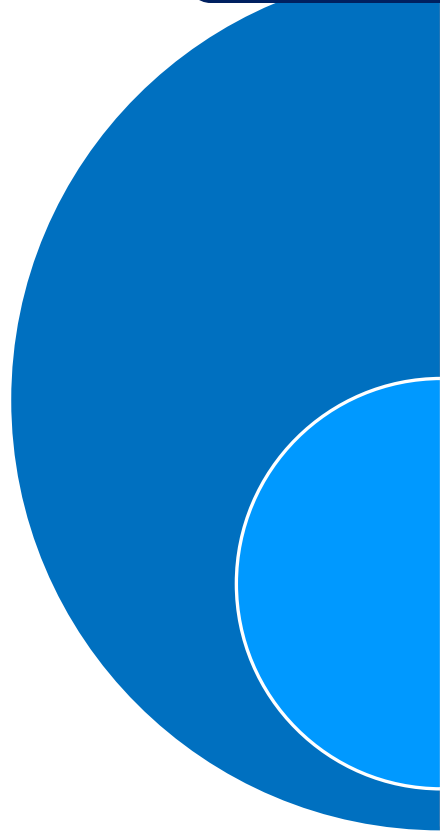
SERVICE PROVIDER (SP) APPOINTMENT

- **Appointed on 10th December 2012. Scope of services include:**
 - i. Data Collection for Assets and Liabilities;**
 - ii. Preparation of Accrual Accounting Manual;**
 - iii. Proposed and Implement Change Management Plan; and**
 - iv. Implementation of Data Collection Training and Accrual Accounting Manual Training.**



STRATEGY OF NON-CURRENT ASSETS DATA COLLECTION

ACCRUAL ACCOUNTING



PHASE 1
(2012 – 2015)

- Opening balance of Property Plant and Equipment (PPE)

PHASE 2
(2016 – 2019)

- Opening balance of PPE, Intangible, Biological & Heritage Asset (Study 14)



RESPONSIBILITY OF MINISTRIES

Assets Monitoring

- Completeness and accuracy of assets register and records in *Sistem Pengurusan Aset Alih (SPA)* and *Sistem Pengurusan Aset Tak Alih (mySPATA)*.

Verify Opening Balance

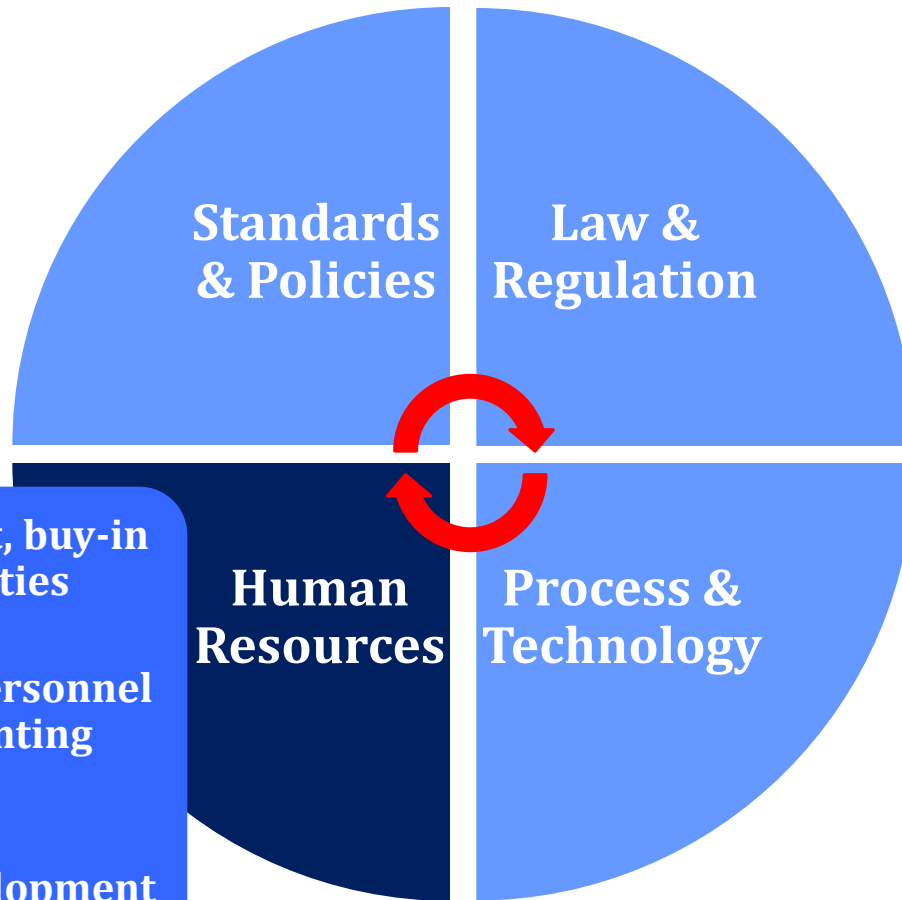
- Internal Auditor endorse opening balance of assets.
- Auditing and verifying the opening balance as at 1st January 2014 and 1st January 2015.

Report

- Submit the Statement of Assets to JANM.
- Opening balance as at 1st January 2014 by March 2014 and as at 1st January 2015 by March 2015.



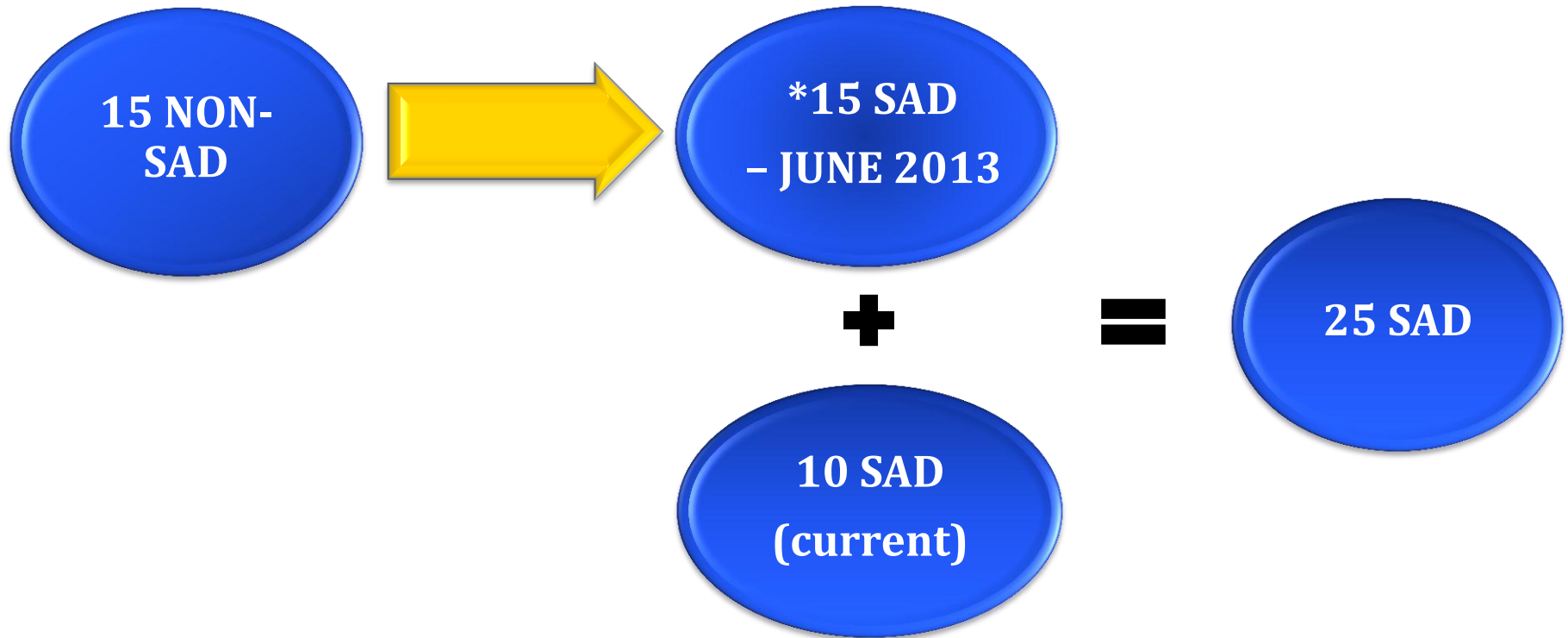
IMPLEMENTATION STATUS



- Change Management, buy-in from all relevant parties
- Involvement of all personnel in the public's accounting services.
- Human Capital Development



STRENGTHENING THE ACCOUNT DIVISION IN MINISTRIES



***In the process of finalizing the proposal paper for additional post to JPA.**

Legend:
NON-SAD - Non Self Accounting Department
SAD - Self Accounting Department



FUNCTION OF MINISTRY'S ACCOUNT DIVISION

ACCOUNT DIVISION

MANAGEMENT ACCOUNTING

- ❖ COST ACCOUNTING
- ❖ FINANCIAL ANALYSIS
- ❖ RESOURCE ACCOUNTING
- ❖ INVESTMENT

CONSULTATION

- ❖ HELP DESK
- ❖ ACCRUAL ACCOUNTING CONSULTATION
- ❖ ACCOUNTING TRAINING

FINANCIAL ACCOUNTING

- ❖ PAYROLL
- ❖ PAYMENT AND COLLECTION
- ❖ ACCOUNT RECEIVABLES AND ACCOUNT PAYABLES
- ❖ SUBSIDIARY ACCOUNT
- ❖ PETTY CASH, TRUST AND DEPOSIT
- ❖ PREPARATION OF FINANCIAL STATEMENT
- ❖ BANK RECONCILIATION
- ❖ ASSET/INVENTORY MANAGEMENT
- ❖ OTHER ASSETS AND LIABILITIES ACCOUNTING
- ❖ PUKAL ACCOUNT
- ❖ CHEQUE, TT AND EFT MANAGEMENT
- ❖ TECHNICAL SUPPORT

MONITORING

- ❖ INSPECTION
- ❖ ASSET VERIFICATION
- ❖ REVENUE VERIFICATION
- ❖ TRUST AND DEPOSIT VERIFICATION
- ❖ INSPECTION REPORT ANALYSIS
- ❖ RISK MANAGEMENT (FINANCE)
- ❖ ACCOUNT RECEIVABLES AND ACCOUNT PAYABLES MANAGEMENT

ADMINISTRATION & FINANCE

- ❖ GENERAL ADMINISTRATION
- ❖ FINANCE
- ❖ HUMAN RESOURCE
- ❖ ASSET MANAGEMENT

Legend :

■ New Function

■ Current Function



ACCRUAL ACCOUNTING TRAINING PROGRAMME 2012

AWARENESS PROGRAMME

- Awareness programme for top level management of ministries, agencies and department.

TRAINING OF TRAINERS (TOT)

- Appointment of 114 trainers from 25 ministries to train public sector personnel.
- Soft skills and IPSAS training.



ACCRUAL ACCOUNTING TRAINING PROGRAMME 2012

ACCOUNTING TRAINING

- ❑ 49 training programme in collaboration with Institut Perakaunan Negara (IPN), Professional Bodies (CIMA) and local university (UiTM)
- ❑ Focus group consist of:
 - ❖ 2,400 Finance Manager/Head Department;
 - ❖ 1,250 Support Group (Accounting Personnel); and
 - ❖ 1,250 Support Group (Non-Accounting Personnel)

TECHNICAL TRAINING

- ❑ 15 technical trainings.
- ❑ Focus group - personnel from Accrual Accounting Implementation Team.



CRITICAL SUCCESS FACTORS



Accounting System

- 1GFMAS development
- Commitment of System Integrator
- Interface with External System
- Sufficient fund
- Legacy system accrual enabled

Data Collection

- Service Provider and ministries commitment.
- Complete record of assets.
- Accurate opening balance of assets and liabilities.

Commitment from Top Management

- Ministry's KPI
- Strengthening the Account Division and Responsibility Centre

Involvement of Auditor General

- Setting of MPSAS
- Amendment of legislation and rules
- System development
- Endorsement of assets and liabilities opening balance

Change Management

- Awareness Programme
- Comprehensive Capacity building
- Training Programme

**CRITICAL
SUCCESS
FACTORS**



CONCLUSION



CONCLUSION

**Implementation of Accrual Accounting
is hoped to bring Malaysia at par
with other developed countries**

**Full support , commitment and cooperation from every one of you is
very much needed to make this transformation a success**



**THANK YOU FOR YOUR
ATTENTION.**

**Together we make this
happen.....**