

Adoption of Accrual Accounting (+ IPSASs): *The Maltese Case*

Noel Camilleri
Treasury Department
Ministry for Finance
Malta

Background: The General Government Sector - MT

Budgetary Central Government:

- Ministries and Departments (57)
- Cash based accounting
- Financial Regulations
- Centralised Accounting System
- **93.8%** of GG deficit (b9)

Extra Budgetary Central Government:

- Entities/Units (47)
- Accrual Based Accounting
- IFRSs
- Own Accounting System
- **5.6%** of GG deficit (b9)

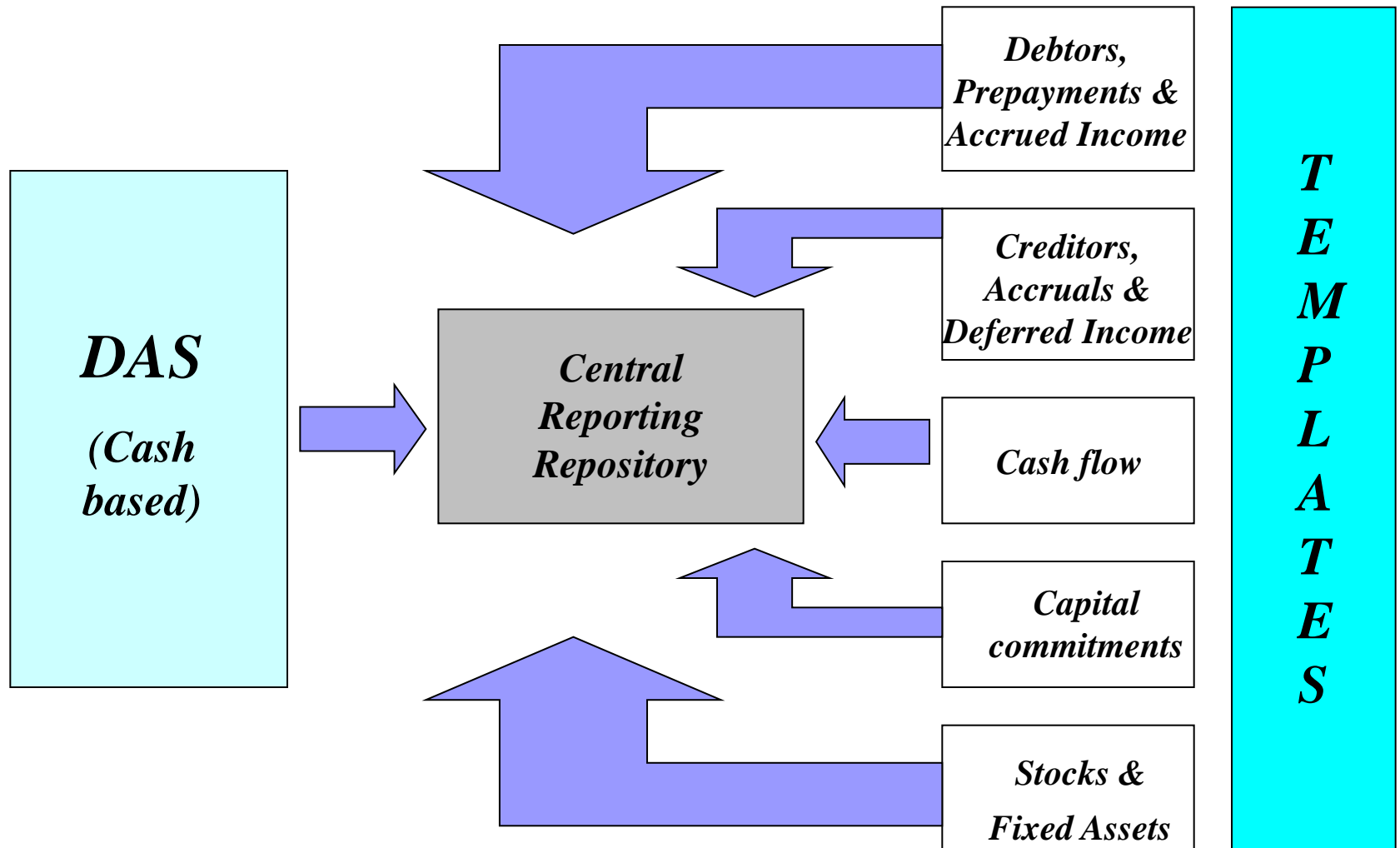
Background: The General Government Sector - MT

Local Government:

- Local Councils (68)
- Accrual Accounting
- IFRSs
- Own Accounting System
- **0.6%** of GG deficit (b9)

=> Major reforms required at Budgetary Central Government Level.

BCG: Current Reporting Procedures



BCG: Accrual Accounting Reporting Templates

ANALYSIS OF DEBTORS									
Version 04/14	Department	Government Printing Press					Quarter ending Month		31-Dec-13
Type of Debtor	Total	Days outstanding						Bad Debts	
		01 - 30	31 - 60	61 - 90	91 - 180	181 - 360	Over 360		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Taxes (0101 - 0191)	-								
Licences & Fees (0201 - 0269)	-								
Fees of Offices (0301 - 0349)	-								
Receipts from goods & services (0401 - 0499)	95,000.00	2,600.00	29,520.00	470.00	9,410.00	3,000.00	50,000.00	5,000.00	
Receipts from activities (0501 - 0525)	-								
Rent (0611 - 0618)	-								
Interest & Dividends received (0601, 0621 - 0639)	-								
Repayment of loans (0641 - 0679)	-								
Grants (0701 - 0708)	-								
Borrowings (0801 - 0807)	-								
Proceeds from sale of fixed assets (0901 - 0902)	-								
Proceeds from sale of investments (0531 - 0532)	-								
Other revenue	-								
Debtors for Below -the-line accounts	-								
Grand Total	95,000.00	2,600.00	29,520.00	470.00	9,410.00	3,000.00	50,000.00	5,000.00	
Percent of Grand Total	100.0%	2.7%	31.1%	0.5%	9.9%	3.2%	52.6%	5.0%	
Provision for Bad Debts	16,500.00					1,500.00	15,000.00		
Provision for Bad Debts as a % of Total Debts	17.4%	-	-	-	-	50.0%	30.0%		

BCG: Accrual Accounting Reporting Templates (...cont)

ANALYSIS OF CREDITORS

ANALYSIS OF CREDITORS								
Version 04/14	Department Office of the Prime Minister					Quarter ending Month 31-Dec-13		
Type of Creditor	Total	Days outstanding						Amount Contested
		01 - 30	31 - 60	61 - 90	91 - 180	181 - 360	Over 360	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Personal Emoluments	-	-						
Operational & Maintenance								
21 - Utilities	6,150.00				6,150.00			
22 - Materials and supplies	-							
23 - Repair and upkeep	25,000.00						25,000.00	
24 - Rent	17,600.00	17,600.00						
25 - International memberships	-							
26 - Office services	300.00						300.00	
27 - Transport	-							
28 - Travel	11,000.00		11,000.00					
29 - Information services	-							
30 - Contractual services	-							
31 - Professional services	-							
32 - Training	255.00		255.00					
33 - Hospitality	1,500.00					1,500.00		
34 - Incidental expenses	-							
Special Expenditure	-							
Programme and Initiatives	-							
Contributions to Government	-							
Capital Projects	35,000.00							35,000.00
Creditors for Below -the-line accounts	-							
Other Creditors / Expenditure	-							
Grand Total	96,805.00	17,600.00	11,255.00	-	6,150.00	1,500.00	25,300.00	35,000.00

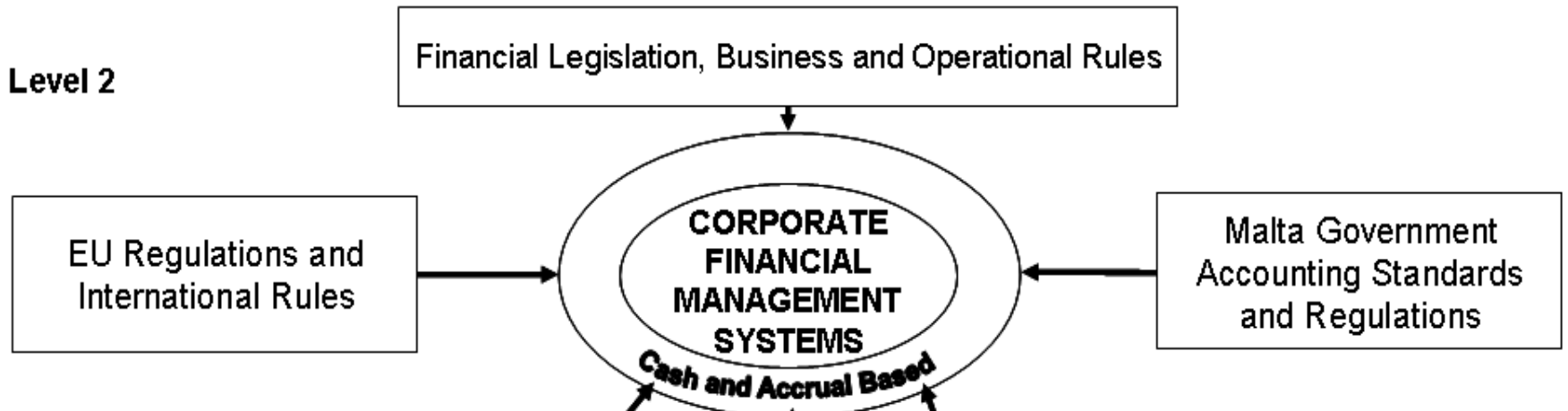
Current Status of the Reform

Various Parallel Work Streams:

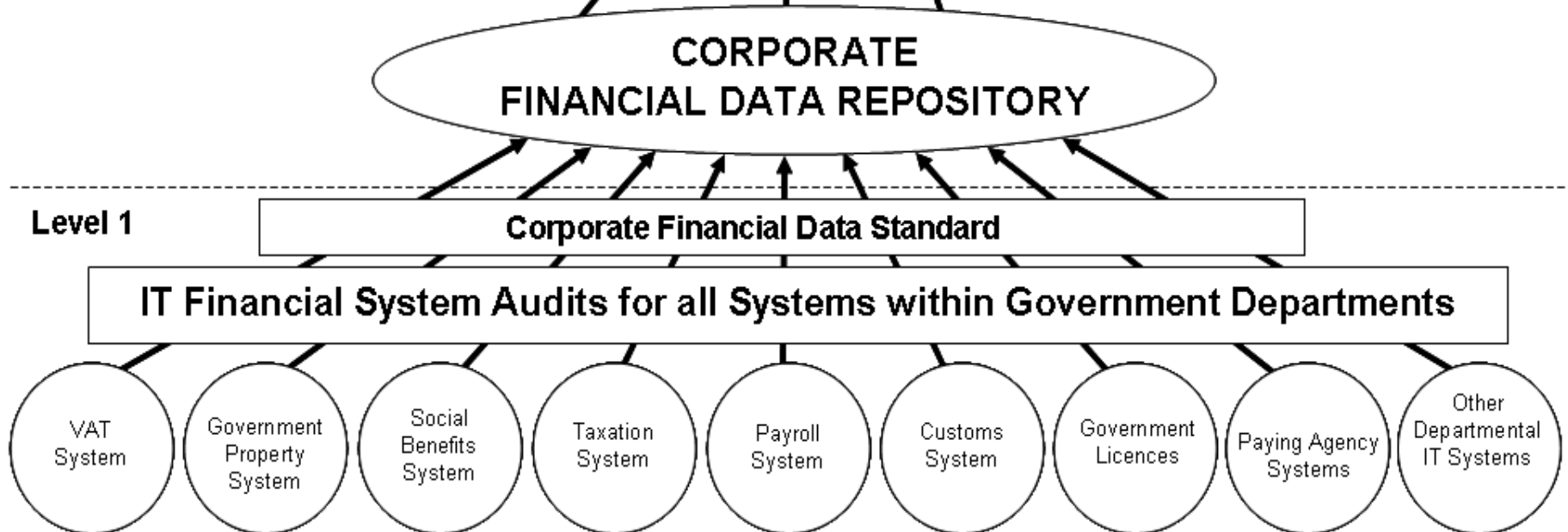
- New Accounting System (CFMS – Corporate Financial Management System) – (Adjudication of Tender)
- Ongoing Training (Accrual Accounting Principles)
- IPSAS (Review and adaptation)
- Legislation (Review/Overhaul)
- Finalization of IT Systems Audits

The CFMS

Level 2

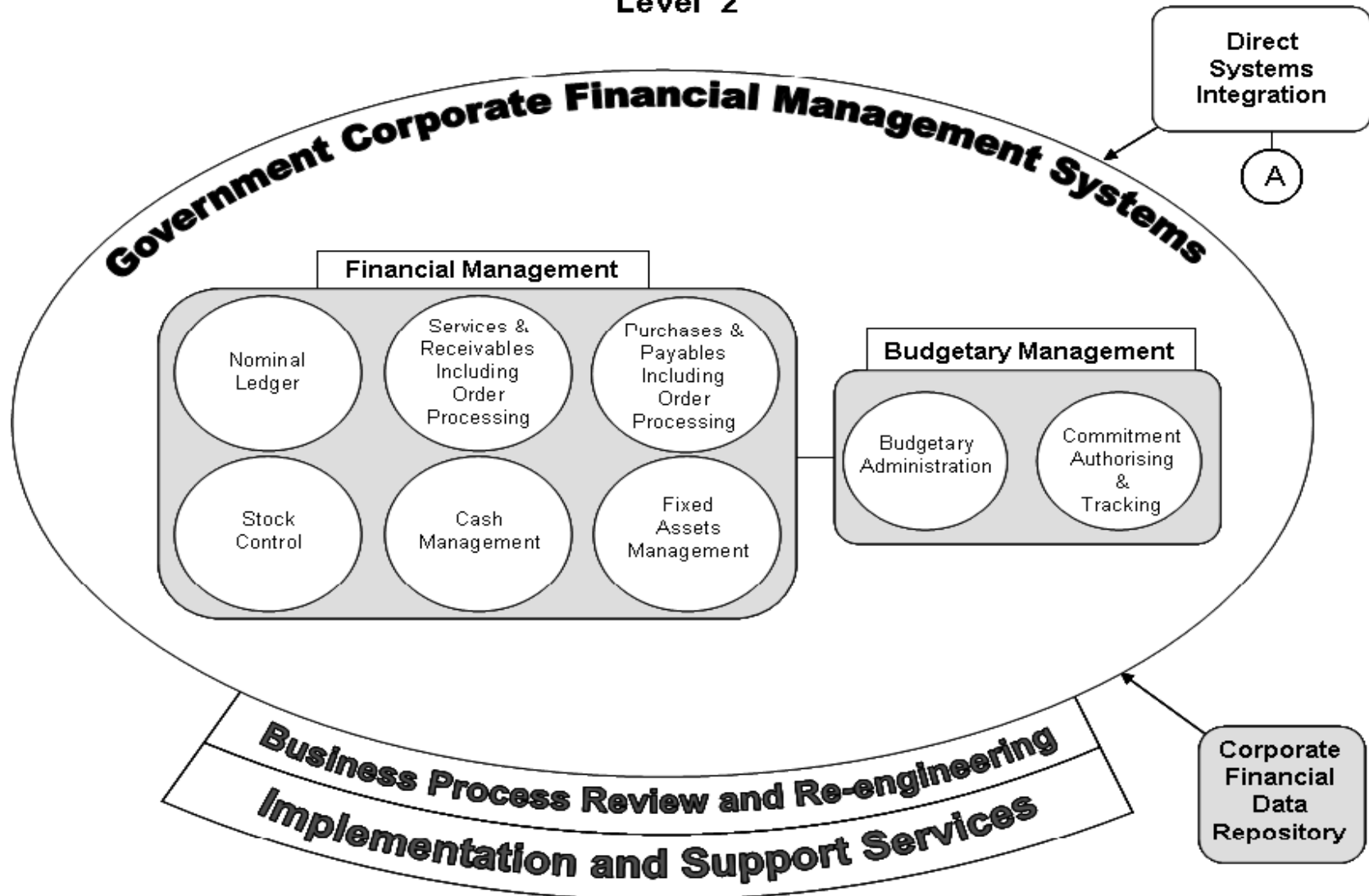


Level 1



The CFMS

Level 2



IPSAS Implementation Project

- **Detailed analysis of individual IPSAS** (*Impact assessment*)
- **Document changes in Financial Rules and Regulations, legislation and Financial Policies**
- **Preparation of business guidelines** (*in layman terms*)
- Preparation of an IPSAS learning and development strategy
- IPSAS Project communication strategy (*internal & external stakeholders*)

First Time Adoption and the Opening Balance Sheet

Opening Balances: any new balances created (*eventually under the application of IPSAS*) will need to meet the following audit requirements:

- ✓ Be recognised and valued according to the chosen accounting policies;
- ✓ Be accurately entered into the accounting system;
- ✓ Be consistent with any figures brought forward from the prior year accounts (e.g. suspense accounts);
- ✓ Have clearly identifiable, documented sources;
- ✓ Have evidence of management review for ownership, accuracy and completeness; and
- ✓ Have evidence of physical verification, where appropriate.

First Time Adoption and the Opening Balance

Source Data for the first Balance Sheet: Accrual Accounting templates currently used for EDP Notification purposes.

Current Assets	Source Data
Cash and cash equivalents	Year End Balances directly imported from the Departmental Accounting System (DAS)
Receivables from exchange transactions	Year End Debtors template figures and the Accrued Income template figures
Receivables from non-exchange transactions	Year End Debtors template figures and the Accrued Income template figures
Current portion of long-term receivables from exchange transactions	Year End Debtors template figures and the Accrued Income template figures
Inventories	Year End Stock Valuation Report figures and the Stock Write-offs Report figures
Investments	Year End Balances from the Debt Management Directorate

First Time Adoption and the Opening Balance Sheet

Non-Current Assets	Source Data
Property, Plant and Equipment	Year End Fixed Assets template figures
Investments	Year End Balances from the Debt Management Directorate
Intangible assets	Currently not submitted – to request figures on ad hoc template
Investment Property	Currently not submitted – to request figures on ad hoc template
Long Term Receivables from exchange transactions	Year End Debtors template figures and the Accrued Income template figures

First Time Adoption and the Opening Balance Sheet

Current Liabilities	Source Data
Trade and other payables from exchange transactions	Year End Creditors template figures and the Accrued Expenses template figures
Provisions	Currently not submitted – to request figures on ad hoc template
Finance lease obligation	Currently not submitted – to request figures on ad hoc template
Current portion of borrowings	Year End Balances from the Debt Management Directorate
Employee benefit obligation	Currently not submitted – to request figures on ad hoc template

First Time Adoption and the Opening Balance Sheet

Non-Current Liabilities	Source Data
Non-Current Provisions	Currently not submitted – to request figures on ad hoc template
Borrowings	Year End Balances from the Debt Management Directorate
Non-Current Employee benefit obligation	Currently not submitted – to request figures on ad hoc template
Service concession liability	Currently not submitted – to request figures on ad hoc template



First Time Adoption and the Opening Balance Sheet

Exposure Draft 53 and IPSAS adoption in Malta

The Maltese Government is assessing whether to apply a three year transitional relief period. A decision will be taken following an assessment of the completeness, accuracy, verifiability and reliability of the data available to prepare an opening balance sheet with or without a three year relief period.



THANK YOU
