

"The Role of Treasury Services for a Better Management of Public Finance: Realities and Prospects"

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**"ACCOUNTING REFORM: GOALS AND DIFFICULTIES IN IMPLEMENTATION
- ALIGNMENT OF NATIONAL ACCOUNTING STANDARDS WITH
INTERNATIONAL ONES"**



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I. INTERNATIONAL AND NATIONAL CONTEXT

INTERNATIONAL CONTEXT

- **Requirements with respect to transparency and alignment of accounting standards;**
- **Setting up of the Public Sector Committee (PSC) of the International Federation of Accountants (IFAC), which in 2004 became the IPSASB;**
- **Review of accounting standards in order to align the standards in the public sector;**

NATIONAL CONTEXT

- Evolution of the national political context, an evolution boosted by the July 2011 Constitution;
- Reform of public sector accounting as support for good governance as stipulated by article 12 of the Constitution;
- The switch from cash-based accounting to accrual-based accounting improves the readability and the transparency of public accounts;
- Reform of the public sector accounting led by the technocrats of the Ministry of Economy and Finance.

II. MAJOR COMPONENTS OF THE REFORM

INTERNATIONALLY

The reform in public sector accounting in Morocco hinged on 5 major components:

- ❖ Accounting guidelines;
- ❖ Opening balance;
- ❖ Information system;
- ❖ Accounting quality;
- ❖ Change management.

II. MAJOR COMPONENTS OF THE REFORM

1. ACCOUNTING GUIDELINES

Within this framework, the following elements can be listed:

- Principles for public sector accounting and [13 accounting standards](#);
- [The public chart of accounts](#);
- Accounting instructions.

II. MAJOR COMPONENTS OF THE REFORM

2. OPENING BALANCE SHEET

- Preparatory work for the opening sheet started, in partnership with departments within ministries;
- Inventory and promotion of:
 - the building stock;
 - financial fixed assets;
 - hydraulic, harbor and airport infrastructures;
 - stocks and intangible assets.
- First opening balance sheet was issued for the 2010 financial year.

II. MAJOR COMPONENTS OF THE REFORM

3. ACCOUNTING INFORMATION SYSTEM

- **This system is meant to:**
 - Unify the accounting functions of the state;
 - Simplify and modernize the public accounting circuits;
 - Reinforce the control and the security of accounting operations;
 - Generate budgetary, accounting and cash management overviews;
 - Enable the new budgetary approach which is result oriented.
- **Functionally, this system covers 3 dimensions: budgetary, general, and cost accounting;**
- **The system also comprises auxiliary accounting (clients, suppliers, stocks, etc.) and the management of public cash.**

II. MAJOR COMPONENTS OF THE REFORM

4. ACCOUNTING QUALITY

- **Obtaining accounting quality is a matter of permanent concern;**
- **Reform in the public sector accounting was a good opportunity to restructure public expenditure;**
- **Internal control and internal audit were implemented to insure accounting quality.**

II. MAJOR COMPONENTS OF THE REFORM

5. CHANGE MANAGEMENT

- **A vast program of change management was conceived in order to:**
 - **obtain the compliance of all stakeholders;**
 - **prepare and train the main users;**
 - **make the necessary technical documentation available to users and partners.**

III. DIFFICULTIES RAISED BY ACCRUALS-BASED ACCOUNTING

1. DIFFICULTIES RELATED TO THE SPECIFICITY OF STATE INTERVENTION

- the right to raise tax;
- the right to manage the public domain;
- the right to natural resources;
- the obligations the state has as insurer of last resort for local governments and public institutions;
- the obligation to secure the continuity of public service.

III. DIFFICULTIES RAISED BY ACCRUALS-BASED ACCOUNTING

2. DIFFICULTIES RELATED TO THE NON-PROFIT CHARACTER OF PUBLIC SECTOR

- No matching of costs and revenues;
- The concept of profit is inexistent;
- Prevalence of sovereignty over contracts (there are, however, exceptions);
- High rate of transactions with no market nature;
- Inalienable nature of public domain (maritime domain).

III. DIFFICULTIES RAISED BY ACCRUALS-BASED ACCOUNTING

3. DIFFICULTIES RELATED TO CERTAIN FACTORS TO BE CONSIDERED

- **The country's level of safety and stability;**
- **Strong and clear public strategies;**
- **The weight of informal economy;**
- **Volatility of financial statements;**
- **Intangible assets.**

III. DIFFICULTIES RAISED BY ACCRUALS-BASED ACCOUNTING

4. DIFFICULTIES SPECIFIC TO MOROCCO

- The recording of intangible and tangible fixed assets on the assets side (control/legal ownership);
- Matching of sovereign income (example: company tax and income tax);
- Stock inventory in all departments;
- Assessment of state commitments;
- Re-assessment at the end of the fiscal year:
 - Provisions for currency risks in case of borrowings taken in other currencies;
 - Value of government securities;
 - Unrealized gains of tangible and intangible fixed assets;
- Proprietary information system.

CONCLUSION

- Likewise any transformative project, beyond the technical aspects, the reform brought profound cultural changes;
- The matching of the reform with internal control is a necessity otherwise required by the certification of accounts;
- This reform tends to blur the line between authorizing officers and accountants making the accounting process start at an earlier phase.

Thank You!