GOVERNMENT FINANCIAL REPORTING
IN TIMES OF COVID-19 PANDEMIC

Governance COVID-19 response

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COVID19: Big picture for financial statements

- Prepare financial statements (cash or accrual) to provide a comprehensive overview of the impact of COVID-19
- Should enable government decision making

- Issue financial statements in a timely manner: within six months, but three months is encouraged
- Issue interim financial statements to be useful for policy makers in deciding about a response to the pandemic

Timeliness

0 3 6 9 12

Months after year-end
 Systems, procedures and coordination

- Use **IFMIS and IT tools to the maximum extent** to ensure the reliability and timeliness of the financial information

- Continue moving forward with **implementation of accrual-accounting** systems, ideally aligned with IPSAS

- Promote **coordination with the Supreme Audit Institution (SAI)** to ensure that proper accountability mechanisms are in place
Financial statement discussion and analysis

- Issue financial statement discussion and analysis
- Explain the impact of the pandemic on the public finances
Long-term fiscal sustainability

- Report on the long-term fiscal sustainability of the entity, updated for the impact of the pandemic

Consolidated financial statements

- Implement systems and procedures allowing consolidation at different levels of aggregation, including whole-of-government.

IPSAS:
- Controlled entities

- National government financial statements (apply IPSAS)
- Local government financial statements (apply IPSAS)

Government Finance Statistics (GFS):
- General Government Sector

Public corporations (apply IFRS)
Business continuity and going concern

- Conduct assessment of business continuity
- This should ensure that the government is ready to face potential new emergency situation without affecting its service capability, allowing staff to work remotely when needed
- Assess whether it is appropriate for the financial statements to be prepared on the going concern assumption (will the entity be able to continue to operate in the foreseeable future?)
COVID-19 impact on government financial statements

Pension liabilities keep on rising because of low interest rates and widespread lack of funding.

Public debt in many countries is still reeling from financial crisis.

- Impairment of assets
- Public debt
- Provisions
- Net assets/equity
- Arrears
- Pension liabilities

COVID-19 Balance sheet Impact

Pension liabilities keep on rising because of low interest rates and widespread lack of funding.
COVID-19 impact on government financial statements

Cash flow statement
+ Receipts
− Payments
= Increase cash
+ Opening cash
= Closing cash

Comparison Budget and Actual
+ Revenue budget, actual
− Expenditure budget, actual
= Surplus budget, actual

Statement of Financial Performance
+ Revenue
− Expenses
= Accrual surplus

Statement of Changes in Net Assets/Equity
+ Opening Net Assets/Equity
+ Accrual surplus
= Closing Net Assets/Equity

Reconciliation
+ Budget surplus actual
+ Increase cash OR Accrual surplus
= Differences in entity, basis, timing

Statement of Financial Position
+ Cash
+ Other assets
− Liabilities
= Net Assets/Equity
COVID-19 impact on government financial statements

- When preparing government financial statements, consider:
  - Events after the reporting date
  - Arrears
  - Extraordinary items
  - Guarantees
  - Public debt
  - Undrawn borrowings
  - Consolidated financial statements
  - Rainy-day funds
  - Quasi-fiscal activities