Plenary

How to succeed with IPSAS Implementation
Experience in Switzerland


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The Swiss Confederation

- 8.5m inhabitants (98th)
- 41000 sqkm area (135th)
- GDP: USD 660bn (17th)

- Founded 1291, a federal republic since 1848
- 26 constitutionally “sovereign” states (also called “cantons”)
- Public sector accounting is NOT included in the constitutional remit of the federal government
History in a nutshell: Early accruals

- Implemented accrual accounting at state ("canton") level in the 1970/80s, based on HAM77/HAM81 ("Harmonized Accounting Model")
- HAM was applied by states and municipalities (but NOT federal government)
- HAM always included accrual budgeting
- Core component: Unified Chart of Accounts
- HAM always served as the data basis for GFS
- Financial statements have always been audited (perhaps rather at something like "review level" in smaller municipalities)
- HAM is just a recommendation, which had been enacted by each of the states individually (and with some differences)
Integrated approach

Budgeting

Accounting

Audit

Governmental Financial Statistics
History in a nutshell: Standards

- Federal Government implemented IPSAS in 2007
  - Plus in parallel Cash and Accrual Budgeting
  - Gradually closing gaps against IPSAS over the years
- 4 large states also fully implemented IPSAS in 2008-10: Geneva, Zurich, Basel-Stadt, Lucerne; representing 43% of GDP
  - Also gradually closing gaps
  - Berne, a 5th state, will follow in 2017
- The other 21 states are on various forms of accruals
  - “Harmonized Accounting Model 2” specifies minimum, but allows for IPSAS
  - Core component the unified CoA (now including federal govt)
  - HAM2 is maintained and further developed by SRS-CSPCP
Success factors and issues

- Success factors:
  - Commitment Minister and Parliament (almost unanimous!)
  - Integration of (Accrual) Budgeting, Accounting, Auditing and GFS
  - Unified Chart of Accounts
  - Strong harmonization of key entities by applying IPSAS (Federal Govt, large states)
  - Rigorous project planning and management

- Issues:
  - Little harmonization (other than CoA) for small entities
  - Diversity permitted by HAM2, sometimes exploited by politicians in those small entities
Challenges using full IPSAS

- A few standards do not reflect jurisdictional specificities, e.g. all pension plans are “hybrid plans” (not at all addressed in IPSAS 25; now addressed in IPSAS 39 – a good example why changes of standards are necessary!)
- A few standards, after significant investigation, turned out “not applicable” (e.g. IPSAS 11, where the name “construction contracts” certainly sends most users on a wrong track; in part IPSAS 28-30 if government entities only have receivables, payables and straight loans)
- Reluctance of standard setters to address new economic issues: Negative rates seem to become permanent
Accrual budgeting and accounting in Switzerland

Benefits from using full IPSAS

− Immediate Benefits: “Found” assets – exceed direct project cost at federal level
− Benefits from high quality financial reports:
  − Liabilities Management: Strong interest of parliament(!), «debt shifting» to be avoided
  − Asset Management: Better use or sale
  − Lower interest rates (Canton of Geneva: -0.5%/Hiler 2012)
  − Rating agencies “appreciate” use of IPSAS
− IPSAS do protect accounting from political influence