



Accounting standards Moroccan Case

AIST Thematic Seminar
General Treasury of the Kingdom of Morocco
Rabat, 17-18 June 2015
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الخزينة العامة للمملكة
TRESORERIE GENERALE DU ROYAUME



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Overview of the current accounting system



- Cash basis ;
- Hybrid Accounting :
 - Budget accounts;
 - Financial accounts;
 - Treasury accounts.
- Nomenclature as groups of accounts;
- Accounting organization.

Particularities of the State's Accounting system

Linkage between budget accounts and State Accounting

- State budget is the source of transactions;
- Consistency between budget and accounting nomenclature :
 - Accounts labeled according to budget designations (CST, SEGMA ...);
 - Accounts titles (revenues and expenses) refers to the budget items (income & expenditure);
- Budgetary and accounting transactions are concomitant.

Particularities of the State's Accounting system

Consideration of the Moroccan regulations

Legal ownership vs control criterion (IPSAS 17)

Example: Case of fixed assets

- Under concession to third parties, the control criterion would involve derecognizing the asset, without it being recognized in the balance sheet of the receiving entity (cf. CGNC);
- In case an asset is made available to the State, the control criterion would involve recognizing the asset while it continues to appear in the balance sheet of the owning entity.

Particularities of the State's Accounting system

Consideration of the Moroccan regulations

Year of recognition (Accrual basis)

Example : Case of revenues from non-exchange transactions (IPSAS 23)

- **Corporate Tax :**

Prepayments are charged to the year of payment Y, while the balance will be accounted for in Y+1 (Year of tax return of CT).

- **Income Tax :**

IT on declarative basis relates to the year Y, while it actually refers to the revenues of Year Y-1.

Particularities of the State's Accounting system

Consideration of the Moroccan regulations

Year-end revaluation

Foreign loans (IPSAS 5, IPSAS 19)

- Provision for foreign exchange is determined by taking into account the amount of reimbursements expected the year ahead.

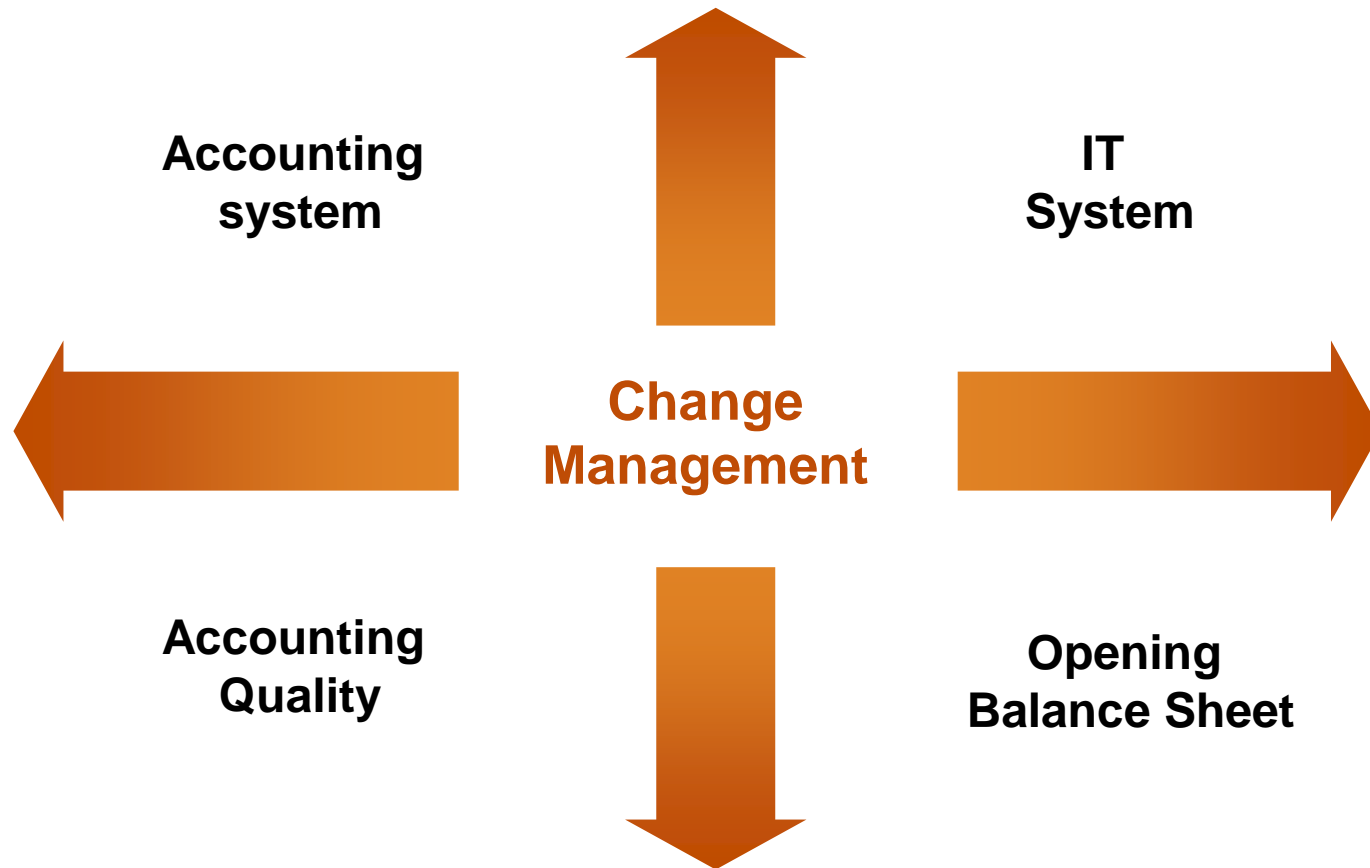
Investments in associates

- The value to be considered is that in Balance sheet of Govt entities.

Property, Plant & Equipment and intangible Assets (IPSAS 17)

- Unlike IPSAS, unrealized gains are not registered.

Process of the accounting reform



Complex institutional environment, various partners and multiple components: strong commitment at all levels and an ongoing change management process

Process of the accounting reform

Accounting system for the State

4 main components :

- Conceptual framework;
- National Standards;
- Chart of Accounts;
- Principles of recording.

Process of the accounting reform

Conceptual framework

Choices made :

- Accrual basis ;
- Compliance with the State's specific legal and institutional framework;
- Ensuring convergence with international standards in the public sector (IPSAS);
- Linkage between State's accounting and budget accounts ;
- Compliance with the universal principles in accounting : consistency, prudence, clarity, significant importance, accuracy and reliability.

Process of the accounting reform

National standards for the Moroccan State

- NS 1 :** **Financial statements** (IPSAS 1 “Presentation of Financial Statements” and IPSAS 2 “Cash Flow Statements”) ;
- NS 2 :** **Intangibles assets** (IAS 38);
- NS 3 :** **Property, Plant, Equipment** (IPSAS 17 “Property, Plant and Equipment”/IAS 16);
- NS 4 :** **Financial assets** (IAS 22) ;
- NS 5 :** **Inventories** (IPSAS 12 “Inventories” / IAS 2);
- NS 6 :** **Receivables** (IPSAS 23 « Revenue from non exchange transactions (taxes and transfers) ») ;
- NS 7 :** **Cash flow statements** ;
- NS 8 :** **Financial liabilities and effects of Changes in Foreign Exchange Rates** (IPSAS 4 “The Effects of Changes in Foreign Exchange Rates” and IPSAS 5 “Borrowing Costs” / IAS 21 and 23);
- NS 9 :** **Contingencies and loss provision, non financial debts and other liabilities** (IPSAS 19 “Provisions, Contingent Liabilities and Contingent Assets”/IAS 37);
- NS 10 :** **Revenues from non exchange transactions** (IPSAS 23 “Revenue from non exchange transactions (taxes and transfers)”
- NS 11 :** **Revenues** (IPSAS 9 “Revenue from Exchange Transactions” / IAS 18);
- NS 12 :** **Expenses** ;
- NS 13 :** **Off-balance sheet liabilities** (IPSAS 1 “Presentation of Financial Statements”).

Process of the accounting reform

Chart of accounts

- **Class 1** : Net assets and accounts of permanent funding ;
- **Class 2** : Fixed assets accounts ;
- **Class 3** : Current assets (non-cash) accounts and internal liaison accounts ;
- **Class 4** : Current liabilities (non-cash) ;
- **Class 5** : Cash accounts ;
- **Class 6** : Expenditures accounts ;
- **Class 7** : Revenues accounts ;
- **Class 8** : Off-balance liabilities ;
- **Class 9** : Budget and cost accounting.

Principles of recording

- Detailed description of movements affecting the accounts;
- The generating event is linked to the existence of a right or an obligation;
- The existence of a right or an obligation is translated into the different categories of assets, liabilities, income and expenses.

Process of the accounting reform

IT System

Expectations :

- Automating financial and budget processes;
- Enhancing quality of accounts data;
- Simplifying and modernizing the State's accounting processes;
- Strengthening control, protection and traceability of transactions;
- Shortening processing time of accounting operations and financial reporting;
- Supporting the decision making.

Process of the accounting reform

IT System

Functional scope, to take into account the needs for :

- 3D accounting system (budget, general and cost);
- Accounting centralisation purposes;
- Monitoring and reporting;
- Consolidation;
- Financial analysis.

Process of the accounting reform

Opening balance sheet

A starting base and a continuous enrichment work :

- Taking into account the constraints of the partners and their environments;
- Gradual approach, iterative and experimental at the finance sub-departments before generalization;
- Ongoing process of enrichment and reliability enhancement (particularities of the State, identification issues, measurement issues);
- Criteria for identification and assessment :

ASSET – Fixed Assets

- Identification : legal ownership criterion;
- Measurement :

acquisition cost	: assets acquired for consideration
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production cost	: in-house produced assets
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market value	: assets received as grants or donation
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LIABILITIES - Debt

- Financial debt : recorded under loan issuing year;
- Non-financial debts and other liabilities : measured at nominal value

Process of the accounting reform

Opening balance sheet - restructuring of public accounts.

- Accounts concerned: all accounts with a significant clearance need;
- Priority criteria: interim account assignment items and deposit accounts;
- Involvement of government accountants;
- Governance scheme
- Balances transfer
 - Using the balance of accounts in the trial balance;
 - Determination of non-accounting balances;
 - Integration of such balances in the opening balance sheet for the financial year 2011.

Process of the accounting reform

Challenges encountered

- Conceptual :
 - Combining convergence with international standards with the integration of State's particularities.
- Legal :
 - Consideration of regulatory, budget and finance procedures;
 - Adapting regulation to the new accounting system.
- Organizational :
 - Need for establishment of an adequate accounting organization (for tracking inventory, assets, suppliers, debt, auto park, ... etc.).
- Technical :
 - Numerous IT applications by business sector;
- Human resources :
 - Lack of highly skilled human resources.

Change management



Design and implementation of a change management plan for the state's accounting reform, covering the following items :

- Outreach days on assets identification;
- Seminars and symposia;
- Website;
- Capacity building;
- Outreach on IT System;
- Communication.

Conclusion

Challenges of IPSAS adoption

- IPSAS Instability : biennial update;
- Difficulty in determining the scope and the limits of "non-exchange transactions" ;
- No linkage between the budget and accounting;
- IPSAS are largely based on IAS / IFRS;
- Governance review of the IPSAS Board in terms of legitimacy, credibility and accountability (WB, IMF, OECD).

Conclusion

Key success factors

- Political support;
- Having a team of skilled people in accounting;
- Pre-reviewing budgetary and financial procedures that are at the origin of accounting operations;
- Establishing a clear accounting organization setting the roles and responsibilities of stakeholders;
- Adopting a phased approach taking into account the specific context of the State;
- Keeping open to the world to capitalize on lessons learned and best practices from other countries.



Thank you for your attention